

HARRISVILLE CENTRAL
SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2019

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**BOWERS & COMPANY
CPAS PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF EDUCATION
HARRISVILLE CENTRAL SCHOOL DISTRICT**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrisville Central School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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, each major fund, and the aggregate remaining fund information of Harrisville Central 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 (pages 4-18), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 77), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (pages 78-79), Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) NYSLRS – Pension Plan (page 80), and the Schedule of the District's Contributions – NYSLRS Pension Plan (page 81) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

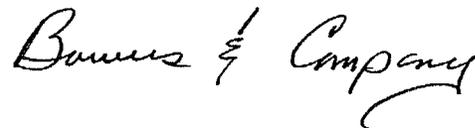
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harrisville Central School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Schedule of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and the Net Investment in Capital Assets (pages 82-86) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 82-86) 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 Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 82-86) 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 15, 2019 on our consideration of the Harrisville Central School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Harrisville Central School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harrisville Central School District’s internal control over financial reporting and compliance.



Watertown, New York
October 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

INTRODUCTION

The following is a discussion and analysis of the Harrisville Central School District's (the District) financial performance for the fiscal year ended June 30, 2019. It is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is 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.

The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF FINANCIAL STATEMENTS

The District's annual report consists of three parts: management's discussion & analysis, the basic financial statements, and required supplementary information.

Management's Discussion and Analysis

This section presents Management's Discussion and Analysis (MD&A). It precedes the financial statements and its purpose is to put current financial performance in perspective relative to past performance and future expectations.

Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the District, district-wide and fund financial statements.

Required Supplementary Information

The basic financial statements and notes are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Table A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Table A-1	Major Features of the District-Wide and Fund Financial Statement		
		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities' monies
Required Financial Statements	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset / Liability Information	All assets and liabilities, both financial and capital, short term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow / Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	Additions and deductions during the year, regardless of when cash is received or paid

District-Wide Financial Statements

The first two financial statements that follow are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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

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

FUND FINANCIAL STATEMENTS

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The fund financial statements concentrate on the District's most significant funds with all other non-major funds listed in total in one column. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FUND FINANCIAL STATEMENTS - Continued

The District has two kinds of funds:

Governmental Funds - include most of the District's basic services. They generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending.

- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- The governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
- Because this information does not encompass the additional long-term focus of the district-wide statements, additional information detailed in Note 2 of the financial statements explains the relationship (or differences) between them.

Fiduciary Funds - the District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities fund.

- The fiduciary funds statements provide information about financial relationships in which the District acts solely as a trustee or agent for the benefit of others.
- The District is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.
- The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Condensed Statement of Net Position – Governmental Activities

**Condensed Statement of Net Position
Comparison 2018-2019 and 2017-2018**

	2019	2018	Percent Change
Assets			
Current and Other Assets	\$ 3,339,817	\$ 9,441,045	-64.6%
Capital Assets	17,436,497	16,152,565	7.9%
Net Pension Assets	340,778	131,715	-61.3%
Total Assets	<u>\$ 21,117,092</u>	<u>\$ 25,725,325</u>	-17.9%
Deferred Outflows of Resources	<u>\$ 2,869,748</u>	<u>\$ 2,953,101</u>	-2.8%
Liabilities			
Current Liabilities	\$ 1,020,336	\$ 11,512,072	-91.1%
Long-Term Liabilities	38,436,591	34,431,501	11.6%
Total Liabilities	<u>\$ 39,456,927</u>	<u>\$ 45,943,573</u>	-14.1%
Deferred Inflows of Resources	<u>\$ 10,679,638</u>	<u>\$ 9,097,000</u>	17.4%
Net Position			
Net Investment in Capital Assets	\$ 9,234,697	\$ 9,271,029	-0.4%
Restricted	1,906,324	2,570,717	-25.8%
Unrestricted	(37,290,746)	(38,203,893)	2.4%
Total Net Position	<u>\$(26,149,725)</u>	<u>\$(26,362,147)</u>	-0.8%

Total District net position increased .8% over 2018-2019, or \$212,422. Capital assets increased 7.9%, or \$1,283,932, since fiscal year ending 2018. Unrestricted net position increased 2.4% or \$913,147, due mainly to the decrease in postemployment benefits in the financial statements, so the district would be in compliance with GASB 75.

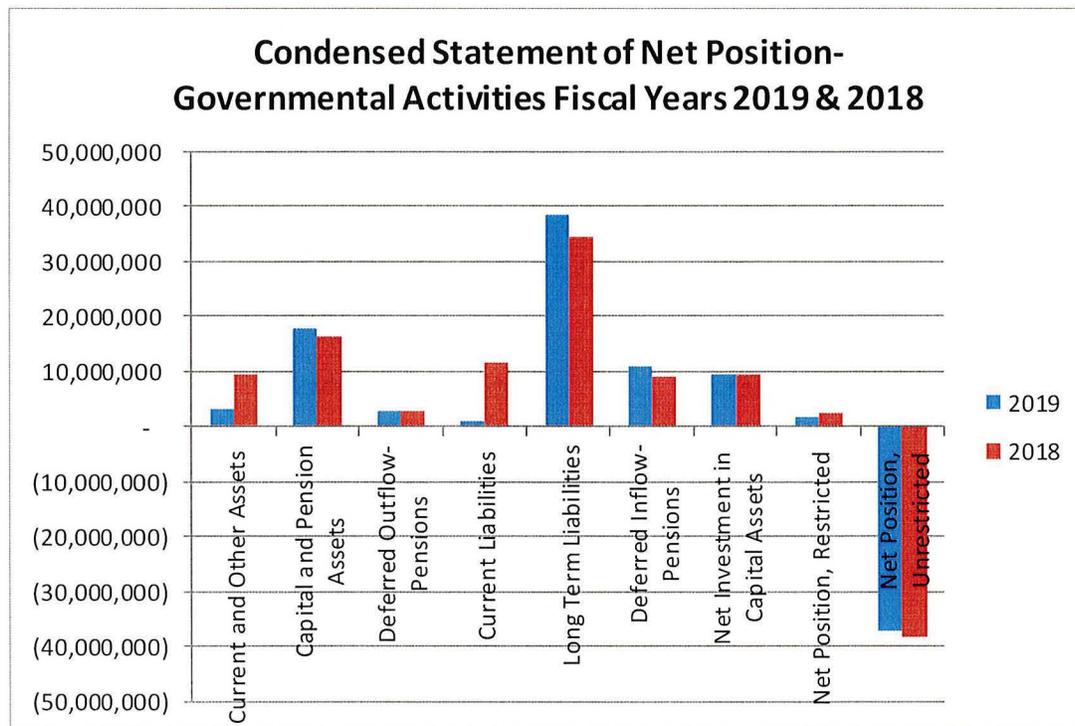
HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$26,149,725 at the close of the most recent fiscal year. This represents a \$212,422 increase in the statement of net position for the year. The overall deficit is largely due to the District's other postemployment benefit ("OPEB") liability. As of June 30, 2019, the OPEB liability was \$30,458,773. See Note 12 for additional OPEB information.



HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued**

Changes in Net Position from Operating Results – District Wide**Condensed Statement of Net Position
Comparison 2018 - 2019**

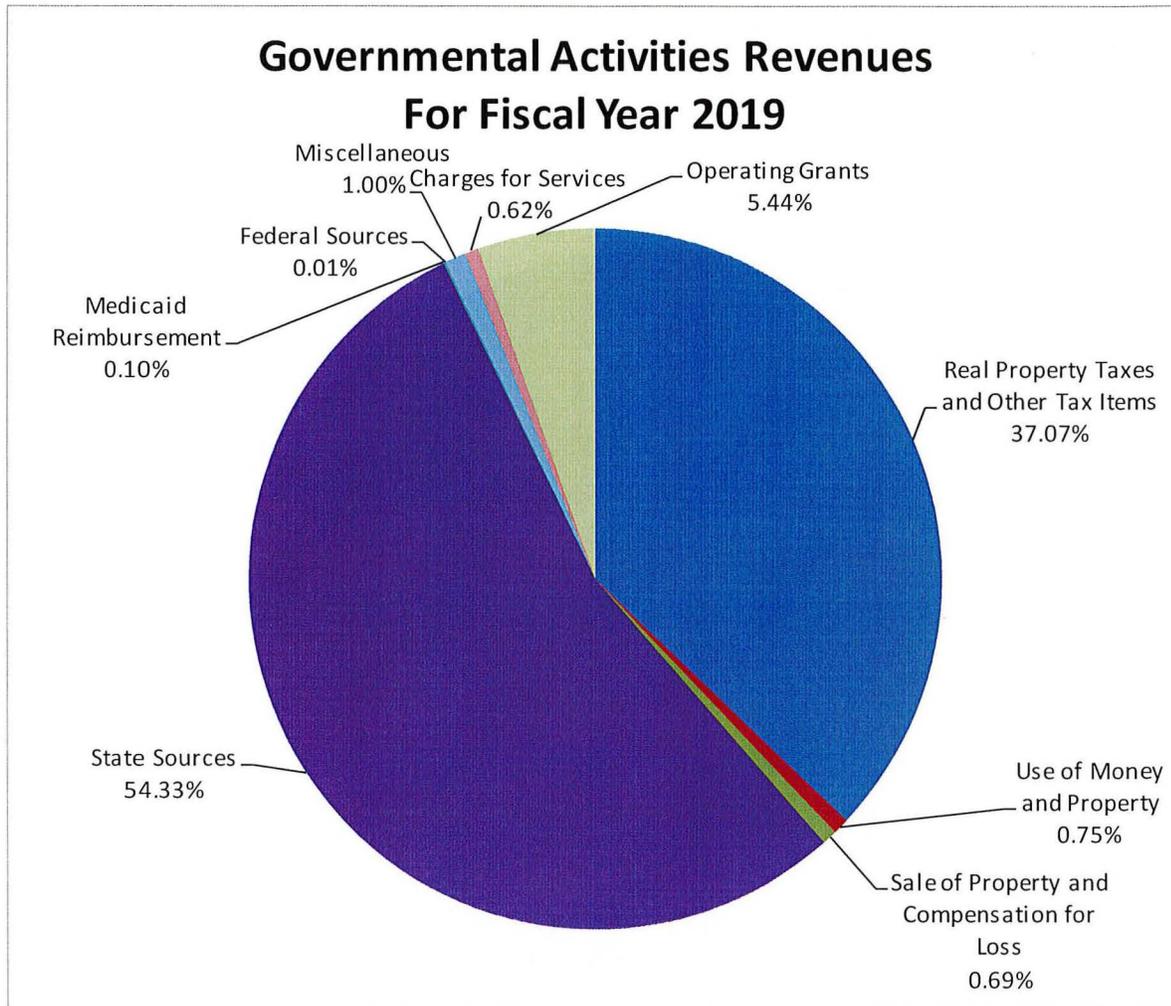
	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Revenues			
Program Revenues			
Charges for Services	\$ 64,009	\$ 225,687	-71.6%
Operating Grants	557,841	1,012,898	-44.9%
General Revenues			
Real Property Taxes and Other Tax Items	3,799,165	3,687,280	3.0%
State Aid	5,568,233	5,191,364	7.3%
Federal Aid	10,756	18,876	-43.0%
Use of Money and Property	76,509	122,614	-37.6%
Sale of Property and Compensation for Loss	80,937	49,944	62.1%
Loss on Sale of Property	(10,228)	-	100.0%
Miscellaneous	102,135	88,706	15.1%
Total Revenues	<u>10,249,357</u>	<u>10,397,369</u>	<u>-1.4%</u>
Expenses			
General Support	1,737,058	1,576,601	10.2%
Instruction	6,985,608	8,140,450	-14.2%
Transportation	856,812	827,201	3.6%
Community Service	1,500	1,500	0.0%
Debt Service	233,264	143,784	62.2%
School Lunch Program	222,693	222,081	0.3%
Total Expenses	<u>10,036,935</u>	<u>10,911,617</u>	<u>-8.0%</u>
Change in Net Position	<u>\$ 212,422</u>	<u>\$ (514,248)</u>	<u>141.3%</u>

The District's total revenues were \$10,249,357. A majority of the revenue comes from state aid for specific programs 54.33%, or \$5,568,233. Property taxes, including STAR and interest and penalties, accounted for another 37.07%, or \$3,799,165 of total revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued



****Due to rounding, the sum of percentages may be slightly less or more than 100****

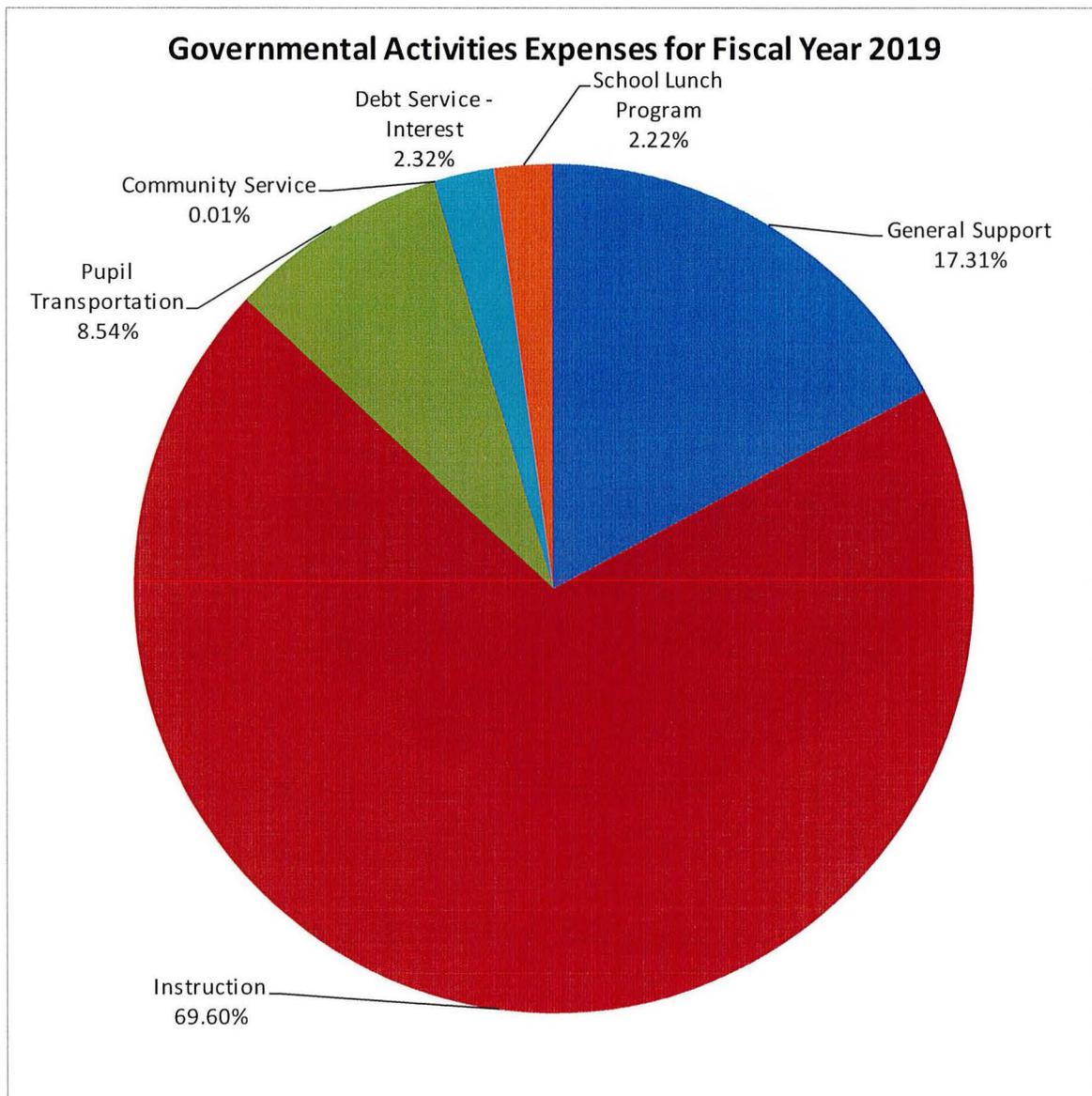
HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The total cost of all programs and services was \$10,036,935. \$3,025,396, or 30%, of the District's expenses are predominately related to the benefits of current and retired employees.

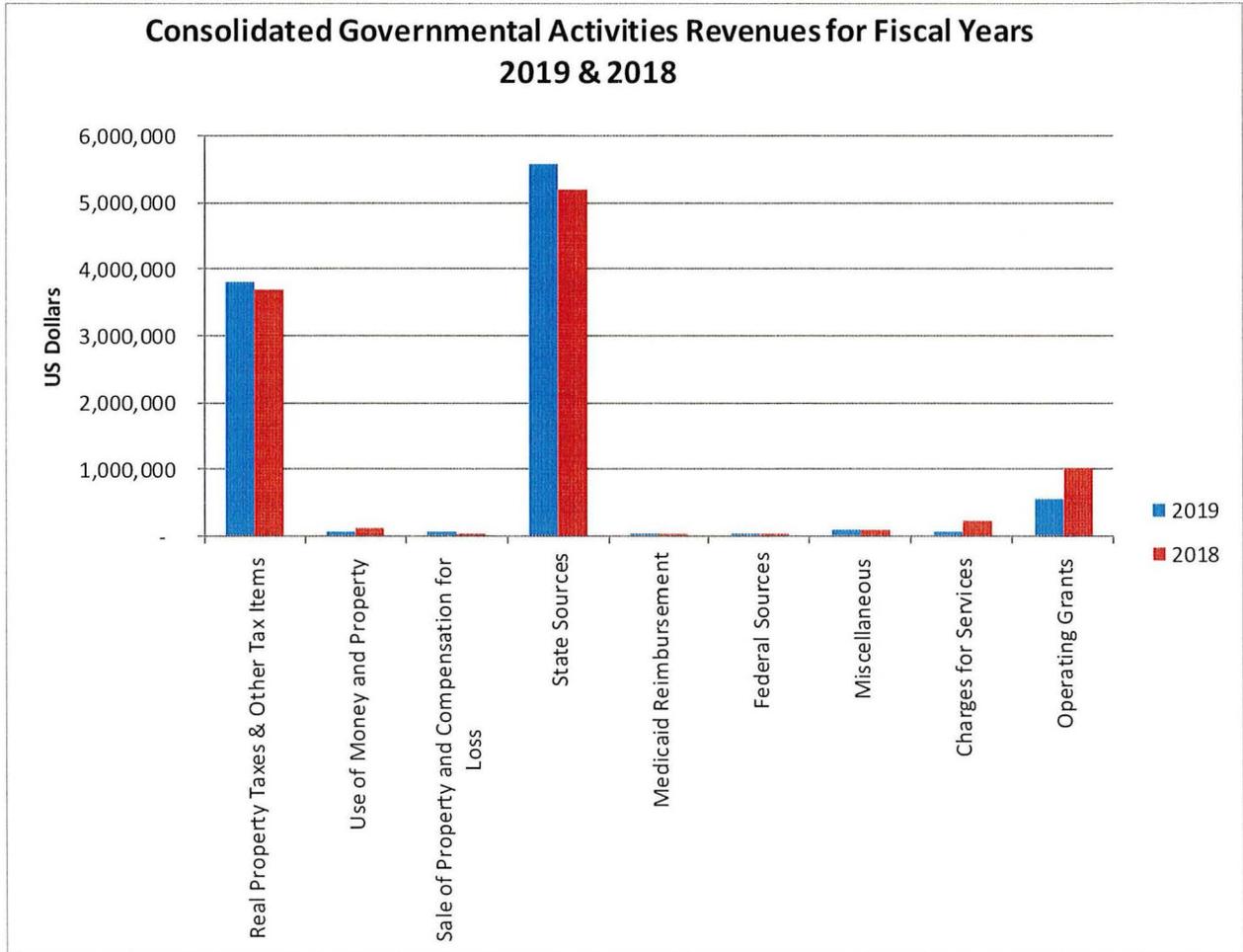


HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued**

Following is a discussion of significant percentage changes in revenues and expenditures for the 2018-2019 fiscal year.

Revenues:

- Use of Money and Property - Decreased more than 37% over the prior year. Cash flow is monitored regularly, and interest rates determine the most valuable investment options.
- Sale of Property and Compensation for Loss – Increased 62.1% over the prior year to \$80,937.
- Charges for Services - This revenue category consists of school lunch sales and other miscellaneous charges for services such as tuition and admissions. This revenue category decreased 71.6% from the prior year, due to loss of tuition from other schools.
- Operating Grants - This revenue category accounted for a 44.9% decrease in 2018-2019 compared to the prior year due to a decrease in grant money received in the current year.

Expenses:

- General Support - This category increased 10.2%. General support expenditures are totaled from the general fund, special aid fund, as well as the school lunch fund.
- Instruction - Instructional expenditures decreased 14.2% in 2018-2019 compared to the prior year.
- Debt Service – Debt service expenditures increased 62.2% from the prior year.

The total change in expenditures from 2017-2018 to 2018-2019 amounted to a decrease of 8%, causing an overall increase in net position of \$212,422.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,304,406 as compared to last year's ending fund balance of (\$1,975,212). The combined fund balance increased \$4,315,618. This was due to the bonds received related to the capital project in the amount of \$5,670,000. The fund balance in the General fund decreased \$728,749 or 23.8%. The budgeted appropriated fund balance decreased from \$818,878 for 2018-2019 to \$755,402 for 2019-2020.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. A schedule of the District's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report. Following is a discussion comparing Revenue and Expenditure final budget variances with budgetary actual.

Revenues:

- Overall Revenues - The District received \$11,098 less in revenue compared to the final budget. The District budgeted \$9,638,290, however, received \$9,627,192.

Expenditures:

- General Support - The actual general support expenditures for 2018-2019 were \$1,495,603. The final budgeted expenditures for general support totaled \$1,595,359. This is a 5.78%, or \$86,414 variance between budgeted and actual general support expenditures, including encumbrances.
- Instruction - The actual instructional expenditures for 2018-2019 were \$4,479,677 a \$51,933, or 1.16%, variance from the budgeted figure of \$4,538,066. Special Education instruction and program expenses have the potential to fluctuate significantly from year to year owing to new and current students being classified for these services.
- Pupil Transportation - The actual pupil transportation expenditures for 2018-2019 totaled \$469,788 a \$86,826, or a 15.57%, variance from budgeted expenditures of \$557,775, including encumbrances.

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS - Continued

Fund Balance

The general fund, fund balance at July 1, 2018 totaled \$3,051,759. At June 30, 2019, the ending fund balance equaled \$2,323,010. Fund balance includes reserves of \$1,295,635 and appropriated fund balance of \$776,537.

CAPITAL ASSET AND DEBT ADMINISTRATION

Category	2019	2018	Percent Change
Land	\$ 25,165	\$ 25,165	0.0%
Construction in Progress	-	3,393,419	-100.0%
Buildings and Site Improvements (Net of Depreciation)	16,780,130	12,083,283	38.9%
Vehicles (Net of Depreciation)	401,686	448,044	-10.3%
Furniture and Equipment (Net of Depreciation)	229,516	202,654	13.3%
Total	\$ 17,436,497	\$ 16,152,565	

The above statement of capital assets includes current year's depreciation of \$640,564. At June 30, 2019, the District had invested \$17,436,497 in a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and vehicles. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long-Term Debt

Category	Fiscal Year 2019	Fiscal Year 2018	Percent Change
General Obligation Bonds	\$ 7,630,000	\$ 1,345,000	467.3%
Postemployment Benefits	30,458,773	32,821,789	-7.2%
Net Pension Liability	183,872	90,804	102.5%
Compensated Absences	163,946	173,908	-5.7%
Total	\$ 38,436,591	\$ 34,431,501	11.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION - Continued

At year end, the District had \$38,436,591 in long term debt, consisting of general obligation bonds, compensated absences, net pension liability, and postemployment benefits, as shown. Long-term debt highlights include:

- New Debt: New bond issued to pay for school-wide capital project of \$5,670,000.
- Retired Debt: The District retired \$180,000 in bond principal debt.
- The compensated absences calculation decreased \$9,962 or 5.7%, as a result of the increase in both wages and accumulated sick and vacation time, which the calculation is based on.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health:

- Current 2018-2019 enrollment figures of 390 indicate a sizable decrease over the prior school year figure. The uncertain military environment confounds the potential for residential development at Fort Drum and the surrounding school districts. As a result, it is difficult to accurately project student enrollment at Harrisville. It is possible to see student enrollment increase, especially if a missile launch site is developed. However, it is also probable to see declining enrollment over the next five years.
- The District continued their UPK program during the 2018-2019 fiscal year. Due to the decrease in size the district reduced the program to one session occupying three-quarters of the school day. The grant in aid covered the majority of the costs. The program served 15 children in the 2018-2019 fiscal year. We will continue one three-quarters of a day program in 2019-2020 as well although we are at 19 students.

HARRISVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES - Continued

- ❑ The large increases in health insurance premiums will continue to have a significant effect on the future financial health of the District. Health insurance premiums account increased by 5% last year, and that is a trend that is expected to be continuing.
- ❑ The contracts for the Harrisville Teacher's Association (HTA) expired on June 30, 2019, although a tentative agreement has been reached. The Harrisville Service Association (HSA) contract expires on June 30, 2021.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, 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, contact: Business Office, Harrisville Central School, Pirate Lane, Harrisville, NY 13648.

HARRISVILLE CENTRAL SCHOOL DISTRICT

AUDITED BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

June 30, 2019

ASSETS	
Cash and Cash Equivalents	
Unrestricted	\$ 172,836
Restricted	1,629,597
Receivables	
State and Federal Aid	1,109,281
Due From Other Governments	377,623
Due From Fiduciary Funds	925
Other	30,828
Inventories	12,078
Prepaid Expenses	6,649
Capital Assets, Net	17,436,497
Net Pension Asset - Proportionate Share	340,778
TOTAL ASSETS	\$ 21,117,092
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	\$ 1,942,855
Other Postemployment Benefits	926,893
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 2,869,748
LIABILITIES	
Payables	
Accounts Payable	\$ 14,960
Accrued Liabilities	20,716
Due to Other Governments	256
Due to Fiduciary Funds	3,993
Accrued Interest Payable	20,925
Due to Teachers' Retirement System	351,904
Due to Employees' Retirement System	35,782
Compensated Absences Payable - Current	-
Notes Payable	
Bond Anticipation Notes	571,800
Long-Term Liabilities	
Due and Payable Within One Year	
Bonds Payable, Net of Unamortized Premium	423,000
Due and Payable After One Year	
Bonds Payable, Net of Unamortized Premium	7,207,000
Compensated Absences Payable	163,946
Other Postemployment Benefits Payable	30,458,773
Net Pension Liability - Proportionate Share	183,872
TOTAL LIABILITIES	\$ 39,456,927
DEFERRED INFLOWS OF RESOURCES	
Pensions	\$ 619,759
Other Postemployment Benefits	10,059,879
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 10,679,638
NET POSITION	
Net Investment in Capital Assets	\$ 9,234,697
Restricted	1,906,324
Unrestricted (Deficit)	(37,290,746)
TOTAL NET POSITION	\$ (26,149,725)

See notes to audited basic financial statements.

HARRISVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
General Support	\$ 1,737,058	\$ -	\$ -	\$ (1,737,058)
Instruction	6,985,608	5,994	433,763	(6,545,851)
Pupil Transportation	856,812	-	-	(856,812)
Community Service	1,500	-	-	(1,500)
Debt Service - Interest	233,264	-	-	(233,264)
School Food Service Program	222,693	58,015	124,078	(40,600)
Total Functions and Programs	<u>\$ 10,036,935</u>	<u>\$ 64,009</u>	<u>\$ 557,841</u>	<u>(9,415,085)</u>
GENERAL REVENUES				
Real Property Taxes				3,368,601
Other Tax Items				430,564
Use of Money and Property				76,509
Sale of Property and Compensation for Loss				80,937
Loss on Disposal of Property				(10,228)
State Sources				5,568,233
Medicaid Reimbursement				10,201
Federal Sources				555
Miscellaneous				102,135
Total General Revenues				<u>9,627,507</u>
Change in Net Position				212,422
Net Position - Beginning of Year				<u>(26,362,147)</u>
Net Position - End of Year				<u>\$ (26,149,725)</u>

See notes to audited basic financial statements.

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BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	<u>General Fund</u>	<u>Special Aid Fund</u>
ASSETS		
Cash and Cash Equivalents		
Unrestricted	\$ 156,218	\$ 11,024
Restricted	1,295,635	-
Receivables		
Due From Other Funds	447,720	-
Due From Fiduciary Funds	925	-
State and Federal Aid	668,357	432,215
Due From Other Governments	377,623	-
Other	29,143	-
Inventories	-	-
Prepaid Expenditures	6,649	-
TOTAL ASSETS	<u>\$ 2,982,270</u>	<u>\$ 443,239</u>
LIABILITIES		
Payables		
Accounts Payable	\$ 14,116	\$ -
Accrued Liabilities	17,844	458
Due to Fiduciary Funds	3,993	-
Due to Other Funds	235,621	442,781
Due to Other Governments	-	-
Compensated Absences	-	-
Due to Teachers' Retirement System	351,904	-
Due to Employees' Retirement System	35,782	-
Notes Payable		
Bond Anticipation	-	-
Total Liabilities	<u>659,260</u>	<u>443,239</u>
FUND BALANCES		
Nonspendable	6,649	-
Restricted	1,295,635	-
Assigned	776,537	-
Unassigned (Deficit)	244,189	-
Total Fund Balances (Deficits)	<u>2,323,010</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,982,270</u>	<u>\$ 443,239</u>

HARRISVILLE CENTRAL SCHOOL DISTRICT

Capital Projects Fund School Wide	Capital Projects Fund Buses	Debt Service	Non-Major Funds	Total Governmental Funds
\$ 2,702	\$ -	\$ -	\$ 2,892	\$ 172,836
-	-	333,962	-	1,629,597
117,603	118,018	276,727	-	960,068
-	-	-	-	925
-	-	-	8,709	1,109,281
-	-	-	-	377,623
-	601	-	1,084	30,828
-	-	-	12,078	12,078
-	-	-	-	6,649
<u>\$ 120,305</u>	<u>\$ 118,619</u>	<u>\$ 610,689</u>	<u>\$ 24,763</u>	<u>\$ 4,299,885</u>
\$ -	\$ 700	\$ -	\$ 144	\$ 14,960
-	-	-	2,414	20,716
276,727	-	-	4,939	3,993
-	-	-	256	960,068
-	-	-	-	256
-	-	-	-	-
-	-	-	-	351,904
-	-	-	-	35,782
-	571,800	-	-	571,800
<u>276,727</u>	<u>572,500</u>	<u>-</u>	<u>7,753</u>	<u>1,959,479</u>
-	-	-	12,078	18,727
-	-	610,689	-	1,906,324
-	-	-	4,932	781,469
(156,422)	(453,881)	-	-	(366,114)
<u>(156,422)</u>	<u>(453,881)</u>	<u>610,689</u>	<u>17,010</u>	<u>2,340,406</u>
<u>\$ 120,305</u>	<u>\$ 118,619</u>	<u>\$ 610,689</u>	<u>\$ 24,763</u>	<u>\$ 4,299,885</u>

See notes to audited basic financial statements.

HARRISVILLE CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

June 30, 2019

Total Fund Balance - Governmental Funds \$ 2,340,406

Amounts reported for governmental activities in the Statement of Net Position are different because:

Proportionate share of long term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the fund statements.

Net Pension Asset - Proportionate Share - TRS	340,778	
Net Pension Liability - Proportionate Share - ERS		(183,872)

Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Other Postemployment Benefits	10,059,879	
Pensions	619,759	(10,679,638)

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Other Postemployment Benefits	926,893	
Pensions	1,942,855	2,869,748

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

The Cost of Capital Assets is	\$ 26,762,095	
Accumulated Depreciation is	(9,325,598)	17,436,497

Long-term liabilities, including bonds payable and compensated absences, are not due in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities, at year end, consist of:

Bonds Payable	\$ 6,835,000	
Premium on Bond Payable	795,000	
Accrued Interest Payable	20,925	
Compensated Absences Payable	163,946	
Other Postemployment Benefits Payable	30,458,773	(38,273,644)

Total Net Position - Governmental Activities **\$ (26,149,725)**

See notes to audited basic financial statements.

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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

Year Ended June 30, 2019

	General Fund	Special Aid Fund
REVENUES		
Real Property Taxes	\$ 3,368,601	\$ -
Other Tax Items	430,564	-
Charges for Services	5,994	-
Use of Money and Property	59,972	-
Sale of Property and Compensation for Loss	80,937	-
State Sources	5,568,233	134,270
Medicaid Reimbursement	10,201	-
Federal Sources	555	299,493
Surplus Food	-	-
Sales - School Food Service	-	-
Miscellaneous	102,135	-
Total Revenues	<u>9,627,192</u>	<u>433,763</u>
EXPENDITURES		
General Support	1,495,603	-
Instruction	4,479,677	417,875
Pupil Transportation	469,788	-
Community Service	1,500	-
Employee Benefits	2,944,823	15,888
Debt Service		
Principal	539,400	-
Interest	308,154	-
Cost of Sales - School Food Service	-	-
Capital Outlay	-	-
Total Expenditures	<u>10,238,945</u>	<u>433,763</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(611,753)</u>	<u>-</u>
OTHER FINANCING SOURCES AND (USES)		
Premium on Debt Issuance	-	-
Bond Issuance Cost		
BAN Redeemed From Appropriations	-	-
Proceeds From Debt	-	-
Operating Transfers In	-	-
Operating Transfers (Out)	(116,996)	-
Total Other Financing Sources and (Uses)	<u>(116,996)</u>	<u>-</u>
Net Change in Fund Balances	(728,749)	-
Fund Balances - Beginning of Year	<u>3,051,759</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 2,323,010</u>	<u>\$ -</u>

HARRISVILLE CENTRAL SCHOOL DISTRICT

Capital Projects Fund School Wide	Capital Projects Fund Buses	Debt Service	Non-Major Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 3,368,601
-	-	-	-	430,564
-	-	-	-	5,994
-	-	16,536	1	76,509
-	-	-	-	80,937
-	-	-	4,061	5,706,564
-	-	-	-	10,201
-	-	-	110,513	410,561
-	-	-	9,504	9,504
-	-	-	58,015	58,015
-	-	-	-	102,135
<u>-</u>	<u>-</u>	<u>16,536</u>	<u>182,094</u>	<u>10,259,585</u>
-	-	-	110,500	1,606,103
-	-	-	-	4,897,552
-	-	-	-	469,788
-	-	-	-	1,500
-	-	-	54,899	3,015,610
-	-	-	-	539,400
-	-	-	-	308,154
-	-	-	77,141	77,141
<u>1,589,400</u>	<u>176,723</u>	<u>-</u>	<u>86,996</u>	<u>1,853,119</u>
<u>1,589,400</u>	<u>176,723</u>	<u>-</u>	<u>329,536</u>	<u>12,768,367</u>
<u>(1,589,400)</u>	<u>(176,723)</u>	<u>16,536</u>	<u>(147,442)</u>	<u>(2,508,782)</u>
-	-	930,814	-	930,814
-	-	(135,814)	-	(135,814)
210,000	149,400	-	-	359,400
5,670,000	-	-	-	5,670,000
-	-	(795,000)	116,996	(678,004)
<u>795,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>678,004</u>
<u>6,675,000</u>	<u>149,400</u>	<u>-</u>	<u>116,996</u>	<u>6,824,400</u>
5,085,600	(27,323)	16,536	(30,446)	4,315,618
(5,242,022)	(426,558)	594,153	47,456	(1,975,212)
<u>\$ (156,422)</u>	<u>\$ (453,881)</u>	<u>\$ 610,689</u>	<u>\$ 17,010</u>	<u>\$ 2,340,406</u>

See notes to audited basic financial statements.

HARRISVILLE CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**
Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds **\$ 4,315,618**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position, assets with an initial individual cost of more than \$5,000 are capitalized and in the Statement of Activities the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlays	\$ 1,975,975	
Loss on Disposal	(51,479)	
Depreciation Expense	<u>(640,564)</u>	1,283,932

Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period. 180,000

Proceeds of long-term debt, including premiums on issuance, are recorded as an other financing source for governmental funds but are not recorded in the Statement of Activities. This is the amount of proceeds from long-term debt received in the current year. (6,465,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The interest reported in the Statement of Activities is increased by the addition to accrued interest on bonds and bond anticipation notes. 74,890

In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay) and special termination benefits (early retirement)--are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). 9,962

See notes to audited basic financial statements.

HARRISVILLE CENTRAL SCHOOL DISTRICT

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

Year Ended June 30, 2019

On the Statement of Activities, the actual and projected long term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas, on the governmental funds only the actual expenditures are recorded for postemployment benefits.

747,238

(Increases) decreases in proportionate share of net pension asset (liability) and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.

Teachers' Retirement System	\$	74,376	
Employees' Retirement System		<u>(8,594)</u>	<u>65,782</u>
Change in Net Position of Governmental Activities			<u><u>\$ 212,422</u></u>

HARRISVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

	Private Purpose Trusts	Agency
	<u> </u>	<u> </u>
ASSETS		
Restricted Cash	\$ 15,567	\$ 67,690
Due From Other Funds	-	3,993
Total Assets	<u>\$ 15,567</u>	<u>\$ 71,683</u>
LIABILITIES		
Due to Governmental Funds	\$ 925	-
Extra Classroom Activity Balances	-	28,930
Other Liabilities	-	42,753
Total Liabilities	<u> 925</u>	<u>\$ 71,683</u>
NET POSITION		
Restricted for Scholarships	<u>\$ 14,642</u>	

See notes to audited basic financial statements.

HARRISVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2019

	Private Purpose Trusts
ADDITIONS	
Gifts and Contributions	\$ 3,005
Interest Earnings	175
Total Additions	<u>3,180</u>
DEDUCTIONS	
Scholarships and Awards	<u>5,996</u>
Change in Net Position	(2,816)
Net Position - Beginning of Year	<u>17,458</u>
Net Position - End of Year	<u><u>\$ 14,642</u></u>

See notes to audited basic financial statements.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

Extra Classroom Activity Funds

The Extra Classroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra Classroom 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 Extra Classroom Activity Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Joint Venture

The District is one of 18 component school districts in the St. Lawrence-Lewis Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

During the year, the District was billed \$1,748,890 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$911,978. This represents state aid distributions of \$826,483 and 2018 fund balance returned to schools of \$85,495.

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

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.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State and Federal 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 reflects capital-specific grants.

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

Fund 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. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following governmental funds:

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

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

Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for specific educational programs.

School Food Service Fund: Used to account for child nutrition activities whose funds are restricted as to use.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

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

Debt Service Fund: This fund accounts for the accumulations 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.

The District reports the following fiduciary funds:

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

There are two classes of fiduciary funds:

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

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

Measurement Focus and Basis of Accounting

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting - Continued

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

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collectible within 60 days after the end of the fiscal year.

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

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1st and became a lien on August 13, 2018. Taxes are collected during the period September 1, 2018 to October 31, 2018.

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

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Interfund Transactions

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

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

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

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

Estimates

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

Cash and Cash Equivalents

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents - Continued

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

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.

Inventories and Prepaid Items

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

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

A 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.

Other Assets

In the district-wide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

Capital Assets

Capital assets are reported at actual cost for acquisitions or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets - Continued

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Site Improvements	\$ 5,000	SL	5-20 Years
Buildings	5,000	SL	20-50 Years
Furniture and Equipment	5,000	SL	5-8 Years
Vehicles	5,000	SL	5-10 Years

The District does not possess any infrastructure.

Deferred Outflows and Inflows of Resources

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources - Continued

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement 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.

Unearned Revenue

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

Vested Employee Benefits

Compensated Absences

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

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Vested Employee Benefits - Continued

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

In the 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.

Other Benefits

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

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as expenditure.

Short-Term Debt

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Short-Term Debt - Continued

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

The District may issue Bond Anticipation Notes (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.

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

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 full, in a timely manner, from current financial resources. Claims and judgments, other postemployment benefits payable, and compensated absences that will be paid from governmental funds are reported as a liability in the 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 within more than one year in the Statement of Net Position.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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, constructions or improvements of those assets.

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

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

Funds Statements

In the fund basis statements, there are five classifications of fund balance:

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund of \$12,078 and prepaid expenditures in the General Fund of \$6,649.

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

Debt Service

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Employee Benefit Accrued Liability

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

Repairs

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

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.

Unemployment Insurance

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Workers' Compensation

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

Restricted fund balance includes the following at June 30, 2019:

General Fund	
Employee Benefit Accrued Liability	\$ 255,371
Repairs	37,217
Retirement Contributions	640,761
Unemployment Insurance	141,998
Workers Compensation	220,288
Debt Service Fund	<u>610,689</u>
Total Restricted Funds	<u>\$ 1,906,324</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 balances as of June 30, 2019.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

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

Unassigned Fund Balance

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

Order of Use of Fund Balance

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

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 statements issued by GASB:

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2019.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Future Changes in Accounting Standards

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 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 No. 90, *Majority Equity Interests- and 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.

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.

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

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

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the 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 and other postemployment benefits payable.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN FUND STATEMENTS AND DISTRICT-WIDE
STATEMENTS - Continued**

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

Differences between the funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities fall into one of five broad categories. The amounts shown below represent:

1. Long-Term Revenue Differences:

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

2. Capital Related Differences:

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

3. Long-Term Debt Transaction Differences:

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

4. 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.

5. OPEB Differences:

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND
ACCOUNTABILITY**

Budgets

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

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

Appropriations are adopted at the program line item level.

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

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

Budgets are established and used for individual capital project 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.

Special revenue funds have not been included in the comparison because they do not have a legally authorized (appropriated) budget.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

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.

Other

The Capital Project-Buses had a deficit fund balance of \$453,881. This will be funded with the renewal of the bus BAN. The Capital Project-Schoolwide had a fund deficit balance of \$156,422. This will be funded with a transfer from General Fund in future years.

NOTE 4 - CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

Cash

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

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

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 851,848

Deposits at year-end were fully collateralized.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 4 - CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS - Continued

Cash – Continued

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$1,629,597 within the Governmental Funds and \$83,257 in the fiduciary funds.

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

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

Investment Pool

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. At June 30, 2019, the School District held \$6,228 in the Fiduciary Funds through the cooperative classified as restricted cash. Also, the District held \$1,449,831 in the General Fund, \$333,962 in the Debt Service Fund, and \$2,127 in the Capital Fund. The amounts represent the cost of the investment pool shares and are considered to be approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of NY Class.

NOTE 5 - RECEIVABLES

Receivables at year-end for individual major funds and non-major funds are as follows:

Description	General	Special Aid	Capital Projects - Buses	Non- Major	Total
State and Federal Aid	\$ 668,357	\$ 432,215	\$ -	\$ 8,709	\$ 1,109,281
Due From Other Governments	377,623	-	-	-	377,623
Other	29,143	-	601	1,084	30,828
	<u>\$ 1,075,123</u>	<u>\$ 432,215</u>	<u>\$ 601</u>	<u>\$ 9,793</u>	<u>\$ 1,517,732</u>

District management has deemed the amounts to be fully collectible.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 6 - CAPITAL ASSETS

Capital asset balances and activity were as follows:

Governmental Activities	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	\$ 25,165	\$ -	\$ -	\$ 25,165
Construction in Progress	3,393,419	-	(3,393,419)	-
Total Nondepreciable Assets	<u>3,418,584</u>	<u>-</u>	<u>(3,393,419)</u>	<u>25,165</u>
Capital Assets That Are Depreciated:				
Site Improvements	513,311	-	-	513,311
Buildings	18,444,141	1,676,396	3,393,419	23,513,956
Furniture and Equipment	1,523,518	81,605	(36,098)	1,569,025
Vehicles	1,121,480	217,974	(198,816)	1,140,638
Total Depreciated Assets	<u>21,602,450</u>	<u>1,975,975</u>	<u>3,158,505</u>	<u>26,736,930</u>
Less: Accumulated Depreciation				
Site Improvements	286,263	15,624	-	301,887
Buildings	6,587,904	357,346	-	6,945,250
Furniture and Equipment	1,320,866	44,513	(25,870)	1,339,509
Vehicles	673,436	223,081	(157,565)	738,952
Total Accumulated Depreciation	<u>8,868,469</u>	<u>640,564</u>	<u>(183,435)</u>	<u>9,325,598</u>
Total Depreciated Assets, Net	<u>12,733,981</u>	<u>1,335,411</u>	<u>3,341,940</u>	<u>17,411,332</u>
Capital Assets, Net	<u>\$ 16,152,565</u>	<u>\$ 1,335,411</u>	<u>\$ (51,479)</u>	<u>\$ 17,436,497</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 91,664
Instruction	325,819
Pupil Transportation	<u>223,081</u>
Total Depreciation Expense	<u>\$ 640,564</u>

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 7 - SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	9/7/2018	2.00%	\$ 499,200	\$ -	\$ 499,200	\$ -
BAN	6/28/2019	2.75%	6,675,000	-	6,675,000	-
BAN	6/29/2018	2.25%	3,500,000	-	3,500,000	-
BAN	9/6/2019	2.39%	-	571,800	-	571,800
			<u>\$ 10,674,200</u>	<u>\$ 571,800</u>	<u>\$ 10,674,200</u>	<u>\$ 571,800</u>

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

Interest Paid	\$ 268,141
Less: Interest Accrued in the Prior Year	(94,711)
Plus: Interest Accrued in the Current Year	<u>9,870</u>
Total Interest on Short-Term Debt	<u>\$ 183,300</u>

The proceeds of the BAN's were used as short-term financing for a capital project and bus purchases. The BAN due June 29, 2018 in the amount of \$3,500,000 was paid on July 2, 2018.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - LONG-TERM DEBT OBLIGATIONS

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long-Term Liabilities:					
General Obligation Debt					
Serial Bonds	\$ 1,345,000	\$ 5,670,000	\$ 180,000	\$ 6,835,000	\$ 370,000
Premium on Bonds	-	795,000	-	795,000	53,000
Total Long-Term Liabilities	<u>1,345,000</u>	<u>6,465,000</u>	<u>180,000</u>	<u>7,630,000</u>	<u>423,000</u>
Other Long-Term Liabilities					
Net Pension Liability -					
Proportionate Share	90,804	93,068	-	183,872	-
Compensated Absences Payable	173,908	-	9,962	163,946	-
Other Postemployment Benefits	<u>32,821,789</u>	<u>-</u>	<u>2,363,016</u>	<u>30,458,773</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>33,086,501</u>	<u>93,068</u>	<u>2,372,978</u>	<u>30,806,591</u>	<u>-</u>
Total Governmental Activities	<u>\$ 34,431,501</u>	<u>\$ 6,558,068</u>	<u>\$ 2,552,978</u>	<u>\$ 38,436,591</u>	<u>\$ 423,000</u>

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

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Serial Bond 2012	06/28/12	06/15/28	2.0-3.5	\$ 1,165,000
Serial Bond 2019	06/17/19	06/15/34	3.0-5.0	<u>5,670,000</u>
Total				<u>\$ 6,835,000</u>

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - LONG-TERM DEBT OBLIGATIONS - Continued

The following is a summary of debt service requirements at year-end June 30:

	Principal	Interest	Total
2020	\$ 370,000	\$ 376,164	\$ 746,164
2021	460,000	285,775	745,775
2022	480,000	266,775	746,775
2023	500,000	246,075	746,075
2024	525,000	223,625	748,625
2025-2029	2,360,000	768,200	3,128,200
Thereafter	<u>2,140,000</u>	<u>247,350</u>	<u>2,387,350</u>
Total	<u>\$ 6,835,000</u>	<u>\$ 2,413,964</u>	<u>\$ 9,248,964</u>

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

Interest Paid	\$ 40,013
Less: Interest Accrued in the Prior Year	(1,104)
Plus: Interest Accrued in the Current Year	<u>11,055</u>
Total Interest on Long-Term Debt	<u>\$ 49,964</u>

NOTE 9 - PENSION PLANS

General Information

The District participates in the New York State Teachers' Retirement System (NYSTRS) and the New York State Employees' Retirement System (NYSERS). These are cost-sharing multiple employer public employee defined benefit 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

Teachers' Retirement System (TRS) Plan Description

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, 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 (ERS) Plan Description

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

TRS Benefits Provided

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

Tier 3

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tier 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

Tier 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

TRS Benefits Provided – Continued

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tier 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of 2 additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits vest after 5 years of credited service except for Tier 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations previously noted for service retirements.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

TRS Benefits Provided – Continued

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of annual benefit. The applicable percentage payable beginning September 2018 is 1.2%. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

ERS Benefits Provided

Benefits

The System provides retirement benefits as well as death and disability benefits.

Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation used in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous 2 years.

Tier 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 4 years.

Vested Benefits

Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100 percent vested.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or exceed 3 percent.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. The District chose to prepay the required contributions by December 15, 2018 and received an overall discount of \$ 897.

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

	NYSTRS	NYSERS
2018-2019	\$ 300,834	\$ 104,874
2017-2018	321,833	113,128
2016-2017	341,195	98,284

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

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

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

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

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

	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (183,872)	\$ 340,778
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0025951%	0.018846%
Change in Proportion Since the Prior Measurement Date	-0.0002184%	0.001517%

For the year ended June 30, 2019, the District's recognized pension expense (credit) of \$74,376 for ERS and (\$8,594) for TRS. At June 30, 2019, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 36,208	\$ 254,661	\$ 12,343	\$ 46,129
Changes of Assumptions	46,218	1,191,243	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	47,192	378,289
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	18,156	40,336	10,851	124,955
District's Contributions Subsequent to the Measurement Date	35,782	320,251	-	-
Total	\$ 136,364	\$ 1,806,491	\$ 70,386	\$ 549,373

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

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

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension asset (liability) in the year ended June 30, 2020, if applicable. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended as follows:

	ERS	TRS
2020	\$ 40,356	\$ 327,954
2021	(32,741)	218,289
2022	(463)	10,837
2023	23,044	217,486
2024	-	140,746
Thereafter	-	21,555

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 liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
Actuarial Valuation Date	April 1, 2018	June 30, 2017
Interest Rate	7.00%	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%

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

Actuarial Assumptions - Continued

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

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

Actuarial Assumptions - Continued

	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
Asset Type		
Domestic Equity	4.55%	5.80%
International Equity	6.35%	7.30%
Private Equity	7.50%	8.90%
Global Equity		6.70%
Real Estate	5.55%	4.90%
Absolute Return Strategies	3.75%	
Opportunistic Portfolio	5.68%	
Real Assets	5.29%	
Bonds and Mortgages	1.31%	
Cash	-0.25%	
Inflation - Indexed Bonds	1.25%	
Private Debt		6.80%
Real Estate		2.80%
Domestic Fixed Income Securities		1.30%
Global Fixed Income Securities		0.90%
Short-Term		0.30%
High-Yield Fixed Income Securities		3.50%

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 7.00% 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 determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.00% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.00% for ERS and 6.25% for TRS) or 1-percentage point higher (8.00% for ERS and 8.25% for TRS) than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (803,920)	\$ (183,872)	\$ 337,011

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (2,341,201)	\$ 340,778	\$ 2,587,531

Pension Plan Fiduciary Net Position

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

	(In Thousands)		
	ERS	TRS	Total
Measurement Date	March 31, 2019	June 30, 2018	
Employer's Total Pension Asset (Liability)	\$ (189,803,429)	\$ (118,107,254)	\$ (307,910,683)
Plan Fiduciary Net Position	182,718,124	119,915,518	302,633,642
Employer's Net Pension Asset (Liability)	<u>\$ (7,085,305)</u>	<u>\$ 1,808,264</u>	<u>\$ (5,277,041)</u>
Ratio of Plan Fiduciary Net Position to the Employer's Total Pension Asset (Liability)	96.27%	101.53%	

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - PENSION PLANS - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 does based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$35,782. Employee contributions are remitted monthly.

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 \$351,904.

NOTE 10 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2019 are as follows:

	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	\$ 448,645	\$ 239,614	\$ -	\$ 116,996
Special Aid	-	442,781	-	-
School Food Service	-	4,939	30,000	-
Debt Service	276,727	-	795,000	-
Capital Projects	235,621	276,727	86,996	795,000
Total Governmental Funds	<u>960,993</u>	<u>964,061</u>	911,996	911,996
Fiduciary	<u>3,993</u>	<u>925</u>	-	-
Total	<u>\$ 964,986</u>	<u>\$ 964,986</u>	<u>\$ 911,996</u>	<u>\$ 911,996</u>

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. The General Fund advances funds to the Special Aid Fund and the School Food Service Fund to provide temporary cash until New York State has reimbursed the grant programs. Unexpended funds from a capital project are transferred to the debt service fund upon completion.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 11 – FUND BALANCE EQUITY

The following is a summary of the Governmental Funds fund balances of the District at the year ended June 30, 2019:

Fund Balances	General	Debt Service	Capital Project - School Wide	Capital Project - Buses	Total Non- Major	Total Governmental Funds
Non-Spendable						
Prepaid Expenditures	\$ 6,649	\$ -	\$ -	\$ -	\$ -	\$ 6,649
Supplies Inventory	-	-	-	-	12,078	12,078
Restricted						
Retirement Cont.	640,761	-	-	-	-	640,761
Workers' Comp.	220,288	-	-	-	-	220,288
Unemployment Ins.	141,998	-	-	-	-	141,998
Debt Service	-	610,689	-	-	-	610,689
Employee Benefit Accrued Liability	255,371	-	-	-	-	255,371
Repairs	37,217	-	-	-	-	37,217
Assigned						
Designated for Next Fiscal Year	755,402	-	-	-	-	755,402
General Support	13,342	-	-	-	-	13,342
Instruction	6,456	-	-	-	-	6,456
Pupil Transportation	1,161	-	-	-	-	1,161
Employee Benefits	176	-	-	-	-	176
School Food Service Fund	-	-	-	-	4,932	4,932
Unassigned (Deficit)						
General Fund	244,189	-	-	-	-	244,189
Capital Projects	-	-	(156,422)	(453,881)	-	(610,303)
Total Governmental Fund Balance	<u>\$ 2,323,010</u>	<u>\$ 610,689</u>	<u>\$ (156,422)</u>	<u>\$ (453,881)</u>	<u>\$ 17,010</u>	<u>\$ 2,340,406</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information about the OPEB Plan

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	65
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>79</u>
Total Covered Employees	<u><u>144</u></u>

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2019, the District recognized \$951,610 for its share of premiums for currently enrolled retirees.

The District provides postemployment (health insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District’s contractual agreements.

The District provides a self-insured minimum premium traditional indemnity plan to eligible retirees and dependents through the St. Lawrence-Lewis health care consortium (the Plan). Currently 65 retired employees have elected to participate and contribute health insurance payments under the District’s plan. Participants must be eligible to retire under the New York State Retirement System (ERS or TRS) and meet the minimum requirements of age 55 with 5 years of service. The plan pays for 100% of the cost of premiums of employees who retired prior to July 1, 2008 and 98% of the cost of premiums of employees who retired after July 1, 2008 and before July 1, 2009 and 95% of the cost of premiums of employees who retired after July 1, 2009. The plan pays 95% of the cost of premiums of employees who were principals, superintendents, and term employees.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS – Continued

General Information about the OPEB Plan - Continued

Spousal benefits continue for the life of the retired employee spouse and surviving spouses are permitted to continue coverage after the death of the retiree but are responsible for paying 100% of the plan premium through COBRA. The plan pays for 95% of the cost of spousal premiums of employees who retired prior to July 1, 2008 and 93% of the cost of spousal premiums of employees who retired after July 1, 2008 and before July 1, 2009 and 90% of the cost of spousal premiums of employees who retired after July 1, 2009. The Plan issues a publicly available financial report.

Total OPEB Liability

The District has obtained an actuarial valuation report as of June 30, 2019 which indicates that the total liability for other postemployment benefits is \$30,458,773 which is reflected in the Statement of Net Position. The OPEB liability was measured as of July 1, 2018 and was determined by actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions

Measurement Date	07/01/18
Rate of Compensation Increase	3.00%
Inflation Rate	2.20%
Discount Rate	3.87%

Assumed Medical/Prescription Drug Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	6.50%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.84%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2088

Additional Information

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (In Years)	6.07
Amortization Period Status	Open
Method Used to Determine Actuarial Value of Assets	N/A

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS – Continued

Total OPEB Liability - Continued

The discount rate was based on a 20-Bond GO Index as of July 1, 2018.

Mortality rates were based on the sex-distinct RPH-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with scale MP-2014, and projected forward with scale MP-2017.

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

Changes in the Total OPEB Liability

Balance at June 30, 2018	\$ 32,821,789
Changes for the Year	
Service Cost	1,290,475
Interest	1,212,095
Changes of Assumptions or Other Inputs	(3,979,682)
Benefit Payments	<u>(885,904)</u>
Net Changes	<u>(2,363,016)</u>
Balance at June 30, 2019	<u><u>\$ 30,458,773</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.60 percent as of July 1, 2017 to 3.87 percent on July 1, 2018.

Changes of assumption and other inputs reflects a change in maximum age before forced retirement from 70 as of July 1, 2017 to 76 on July 1, 2018.

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

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS – Continued

Changes in the Total OPEB Liability - Continued

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Total OPEB Liability	\$ 35,978,784	\$ 30,458,773	\$ 26,076,991

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (trend decreasing to 2.84 percent) or 1 percentage point higher (trend decreasing to 4.84 percent) than the current healthcare cost trend rate:

	1% Decrease (trend Less 1% Decreasing to 2.84%)	Healthcare Cost Trend Rates (Trend Decreasing to 3.84%)	1% Increase (Trend Plus 1% Decreasing to 4.84%)
Total OPEB Liability	\$ 25,408,108	\$ 30,485,773	\$ 37,082,155

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$747,238. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,296,669
Changes of Assumptions or Other Inputs	-	8,763,210
Benefit Payments Subsequent to the Measurement Date	926,893	-
	\$ 926,893	\$ 10,059,879

HARRISVILLE CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

**NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)
BENEFITS– Continued**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB – Continued**

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

Fiscal Year Ending June 30,

2020	\$ (2,322,915)
2021	(2,322,915)
2022	(2,322,915)
2023	(2,322,915)
2024 and Thereafter	<u>(768,219)</u>
	<u>\$ (10,059,879)</u>

NOTE 13 - RISK MANAGEMENT

General

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

Pooled Non-Risk-Retained

The District participates in the St. Lawrence-Lewis Counties School District Employee Medical Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 18 individual governmental units located within the pool's geographic area and is considered a self-sustaining risk pool that will provide coverage for its members up to \$2,000,000 annual maximum and the District has essentially transferred all related risk to the pool.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 13 - RISK MANAGEMENT - Continued

Pooled Non-Risk-Retained – Continued

The District participates in the St. Lawrence-Lewis Counties School District Employees Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled and open claims is \$-0-.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

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

NOTE 15 – DONOR-RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of Scholarships.

Donor-restricted endowments are reported at fair value.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

NOTE 16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 15, 2019, which is the date of the issuance of the financial statements.

HARRISVILLE CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST TWO FISCAL YEARS

Ended June 30, 2019

Total OPEB Liability	2019	2018
Service Cost	\$ 1,290,475	\$ 1,342,680
Interest	1,212,095	1,200,653
Difference between Expected and Actual Experience	-	(1,938,583)
Changes in Assumptions or Other Inputs	(3,979,682)	(8,131,813)
Benefit Payments	(885,904)	(873,309)
Net Change in Total OPEB Liability	(2,363,016)	(8,400,372)
Total OPEB Liability - Beginning	32,821,789	41,222,161
Total OPEB Liability - Ending	\$ 30,458,773	\$ 32,821,789
Covered Payroll	\$ 3,730,552	\$ 3,595,586
Total OPEB Liability as a Percentage of Covered Payroll	816.47%	912.84%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedules included in independent auditor's report.

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

Year Ended June 30, 2019

	Original Budget	Final Budget
REVENUES		
Local Sources		
Real Property Taxes	\$ 3,783,473	\$ 3,783,473
Other Tax Items	3,000	3,000
Charges for Services	51,000	51,000
Use of Money and Property	5,000	5,000
Sale of Property and Compensation for Loss	-	-
Miscellaneous	9,000	9,000
Total Local Sources	<u>3,851,473</u>	<u>3,851,473</u>
State Sources	5,756,817	5,756,817
Medicaid Reimbursement	30,000	30,000
Federal Sources	-	-
Total Revenues	<u>9,638,290</u>	<u>9,638,290</u>
OTHER FINANCING SOURCES		
Transfers From Other Funds	96,000	96,000
Appropriated Reserves	197,599	197,599
Total Revenues and Other Financing Sources	<u>9,931,889</u>	<u>9,931,889</u>
EXPENDITURES		
General Support		
Board of Education	7,200	7,200
Central Administration	182,623	187,388
Finance	210,661	216,786
Staff	42,585	50,226
Central Services	784,544	845,060
Special Items	296,099	288,699
Total General Support	<u>1,523,712</u>	<u>1,595,359</u>
Instruction		
Instruction, Administration and Improvement	322,577	301,870
Teaching - Regular School	2,319,901	2,472,094
Programs for Children with Handicapping Conditions	733,121	646,671
Occupational Education	371,553	371,553
Teaching - Special School	30,500	9,500
Instructional Media	303,816	281,726
Pupil Services	433,052	454,652
Total Instruction	<u>4,514,520</u>	<u>4,538,066</u>
Pupil Transportation	581,301	557,775
Community Service	1,500	1,500
Employee Benefits	3,161,707	3,090,041
Debt Service	946,288	946,287
Total Expenditures	<u>10,729,028</u>	<u>10,729,028</u>
OTHER FINANCING USES		
Operating Transfers to Other Funds	130,000	130,000
Total Expenditures and Other Financing Uses	<u>10,859,028</u>	<u>10,859,028</u>
Net Change in Fund Balance	(927,139)	(927,139)
Fund Balances - Beginning of Year	3,051,759	3,051,759
Fund Balances - End of Year	<u>\$ 2,124,620</u>	<u>\$ 2,124,620</u>

HARRISVILLE CENTRAL SCHOOL DISTRICT

	Actual		Final Budget Variance With Actual
\$	3,368,601		\$ (414,872)
	430,564		427,564
	5,994		(45,006)
	59,972		54,972
	80,937		80,937
	102,135		93,135
	<u>4,048,203</u>		<u>196,730</u>
	5,568,233		(188,584)
	10,201		(19,799)
	555		555
	<u>9,627,192</u>		<u>(11,098)</u>
	-		(96,000)
	-		(197,599)
	<u>9,627,192</u>		<u>\$ (304,697)</u>
		Year-End Encumbrances	Final Budget Variance With Actual and Encumbrances
	6,471	\$ -	\$ 729
	180,604	-	6,784
	212,352	-	4,434
	47,571	-	2,655
	763,960	13,342	67,758
	<u>284,645</u>	<u>-</u>	<u>4,054</u>
	<u>1,495,603</u>	<u>13,342</u>	<u>86,414</u>
	289,841	4,529	7,500
	2,456,757	1,620	13,717
	639,536	307	6,828
	371,553	-	-
	8,570	-	930
	276,216	-	5,510
	437,204	-	17,448
	<u>4,479,677</u>	<u>6,456</u>	<u>51,933</u>
	469,788	1,161	86,826
	1,500	-	-
	2,944,823	176	145,042
	<u>847,554</u>	<u>-</u>	<u>98,733</u>
	<u>10,238,945</u>	<u>21,135</u>	<u>468,948</u>
	116,996	-	13,004
	<u>10,355,941</u>	<u>\$ 21,135</u>	<u>\$ 481,952</u>
	(728,749)		
	<u>3,051,759</u>		
	<u>\$ 2,323,010</u>		

Note to Required Supplementary Information Budget Basis of Accounting: Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

See paragraph on supplementary schedules included in independent auditor's report.

HARRISVILLE CENTRAL SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN
LAST FIVE FISCAL YEARS**

Ended June 30, 2019

	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)					
District's Proportion of the Net Pension Asset (Liability)	0.018846%	0.017329%	0.016675%	0.017049%	0.018298%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ 340,778	\$ 131,715	\$ (178,596)	\$ 1,770,891	\$ 2,038,335
District's Covered Payroll	\$ 3,219,102	\$ 2,900,261	\$ 2,707,184	\$ 2,645,512	\$ 2,760,308
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>10.59%</u>	<u>4.54%</u>	<u>6.60%</u>	<u>66.94%</u>	<u>73.84%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	101.53%	100.66%	99.01%	110.46%	111.48%
Employees' Retirement System (ERS)					
District's Proportion of the Net Pension Asset (Liability)	0.0025951%	0.0028135%	0.0024250%	0.0024297%	0.0026215%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (183,872)	\$ (90,804)	\$ (227,861)	\$ (389,967)	\$ (88,559)
District's Covered Payroll	\$ 752,961	\$ 773,611	\$ 682,206	\$ 661,921	\$ 705,614
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>24.42%</u>	<u>11.74%</u>	<u>33.40%</u>	<u>58.91%</u>	<u>12.55%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	96.27%	98.24%	94.70%	90.68%	97.95%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedules included in independent auditor's report.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – NYSLRS PENSION PLAN
LAST FIVE FISCAL YEARS
 Ended June 30, 2019

	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)					
Contractually Required Contribution	\$ 300,834	\$ 321,833	\$ 341,195	\$ 448,953	\$ 439,232
Contributions in Relation to the Contractually Required Contribution	300,834	321,833	341,195	448,953	439,232
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	3,219,102	2,900,261	2,707,184	2,645,512	2,760,308
Contributions as a Percentage of Covered Payroll	9.35%	11.10%	12.60%	16.97%	15.91%
Employees' Retirement System (ERS)					
Contractually Required Contribution	\$ 104,874	\$ 113,128	\$ 98,284	\$ 135,284	\$ 114,363
Contributions in Relation to the Contractually Required Contribution	104,874	113,128	98,284	135,284	114,363
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	752,961	773,611	682,206	661,921	705,614
Contributions as a Percentage of Covered Payroll	13.93%	14.62%	14.41%	20.44%	16.21%

10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedules included in independent auditor's report.

HARRISVILLE CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT – GENERAL FUND

Year Ended June 30, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 10,750,767
Add: Prior Year's Encumbrances	<u>108,261</u>
Original Budget	10,859,028
Budget Revision	<u>-</u>
Final Budget	<u><u>\$ 10,859,028</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW CALCULATION

2019-2020 Voter Approved Expenditure Budget	<u><u>\$ 11,053,188</u></u>
Maximum Allowed 4% of 2019-2020 Budget	<u><u>\$ 442,128</u></u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 776,537
Unassigned Fund Balance	244,189
Total Unrestricted Fund Balance	<u>1,020,726</u>
Less:	
Appropriated Fund Balance	755,402
Encumbrances Included in Assigned Fund Balance	21,135
Total Adjustments	<u>776,537</u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 244,189</u></u>
Actual Percentage	<u><u>2.21%</u></u>

See paragraph on supplementary schedules included in independent auditor's report.

HARRISVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

Year Ended June 30, 2019

PROJECT TITLE	Expenditures					Financing Resources					Fund Balance 6/30/2019	
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	BAN Redeemed From Appropriations	Proceeds Of Obligations	State Aid	Local Sources		Total
Capital Project	\$ 6,800,000	\$ 6,800,000	\$ 5,242,022	\$ 1,589,400	\$ 6,831,422	\$ (31,422)	\$ 210,000	\$ 5,670,000	\$ -	\$ 795,000	\$ 6,675,000	\$ (156,422)
\$100,000 project	100,000	86,996	-	86,996	86,996	-	-	-	-	86,996	86,996	-
Buses	969,000	969,000	674,358	176,723	851,081	117,919	149,400	247,800	-	-	397,200	(453,881)
Totals	<u>\$ 7,869,000</u>	<u>\$ 7,855,996</u>	<u>\$ 5,916,380</u>	<u>\$ 1,853,119</u>	<u>\$ 7,769,499</u>	<u>\$ 86,497</u>	<u>\$ 359,400</u>	<u>\$ 5,917,800</u>	<u>\$ -</u>	<u>\$ 881,996</u>	<u>\$ 7,159,196</u>	<u>\$ (610,303)</u>

See paragraph on supplementary schedules included in independent auditor's report.

HARRISVILLE CENTRAL SCHOOL DISTRICT

COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2019

	School Food Service Fund	Capital Project Fund Other	Total Non-Major Funds
ASSETS			
Cash and Cash Equivalents			
Unrestricted	\$ 2,892	\$ -	\$ 2,892
Restricted	-	-	-
Receivables			
Due From Other Funds	-	-	-
State and Federal Aid	8,709	-	8,709
Other	1,084	-	1,084
Inventories	12,078	-	12,078
TOTAL ASSETS	\$ 24,763	-	\$ 24,763
LIABILITIES			
Payables			
Accounts Payable	\$ 144	\$ -	\$ 144
Accrued Liabilities	2,414	-	2,414
Due to Other Funds	4,939	-	4,939
Due to Other Governments	256	-	256
Notes Payables			
Bond Anticipation	-	-	-
Total Liabilities	7,753	-	7,753
FUND BALANCES			
Nonspendable	12,078	-	12,078
Restricted	-	-	-
Assigned	4,932	-	4,932
Unassigned	-	-	-
Total Fund Balances	17,010	-	17,010
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,763	\$ -	\$ 24,763

See paragraph on supplementary schedules included in independent auditor's report.

HARRISVILLE CENTRAL SCHOOL DISTRICT

COMBINED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2019

	School Food Service Fund	Capital Project Fund Other	Total Non-Major Funds
REVENUES			
Use of Money and Property	\$ 1	\$ -	\$ 1
State Sources	4,061	-	4,061
Federal Sources	110,513	-	110,513
Surplus Food	9,504	-	9,504
Sales - School Food Service	58,015	-	58,015
Total Revenues	<u>182,094</u>	<u>-</u>	<u>182,094</u>
EXPENDITURES			
General Support	110,500	-	110,500
Employee Benefits	54,899	-	54,899
Cost of Sales - School Food Service	77,141	-	77,141
Capital Outlay	-	86,996	86,996
Total Expenditures	<u>242,540</u>	<u>86,996</u>	<u>329,536</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>(60,446)</u>	<u>(86,996)</u>	<u>(147,442)</u>
OTHER FINANCING SOURCES AND (USES)			
Proceeds from Debt Issuance	-	-	-
Operating Transfers In	30,000	86,996	116,996
Total Other Financing Sources and (Uses)	<u>30,000</u>	<u>86,996</u>	<u>116,996</u>
Net Change in Fund Balances	(30,446)	-	(30,446)
Fund Balances - Beginning of Year	<u>47,456</u>	<u>-</u>	<u>47,456</u>
Fund Balances - End of Year	<u>\$ 17,010</u>	<u>\$ -</u>	<u>\$ 17,010</u>

See paragraph on supplementary schedules included in independent auditor's report.

HARRISVILLE CENTRAL SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS

Year Ended June 30, 2019

Capital Assets, Net		\$ 17,436,497
Deduct:		
Bond Anticipation Notes	\$ 571,800	
Short-Term Portion of Bonds Payable	423,000	
Long-Term Portion of Bonds Payable	<u>7,207,000</u>	<u>8,201,800</u>
Net Investment in Capital Assets		<u>\$ 9,234,697</u>

See paragraph on supplementary schedules included in independent auditor's report.



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**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 BOARD OF EDUCATION
HARRISVILLE CENTRAL SCHOOL DISTRICT**

We have audited, in accordance with the auditing standards of generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Harrisville Central School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Harrisville Central School District's basic financial statements and have issued our report thereon dated October 15, 2019.

Internal Control Over Financial Reporting

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

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

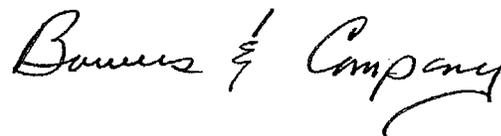
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in dark ink and is positioned to the right of the date and location information.

Watertown, New York
October 15, 2019

EXTRA CLASSROOM ACTIVITY FUND



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS

BOARD OF EDUCATION
HARRISVILLE CENTRAL SCHOOL DISTRICT

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Harrisville Central School District for the year ended June 30, 2019, and the related note to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

Opinion

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the statement of cash receipts and disbursements of Extra Classroom Activity Funds of Harrisville Central School District for the year ended June 30, 2019, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

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

Bauer & Company

Watertown, New York
October 15, 2019

HARRISVILLE CENTRAL SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2019

Account Name	Cash Balance 7/1/2018	Cash Receipts	Cash Disbursements	Cash Balance 6/30/2019
Class of:				
2018	\$ 2,431	\$ 400	\$ 2,831	\$ -
2019	3,113	49,489	49,356	3,246
2020	2,056	9,865	5,935	5,986
2021	1,208	327	194	1,341
2022	-	1,505	653	852
NHS	218	-	-	218
Yearbook	1,969	5,218	6,886	301
Athletics	914	3,706	3,743	877
SRA	365	411	462	314
Music Club	9,289	4,995	6,950	7,334
Library	3,658	1,993	1,869	3,782
NJHS	14	-	-	14
JRSRA	648	866	1,241	273
YAC	879	4,200	3,450	1,629
Life Skills	807	300	1,107	-
Art Club	1,849	2,828	2,339	2,338
Green Team	176	-	-	176
Steam	32	-	-	32
Sales Tax	353	15	151	217
Total	\$ 29,979	\$ 86,118	\$ 87,167	\$ 28,930

See note to the financial statement.

HARRISVILLE CENTRAL SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – NOTE TO FINANCIAL STATEMENT

Year Ended June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Extra Classroom Activity Funds of the Harrisville Central School District represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management.

The accounts of the Extra Classroom Activity Funds of the Harrisville Central School District are maintained on a cash basis and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets and accrued income and expenses, which would be recognized under generally accepted accounting principles and, which may be material in amount, are not recognized in the accompanying financial statement.



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

To the Board of Education
Harrisville Central School District

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

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters.

Condition: Budgeted Transfers

The District has budgeted transfers to the General Fund from the Debt Service Fund and appropriations from the General Fund Reserves that were not made.

Recommendation

We recommend that District transfers funds as budgeted. As the budget transfers in this case are needed to maintain a healthy fund balance.

Management's Response

Management will begin to use the transfers from the debt service fund as recommended.

Condition:

The following items were noted during our audit of Extra Classroom Activity Fund:

- We tested ten disbursements and noted no evidence of receipt of items for four out of ten disbursements.
- Student ledger was not available for testing for one of the clubs.
- We tested five fundraising events and noted that two of the events were subject to sales tax and did not remit sales tax.
- We tested ten receipts and noted that there was no supporting documentation attached to the deposit slips for nine out of ten and all ten deposit vouchers were not numbered.

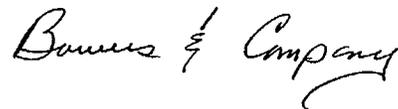
Recommendation

We suggest the treasurer and advisors review the NYS SED Publication, *The Safeguarding, Accounting and Auditing of Extra Classroom Activity Funds*, which outlines the procedures that should be followed regarding receipts, disbursements and record keeping within the Extra Classroom Activity Fund.

Management's Response

The central treasurer has attended training on Extra Classroom Activity Funds. She will work with the business manager to ensure that these issues will be rectified in the future.

We appreciate the opportunity to conduct the audit and would like to express our thanks to the staff for the fine cooperation extended to us during the course of the audit.



Watertown, New York
October 15, 2019



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

October 15, 2019

To the President and Members
Of the Board of Education
Harrisville Central School District

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Harrisville Central School District for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Harrisville Central School District are described in Note 1 to the financial statements. Harrisville Central School District adopted all new applicable accounting standards issued by the Governmental Accounting Standards Board (“GASB”), as described in Note 1 to the financial statements. We noted no transactions entered into by Harrisville Central School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District’s financial statements were:

Management’s estimate of the depreciation is based on the economic useful lives of capital asset classes.

Management estimates actuarial assumptions that are used to determine pension asset (liabilities) and annual pension cost for the year in accordance with GASB Statement No. 68

Management estimates actuarial assumptions that are used to determine annual postretirement cost for the year in accordance with GASB Statement No. 75.

We evaluated the key factors and assumptions used to develop the depreciation calculations and actuarial assumptions in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

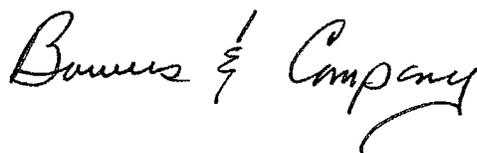
We applied certain limited procedures to *Management's Discussion and Analysis, Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Schedule of Revenues, Expenditures, and Change in Fund Balance- Budget (Non-GAAP Basis) and Actual- General Fund, Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan, and Schedule of District's Contributions- NYSLRS Pension Plan*, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on *Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund- Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances- Non-Major Governmental Fund, and Net Investment in Capital Assets*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Education and management of Harrisville Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in dark ink and is positioned at the bottom left of the page.

Schedule 1: Material Misstatements Corrected by Management

Governmental Funds

General Fund:

Adjusting Journal Entries JE # 3			
To adjust Reserve Balances to 6/30/19 balances			
A00814.00	Workers' Compensation Reserve	34,248.00	
A00815.00	Unemployment Insurance Reserve	572,123.00	
A00827.00	Retirement Contrib Reserve	80,052.00	
A00806.00	Non-Spendable Fund Balance		330.00
A00867.00	Rsrv Empl Benefits/Accr Liab		4,276.00
A00882.00	Reserve for Repairs		1,218.00
A00917.00	Unassigned Fund Balance		680,599.00
Total		686,423.00	686,423.00
Adjusting Journal Entries JE # 4			
To adjust for payment of Ban interest			
A9741-700-00-00	BAN Interest Construction	84,578.00	
A00630.03	Due To Capital Fund		84,578.00
Total		84,578.00	84,578.00
Adjusting Journal Entries JE # 8			
to record CY ban payments in respective accounts			
A9731-700-00-00	Interest	9,984.00	
A9741-600-00-00	BAN Principal Construction	210,000.00	
A9741-700-00-00	BAN Interest Construction		219,984.00
Total		219,984.00	219,984.00
Adjusting Journal Entries JE # 9			
To record Ban payment			
A9731-600-00-00	BAN Principal Construction	149,400.00	
A00630.03	Due To Capital Fund		149,400.00
Total		149,400.00	149,400.00

Schedule 1: Material Misstatements Corrected by Management -Continued

Capital Projects Fund:

Adjusting Journal Entries JE # 1			
to reverse accounts payable at 6.30.2018			
H600	Accounts Payable	228,979.00	
MAIN19-1620-293	General Construction		228,979.00
Total		228,979.00	228,979.00
Adjusting Journal Entries JE # 2			
to correct BAN interest			
H391	Due From General Funds	84,578.00	
H626	Bond Anticipation Notes Payabl		84,578.00
Total		84,578.00	84,578.00
Adjusting Journal Entries JE # 3			
to record BAN redeemed from appropriation			
H391	Due From General Funds	149,400.00	
H5731	BAN Redeemed From Appropriations		149,400.00
Total		149,400.00	149,400.00

Government-Wide

Non-Current Governmental Assets:

Adjusting Journal Entries JE # 1			
To adjust GASB 68 items to actual			
K00109	Net Pension Asset	209,063.00	
K00159	Total Non-Current Governmental		84,721.00
K00496	Deferred Outflows, Pensions		124,342.00
Total		209,063.00	209,063.00
Adjusting Journal Entries JE # 2			
To record Deferred Outflow of resources related to OPEB in accordance with GASB 75.			
K00159	Total Non-Current Governmental	472,840.00	
K00497	OPEB		472,840.00
Total		472,840.00	472,840.00

Schedule 1: Material Misstatements Corrected by Management -Continued

Non-Current Governmental Assets-Continued:

Adjusting Journal Entries JE # 3			
To record fixed asset additions and deletions			
K00102	Buildings	5,069,815.00	
K00104	Equipment	81,605.00	
K00107	Other Capital Assets	217,974.00	
K00114	Accumulated Depr-Equipment	25,870.00	
K00117	Accum Depr.-Other Cap. Assets	157,565.00	
K00104	Equipment		36,098.00
K00105	Construction Work in Prog.(Opt		3,393,419.00
K00107	Other Capital Assets		198,816.00
K00159	Total Non-Current Governmental		1,924,496.00
Total		<u>5,552,829.00</u>	<u>5,552,829.00</u>

Adjusting Journal Entries JE # 4			
To record depreciation expense			
K00159	Total Non-Current Governmental	640,564.00	
K00112	Accumulated Depr-Bldgs		357,346.00
K00113	Accumulated Depr-Improvements		15,624.00
K00114	Accumulated Depr-Equipment		44,513.00
K00117	Accum Depr.-Other Cap. Assets		223,081.00
Total		<u>640,564.00</u>	<u>640,564.00</u>

Non-Current Governmental Liabilities:

Adjusting Journal Entries JE # 1			
To record OPEB liability in accordance with GASB 75.			
W683	OPEB	2,363,016.00	
W125	Provision in Future Budgets		2,363,016.00
Total		<u>2,363,016.00</u>	<u>2,363,016.00</u>

Schedule 1: Material Misstatements Corrected by Management -Continued

Non-Current Governmental Liabilities-Continued:

Adjusting Journal Entries JE # 2			
To record ERS/TRS adjustments to liability and deferred inflows			
W125	Provision in Future Budgets	18,939.00	
W697	Deferred Inflows of Resources- ERS & TRS	74,129.00	
W638	Net Pension Liability- Proportionate Share- ERS		93,068.00
Total		<u>93,068.00</u>	<u>93,068.00</u>
Adjusting Journal Entries JE # 3			
To record adjustment for deferred inflows to OPEB			
W125	Provision in Future Budgets	1,656,767.00	
W698	Deferred Inflow of Resources - OPEB		1,656,767.00
Total		<u>1,656,767.00</u>	<u>1,656,767.00</u>