SOLVAY UNION FREE
SCHOOL DISTRICT

SINGLE AUDIT REPORTING PACKAGE

AS REQUIRED BY THE UNIFORM GUIDANCE AND
2 CFR section 200.512(c)

June 30, 2019

SOLVAY UNION FREE SCHOOL DISTRICT

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CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Education
Solvay Union Free School District
Solvay, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Solvay Union Free School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Solvay Union Free School District's basic financial statements as listed in the table of contents. We have also audited each fiduciary fund type of Solvay Union Free School District, as of and for the year ended June 30, 2019, as displayed in Solvay Union Free School District's basic financial statements.

Management's Responsibility for the Financial Statements

Solvay Union Free School District's 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 as well as each fiduciary fund type of Solvay Union Free School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis, schedule of funding progress-other postemployment benefit plans, schedule of revenues, expenditures and changes in fund balance, schedule of district contributions and schedule of district's proportionate share of the net pension liability* on pages 4–11, 46-49, respectively, 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 Solvay Union Free School District's basic financial statements. The *schedule of change from adopted to final budget and the real property tax limit, the schedule of project expenditures – capital projects fund* and *investment in capital assets, net of related debt* (the supplemental information) on pages 50-52 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The accompanying *schedule of expenditures of federal awards* on page 57 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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 expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019 on our consideration of Solvay Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Syracuse, New York
September 23, 2019

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

Financial Highlights

- Total liabilities increased $6,165,000 compared to 2018. The primary driver was due to the increased liability for the District's other postemployment benefits which increased $6,801,000. The increase in the liability was primarily from actuarial differences between expected and actual experience of $5,684,000 offset by a decrease of the total liability by $1,880,000 due to assumption changes related to the discount rate. The annual service cost for the benefits increased $723,000 related to the activity and experience of the plan's benefits.

- Overall net position decreased $630,000 due to expenses exceeding revenues. Total revenues were $35,823,000 and expenses were $36,453,000 based on full accrual accounting as reflected in the statement of net position.

- Total assets increased $2,347,000 compared to 2018 primarily from the District's $3,727,000 of capital expenditures in the current year related to the 2016 construction project, 2017 construction project, capital outlay projects and Smart Schools Bond Act project offset by ordinary depreciation of capital assets. Capital assets, net, increased $2,967,000 due to the ongoing capital projects.

Overview of the Financial Statements

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

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

- The remaining statements are *fund financial statements* that focus on *individual funds* of the District, reporting the District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the District's most significant funds with all other non-major funds listed in total in one column.

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information

that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

Figure A-1 Major Features of the District-Wide and Fund Financial Statements

		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net position • Statement of activities • Reconciliation of governmental funds revenues, expenditures and changes in fund balances to the Statement of activities • Reconciliation of governmental funds balance sheet to the Statement of net position.	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/ liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can

Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

Fund Financial Statements

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

- Some funds are required by New York State law and by bond covenants. Generally, the District is required by New York State General Municipal Law (para. 36) to follow the system of accounts formulated and prescribed by the New York State Comptroller.

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

The District has two kinds of funds:

- Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2)

the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information in the notes to 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 funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities. (Rounded to the nearest thousand)

Table 1:

	Governmental Activities and Total School District		Total Percentage Change
	2019	2018	2018-2019
Current and Other Assets	$ 14,230,000	$ 15,610,000	-8.84%
Capital Assets	45,283,000	42,316,000	7.01%
Net pension asset	1,300,000	540,000	140.74%
Total Assets	60,813,000	58,466,000	4.01%
Deferred Outflow of Resources	12,590,000	8,420,000	49.52%
Total Assets and deferred outflow of resources	$ 73,403,000	$ 66,886,000	
Long-Term Liabilities-Due in One Year	$ 9,129,000	$ 7,493,000	21.83%
Long-Term Liabilities-Due in More than One Year	67,414,000	64,224,000	4.97%
Net pension liability	805,000	353,000	128.05%
Other Liabilities	1,378,000	492,000	180.08%
Total Liabilities	78,726,000	72,562,000	8.49%
Deferred Inflow of Resources	3,599,000	2,616,000	37.58%
Net Position:			
Invested in Capital Assets	45,283,000	42,316,000	7.01%
Related Debt	(15,133,000)	(17,542,000)	-13.73%
Restricted	8,227,000	10,503,000	-21.67%
Unrestricted Net Deficit	(47,299,000)	(43,569,000)	8.56%
Total Net Position	(8,922,000)	(8,292,000)	7.60%
Total Liabilities and Net Position	$ 73,403,000	$ 66,886,000	

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (continued)

Table 2:

	Governmental Activities and Total School District		Total Percentage Change
	2019	2018	2018-2019
REVENUES			
Program Revenues:			
Charges for Services	$ 1,128,000	$ 1,393,000	-19.02%
Operating Grants and Contributions	2,259,000	2,110,000	7.06%
General Revenue:			
Property Taxes and Other Tax Items	12,422,000	12,142,000	2.31%
State Sources	16,165,000	16,585,000	-2.53%
Other General Revenues	3,849,000	4,021,000	-4.28%
Total Revenues	35,823,000	36,251,000	-1.18%
PROGRAM EXPENSES			
General Support	6,030,000	5,273,000	14.36%
Instruction	27,241,000	25,045,000	8.77%
Transportation	1,908,000	2,432,000	-21.55%
Debt Service	631,000	814,000	-22.48%
School Lunch Program	643,000	613,000	4.89%
Total Program Expenses	36,453,000	34,177,000	
Total Expenses	36,453,000	34,177,000	6.66%
Increase in Net Position	$ (630,000)	$ 2,074,000	-130.38%

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (continued)

Table 3 presents the cost of each of the District's largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. (Rounded to the nearest thousand)

Table 3
Governmental Activities

	Total cost of services		Net cost of services	
	2019	2018	2019	2018
General Support	$ 6,030,000	$ 5,273,000	$ 6,030,000	$ 5,273,000
Instruction	27,241,000	25,045,000	24,572,000	22,237,000
Pupil Transportation	1,908,000	2,432,000	1,908,000	2,432,000
Debt Service - Interest	631,000	814,000	631,000	814,000
School Lunch Program	643,000	613,000	(75,000)	(81,000)
Total	$36,453,000	$34,177,000	$33,066,000	$30,675,000

Financial Analysis of the School District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with the New York State Comptroller.

Governmental Funds

The purpose of the District's governmental funds is to account for and provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between assigned or unassigned balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities and postemployment obligations that are not recognized in the governmental funds. Fund balances for capital projects are restricted by State law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

Financial Analysis of the School District's Funds (continued)

General Fund Budgetary Highlights

The budgetary comparison information in supplemental schedule 2 presents both adopted and final modified budget totals compared with actual results for the General Fund for the year ended June 30, 2019. The significant variances between the adopted and the final budget for 2019 were as follows:

Voter Approved Budget	$33,350,000
Board Approved Budget Adjustments	87,582
2018 Additional Appropriations:	
Encumbrances Carryover	135,120
Final Budget	$33,572,702

Capital Assets and Debt Administration

Capital Assets

At June 30, 2019, the District had approximately $69 million invested in a broad range of capital assets including buildings, transportation equipment, computer equipment, and furniture and fixtures. Table 4 categorically illustrates the District's capital assets.

Table 4:

	Governmental Activities and Total School District		Total Percentage Change
	2019	2018	2018-2019
Land	$ 247,500	$ 247,500	0.00%
Construction in Progress	3,592,606	591,638	507.23%
Buildings and Improvements	56,641,494	56,571,322	0.12%
Machinery and Equipment	8,460,815	7,354,432	15.04%
Total	$ 68,942,415	$ 64,764,892	6.45%

Long-Term Obligations

At June 30, 2019, the District had approximately $75 million in long-term obligations. Table 5 provides a summary of these obligations. The notes to the basic financial statements provide additional details regarding these obligations.

Table 5:

	Total School District		Total Percentage Change
	2019	2018	2018-2019
General Obligation Bonds (Financed with Property Taxes)	$ 15,133,553	$ 17,542,614	-13.73%
Other Postemployment Benefits	58,717,170	51,816,393	13.32%
Pension Liability	805,345	353,312	127.94%
Compensated Absences	633,472	613,812	3.20%
Total Long-term Liabilities	$ 75,289,540	$ 70,326,131	7.06%

Factors bearing on the District's Future

- At June 30, 2019, the District had exhausted 2.75% of its constitutional debt limit.
- Employer contributions for Teachers' Retirement System and Employees' Retirement System may continue to fluctuate but not as much as recent years.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School District Business Office at PO Box 980, Syracuse, New York 13209.

SOLVAY UNION FREE SCHOOL DISTRICT

Statement of Net Position

June 30, 2019

ASSETS	
Cash	
Unrestricted	$ 3,776,501
Restricted	8,226,947
Receivables	
State and federal aid	1,397,127
Other	798,743
Inventories	30,600
Capital assets, net	45,283,254
Net pension asset- proportionate share	1,300,149
Total assets	60,813,321
DEFERRED OUTFLOW OF RESOURCES	
Other postemployment benefits	5,269,140
Pensions	7,320,466
Total deferred outflow of resources	12,589,606
Total assets and deferred outflow of resources	$ 73,402,927
LIABILITIES	
Accounts payable	$ 950,720
Accrued liabilities	145,048
Due to fiduciary funds	282,587
Long-term liabilities	
Due and payable within one year	
Bonds payable	2,559,060
Due to teachers' retirement system	1,442,810
Due to employees' retirement system	153,228
Other postemployment benefits payable	4,973,704
Due and payable after one year	
Bonds payable	12,574,493
Other postemployment benefits payable	53,743,466
Workers compensation	462,561
Compensated absences payable	633,472
Net pension liability- proportionate share	805,345
Total liabilities	78,726,494
DEFERRED INFLOW OF RESOURCES	
Other postemployment benefits	1,655,886
Pensions	1,942,753
Total deferred inflow of resources	3,598,639
NET POSITION	
Investment in capital assets, net of related debt	30,149,701
Restricted	8,226,947
Unrestricted (deficit)	(47,298,854)
Total net position	(8,922,206)
Total liabilities, deferred inflow of resources and net position	$ 73,402,927

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2019

	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General support	$ (4,829,080)	$ (1,200,378)	$ -	$ -	$ (6,029,458)
Instruction	(20,838,973)	(6,402,016)	1,018,535	1,650,987	(24,571,467)
Pupil transportation	(1,507,798)	(400,126)	-	-	(1,907,924)
Employee benefits	(8,002,520)	8,002,520	-	-	-
Debt service - interest	(631,258)	-	-	-	(631,258)
School lunch program	(642,730)	-	109,120	608,327	74,717
Total functions and programs	$ (36,452,359)	$ -	$ 1,127,655	$ 2,259,314	(33,065,390)
GENERAL REVENUES					
Real property taxes					12,422,185
Other real property tax items					2,485,994
Nonproperty taxes					59,245
Use of money and property					819,366
Sale of property and compensation for loss					9,472
State sources					16,165,231
Miscellaneous					474,093
Total general revenues					32,435,586
Change in net position					(629,804)
Total net deficit - beginning of year					(8,292,402)
Total net deficit - end of year					$ (8,922,206)

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2019

	General	Special Aid	School Lunch Fund	Debt Service	Capital Projects Fund	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	$ 3,609,595	$ -	$ 166,906	$ -	$ -	$ 3,776,501
Restricted	7,633,793	61,904	-	524,901	6,349	8,226,947
Receivables						
State and federal aid	768,548	581,446	47,133	-	-	1,397,127
Due from other funds	1,977,778	-	-	1,068,377		3,046,155
PILOT, transportation and other	797,556	-	-	1,187	-	798,743
Inventories	-	-	30,600	-	-	30,600
Total assets	$ 14,787,270	$ 643,350	$ 244,639	$ 1,594,465	$ 6,349	$ 17,276,073
LIABILITIES						
Accounts payable	$ 108,637	$ 10,618	$ -	$ -	$ 831,465	$ 950,720
Accrued liabilities and deferred revenue	106,727	8,657	6,270	-	-	121,654
Due to other funds	1,068,242	624,075	252,273	-	1,101,565	3,046,155
Due to fiduciary funds	282,587	-	-	-	-	282,587
Due to teachers' retirement system	1,442,810	-	-	-	-	1,442,810
Due to employees' retirement system	141,471	-	11,757	-	-	153,228
Total liabilities	3,150,474	643,350	270,300	-	1,933,030	5,997,154
FUND BALANCES						
Nonspendable:						
Reserved for inventory	-	-	30,600	-	-	30,600
Restricted for:						
Reserved for tax certiorari	843,793	-	-	-	-	843,793
Reserved for workers' compensation	1,750,000	-	-	-	-	1,750,000
Reserved for unemployment insurance	200,000	-	-	-	-	200,000
Reserved for retirement	2,250,000	-	-	-	-	2,250,000
Reserved for teacher's retirement contribution	240,000					240,000
Reserved for employee benefits	2,250,000	-	-	-	-	2,250,000
Reserved for insurance	100,000	-	-	-	-	100,000
Assigned to:						
Assigned appropriated fund balance	1,400,000	-	-	-	-	1,400,000
Assigned unappropriated fund balance	204,282	-	(56,261)	1,594,465	-	1,742,486
Unassigned:						
Unassigned fund balance	2,398,721	-	-	-	(1,926,681)	472,040
Total fund balances	11,636,796	-	(25,661)	1,594,465	(1,926,681)	11,278,919
Total liabilities and fund balances	$ 14,787,270	$ 643,350	$ 244,639	$ 1,594,465	$ 6,349	$ 17,276,073

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position

June 30, 2019

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash				
Unrestricted	$ 3,776,501	$ -	$ -	$ 3,776,501
Restricted for reserves	8,226,947	-	-	8,226,947
Receivables				
State and federal aid	1,397,127	-	-	1,397,127
Due from other funds	3,046,155	-	(3,046,155)	-
PILOT, transportation and other	798,743	-	-	798,743
Inventories	30,600	-	-	30,600
Capital assets, net	-	45,283,254	-	45,283,254
Net pension asset- proportionate share	-	1,300,149	-	1,300,149
Total assets	17,276,073	46,583,403	(3,046,155)	60,813,321
DEFERRED OUTFLOW OF RESOURCES				
Other postemployment benefits	-	5,269,140	-	5,269,140
Pensions	-	7,320,466	-	7,320,466
Total deferred outflow of resources	-	12,589,606	-	12,589,606
	$ 17,276,073	$ 59,173,009	$ (3,046,155)	$ 73,402,927
LIABILITIES				
Payables				
Accounts payable	$ 950,720	$ -	$ -	$ 950,720
Accrued liabilities	121,654	23,394	-	145,048
Due to other funds	3,046,155	-	(3,046,155)	-
Due to fiduciary funds	282,587	-	-	282,587
Long-term debt-due within one year				
Due to employees' retirement system	153,228	-	-	153,228
Due to teachers' retirement system	1,442,810	-	-	1,442,810
Bonds payable	-	2,559,060	-	2,559,060
Other postemployment benefits payable	-	4,973,704	-	4,973,704
Long-term debt-due in more than one year				
Bonds payable	-	12,574,493	-	12,574,493
Other postemployment benefits payable	-	53,743,466	-	53,743,466
Workers compensation		462,561		462,561
Compensated absences	-	633,472	-	633,472
Net pension liability- proportionate share	-	805,345	-	805,345
Total liabilities	5,997,154	75,775,495	(3,046,155)	78,726,494
DEFERRED INFLOWS OF RESOURCES				
Other postemployment benefits	-	1,655,886	-	1,655,886
Pensions	-	1,942,753	-	1,942,753
Total deferred inflow of resources	-	3,598,639	-	3,598,639
FUND BALANCE/NET POSITION				
Total fund balance/net position	11,278,919	(20,201,125)	-	(8,922,206)
	$ 17,276,073	$ 59,173,009	$ (3,046,155)	$ 73,402,927

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

Statement of Revenues, Expenditures
and Changes in Fund Balance - Governmental Funds

For the Year Ended June 30, 2019

	General	Special Aid	School Lunch Fund	Debt Service	Capital Projects Fund	Governmental Funds
REVENUES						
Real property taxes	$ 12,422,185	$ -	$ -	$ -	$ -	$ 12,422,185
Other real property tax items	2,485,994	-	-	-	-	2,485,994
Nonproperty taxes	59,245	-	-	-	-	59,245
Charges for services	1,018,535	-	-	-	-	1,018,535
Use of money and property	805,017	-	91	14,258	-	819,366
Sale of property and compensation for loss	9,472	-	-	-	-	9,472
State sources	15,336,736	666,226	36,002	-	162,269	16,201,233
Sales	-	-	109,120	-	-	109,120
Miscellaneous	473,818		-	-	275	474,093
Federal sources	-	1,650,987	572,325	-	-	2,223,312
Total revenues	32,611,002	2,317,213	717,538	14,258	162,544	35,822,555
EXPENDITURES						
General support	3,028,235	-	-	-	-	3,028,235
Instruction	15,239,714	2,543,938	-	-	-	17,783,652
Pupil transportation	957,538	35,468	-	-	-	993,006
School food program	-	-	642,730	-	-	642,730
Employee benefits	7,712,044	-	188,714	-	-	7,900,758
Debt service						
Principal	-	-	-	2,334,998	-	2,334,998
Interest	-	-	-	694,887	-	694,887
Capital outlay	1,206,020	-	-	-	3,727,105	4,933,125
Total expenditures	28,143,551	2,579,406	831,444	3,029,885	3,727,105	38,311,391
Excess (deficiency) of revenues over expenditures	4,467,451	(262,193)	(113,906)	(3,015,627)	(3,564,561)	(2,488,836)
OTHER FINANCING SOURCES AND USES						
Interfund transfers	(4,534,409)	262,193	113,906	3,058,310	1,100,000	-
Total other sources (uses)	(4,534,409)	262,193	113,906	3,058,310	1,100,000	-
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	(66,958)	-	-	42,683	(2,464,561)	(2,488,836)
Fund balance - beginning of year	11,703,754	-	(25,661)	1,551,782	537,880	13,767,755
Fund balance (deficit) - end of year	$ 11,636,796	$ -	$ (25,661)	$ 1,594,465	$ (1,926,681)	$ 11,278,919

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities

For the Year Ended June 30, 2019

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	$ 12,422,185	$ -	$ -	$ -	$ 12,422,185
Other real property tax items	2,485,994	-	-	-	2,485,994
Nonproperty taxes	59,245	-	-	-	59,245
Charges for services	1,018,535	-	-	-	1,018,535
Use of money and property	819,366	-	-	-	819,366
Sale of property and compensation for loss	9,472	-	-	-	9,472
State sources	16,201,233	-	-	-	16,201,233
Federal sources	2,223,312	-	-	-	2,223,312
Sales - school food programs	109,120	-	-	-	109,120
Miscellaneous	474,093	-		-	474,093
Total revenues	35,822,555	-	-	-	35,822,555
EXPENDITURES/EXPENSES					
General support	3,028,235	97,982	1,164,451	538,412	4,829,080
Instruction	17,783,652	(282,502)	466,295	2,871,528	20,838,973
Pupil transportation	993,006	-	335,322	179,470	1,507,798
School food programs	642,730	-	-	-	642,730
Employee benefits	7,900,758	-	-	101,762	8,002,520
Debt service	3,029,885	-	-	(2,398,627)	631,258
Capital outlay	4,933,125	-	(4,933,125)	-	-
Total expenditures/expenses	38,311,391	(184,520)	(2,967,057)	1,292,545	36,452,359
Excess (deficiency) of revenues over expenditures/expenses	(2,488,836)	184,520	2,967,057	(1,292,545)	(629,804)
Net change for the year	$ (2,488,836)	$ 184,520	$ 2,967,057	$ (1,292,545)	$ (629,804)

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

Statement of Fiduciary Net Position

June 30, 2019

	Agency
ASSETS	
Restricted cash	$ 110,550
Due from other funds	282,587
Accounts receivable	31,265
Total assets	$ 424,402
LIABILITIES	
Extraclassroom activity balances	74,518
Other liabilities	349,884
Total liabilities	$ 424,402

See notes to basic financial statements

Note 1 – Summary of certain significant accounting policies

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

A) Reporting entity:

The Solvay Union Free School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 5 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39*, Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus* an amendment of GASB Statements No. 14 and No. 34. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

i) Extraclassroom Activity Funds

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

Note 1 - Summary of certain significant accounting policies (continued)

B) Joint venture:

The District is a component district in Onondaga-Cortland-Madison BOCES (OCMBOCES). There are 23 participating school districts, including Solvay, in OCMBOCES. The participation in OCMBOCES is accounted for as a joint venture by the District since it has both an ongoing financial interest and an ongoing financial responsibility to OCMBOCES. The District has an ongoing financial interest since OCMBOCES pays surpluses to the component districts on an annual basis, although the District has no equity interest in OCMBOCES. The District does not control the financial or operating policies of OCMBOCES, however, it has an ongoing financial responsibility since the continued existence of OCMBOCES depends on continued funding from the participating school districts.

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

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

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

During the year, the District was billed $2,701,719 for OCMBOCES administrative and program costs and the District's share of OCMBOCES aid amounted to $870,648.

Financial statements for the OCMBOCES are available from the OCMBOCES administrative office. As of June 30, 2018 (the most recent available audited financial statements), OCMBOCES has a total net position (deficit) of $(191,567,165).

C) Basis of presentation:

i) District-wide statements:

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

Note 1 - Summary of certain significant accounting policies (continued)

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

ii) Fund financial statements:

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

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

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

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

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

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

Note 1 - Summary of certain significant accounting policies (continued)

The District reports the following fiduciary funds:

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

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

D) Measurement focus and basis of accounting:

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

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

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

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

E) Property taxes:

Real property taxes are levied annually by the Board of Education no later than September 1, 2018. Taxes were collected during the period September 2, 2018 to October 31, 2018.

Note 1 - Summary of certain significant accounting policies (continued)

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

F) Restricted resources:

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

G) Interfund transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of 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 7 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenue activity.

H) Estimates:

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

Note 1 - Summary of certain significant accounting policies (continued)

I) Cash and investments:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies; obligations of the State and its municipalities and Districts and obligations issues by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization (if permitted by the District's policy).

J) Accounts receivable:

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

K) Inventories and prepaid items:

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that approximates market. Purchases of inventoy 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 amount is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

L) Capital assets:

Capital assets acquisitions are reported at historical costs. Donated assets are reported at estimated fair market value at the time received. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	$10,000	Straight Line	50 years
Furniture and equipment	5,000	Straight Line	5-10 years

Note 1 - Summary of certain significant accounting policies (continued)

M) Deferred outflows and inflows of resources

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

In addition to liabilities, the statement of net position or balance sheet 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 four items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth 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.

N) Unearned and deferred revenues:

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

O) Vested employee benefits:

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

Note 1 - Summary of certain significant accounting policies (continued)

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. A liability of $26,275 has been included in accrued liabilities and deferred revenue in the general fund.

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

Consistent with GASB Statement No. 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.

P) Other benefits:

District employees participate in the New York State Teacher's Retirement System or the New York State and Local Employees' Retirement System.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. 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.

Q) Short-term debt:

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

The District 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 BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

Note 1 - Summary of certain significant accounting policies (continued)

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

R) Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due. Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

S) Net Position/ Fund Balance:

Net Position Flow Assumption:

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

Order of Use of Fund Balance:

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

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

Note 1 - Summary of certain significant accounting policies (continued)

Restricted net position – reports net position when constraints placed on the assets 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.

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

Non-spendable fund balance – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of $30,600.

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.

Employee Benefit Accrued Liability
According to GML §6-p, fund must be 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.

Workers' Compensation
According to GML §6-j, fund 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 excess applied to the appropriations of the next succeeding fiscal years' budget.

Retirement Contributions & Teacher's Retirement Contributions
According to GML §6-r, the purpose of this fund is to accumulate moneys for the payment of retirement contributions to the New York State and Local Employees' Retirement System ("ERS"), pursuant to the Retirement and Social Security Law. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of GML §6-r.

Note 1 - Summary of certain significant accounting policies (continued)

Tax Certiorari Reserve

According to Education Law §3651.1-a, fund must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is primarily composed of proceedings beginning in July 2016.

Unemployment Insurance Reserve

According to GML §6-m, fund 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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. Encumbrances held by the district at June 30, 2019 totaled $204,282.

Restricted fund balance includes the following:

Description		
Teacher's Retirement Contribution Reserve	$	240,000
Workers' Compensation Reserve		1,750,000
Unemployment Insurance Reserve		200,000
Reserve for Employee Benefit Accrual Liability		2,250,000
Reserve for Retirement Contributions		2,250,000
Reserve for Insurance		100,000
Reserve for Tax Certiorari		843,793
	$	7,633,793

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

Note 1 - Summary of certain significant accounting policies (continued)

Assigned – includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of General fund are classified as Assigned Fund Balance in the General Fund.

Unassigned – includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

Unassigned Fund Balance:

New York State Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the General Fund are also excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. For the year ended June 30, 2019, the balance of the District's unassigned fund in the General Fund exceeds the 4% limitation. See Supplemental Schedule #5 for more information.

T) New accounting standards

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

GASB Statement No. 83- Certain Asset Retirement Obligations.
GASB Statement No. 88- Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements.

U) Future changes in accounting standards

GASB Statement No. 84- Fiduciary Activities Effective for the year ending June 30, 2020
GASB Statement No. 87- Leases Effective for the year ending June 30, 2021
GASB Statement No. 89- Accounting for Interest Cost Incurred before the End of a Construction Period Effective for the year ending June 30, 2021.
GASB Statement No. 91- Conduct 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 funds 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.

Note 2 - Explanation of certain differences between fund statements and District-wide statements (continued)

A) Total fund balances of Governmental Funds versus Net Position of Governmental Activities:

Total fund balance 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.

B) Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories. This reconciliation is performed on page 17.

i) Long-term revenue differences:

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

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on 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 fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-term debt transaction differences:

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

iv) Pension differences:

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

Note 2 - Explanation of certain differences between fund statements and District-wide statements (continued)

v) OPEB differences

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

Note 3 – Stewardship, compliance and accountability

Budgets

The District administration prepares a proposed budget for approval by the Board of Education, which in turn is either approved or disapproved by eligible voters in the District.

The voters of the District approved the proposed appropriation budget for the General Fund on May 15, 2018. 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.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Encumbrances

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

The Capital Projects Fund had a deficit fund balance of $1,926,681. The District is currently working on obtaining financing for a voter approved capital project. When long-term financing is obtained, the District will recognize the appropriate amount of revenue for this financing which will fund the current deficit balance.

Note 3 – Stewardship, compliance and accountability (continued)

The School Lunch Fund had a deficit fund balance of $25,661. The District is analyzing sales of meals and funding and the cost of employee benefits, food and other program expenses to reduce this deficit.

Note 4 – Cash and cash equivalents

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

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

Total financial institution bank balances at year-end, per the bank, were $12,113,147. These deposits are insured or collateralized with securities held by the financial institution in the District's name.

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 $8,226,947 within the governmental funds and $110,550 in the fiduciary funds.

Note 5 - Capital assets

Capital asset balances and activity were as follows:

Governmental activities:	Beginning Balance	Additions	Reclassifications/ Deletions	Ending Balance
Capital assets that are not depreciated:				
Land	$ 247,500	$ -	$ -	$ 247,500
Construction in progress	591,638	3,412,872	(411,904)	3,592,606
Total nondepreciable	839,138	3,412,872	(411,904)	3,840,106
Capital assets that are depreciated:				
Buildings and improvements	56,571,322	73,648	(3,476)	56,641,494
Land improvements	617,816	-	(147,319)	470,497
Machinery and equipment	2,508,600	1,159,217	(197,061)	3,470,756
Leased vehicles	4,228,016	699,292	(407,746)	4,519,562
Total depreciable assets	63,925,754	1,932,157	(755,602)	65,102,309
Less accumulated depreciation:				
Buildings and improvements	(17,421,448)	(1,134,607)	-	(18,556,055)
Land improvements	(556,185)	(5,396)	103,107	(458,474)
Machinery and equipment	(2,003,549)	(142,951)	83,351	(2,063,149)
Licensed vehicles	(2,467,513)	(415,735)	301,765	(2,581,483)
Total accumulated depreciation	(22,448,695)	(1,698,689)	488,223	(23,659,161)
Total depreciated assets, net	$42,316,197	$ 3,646,340	$ (679,283)	$45,283,254

Depreciation expense was charged to governmental functions as follows:	
General support	$ 1,164,451
Instruction	198,916
Pupil transportation	335,322
	$ 1,698,689

Note 6 - Long-term obligations

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

	Beginning Balance	Issued	Redeemed	Ending Balance	One Year
Government Activities					
Bonds payable	$ 17,542,614	$ -	$ 2,409,061	$15,133,553	$ 2,559,060
Other Obligations					
Due to TRS	1,270,927	171,883		1,442,810	1,442,810
Due to ERS	112,351	40,877	-	153,228	153,228
Net pension liability	353,312	452,033	-	805,345	805,345
Other postemployment benefits payable	51,816,393	10,164,725	3,263,948	58,717,170	4,973,704
Compensated absences	613,812	19,660	-	633,472	-
Total Long-term Obligations	$ 71,709,409	$10,849,178	$ 5,673,009	$76,885,578	$ 9,934,147

Note 6 - Long-term obligations (continued)

Interest paid and expensed on long-term obligations for the year approximated $694,887.

The following is a schedule of bonds outstanding at June 30, 2019:

Payable from/ Description	Date of Original Issue	Original Amount	Date of Final Maturity	Interest Rate (%)	Outstanding Amount
Refunding of 2001 Bonds	10/27/2011	$ 3,935,000	6/30/2021	2.00-3.00%	$ 875,000
Refunding of 2012 Bonds	8/1/2012	$ 17,695,000	6/15/2025	2.00-3.00%	5,710,000
Serial Bonds 2010	6/15/2010	$ 2,610,198	6/15/2023	3.25-4.00%	1,160,000
Serial Bonds 2014	10/17/2014	$ 540,000	10/15/2020	1.50-1.75%	115,000
Serial Bonds 2016	6/15/2016	$ 2,235,000	6/15/2030	2.00-5.00%	1,895,000
Serial Bonds 2018	6/7/2018	$ 4,565,000	6/15/2034	3.375-5.00%	4,400,000
Serial Bonds 2016-Premium	6/15/2016	$ 463,234	6/15/2030	2.00-5.00%	363,969
Serial Bonds 2018-Premium	6/7/2018	$ 655,556	6/15/2034	3.375-5.00%	614,584
					$ 15,133,553

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

	Principal	Interest	Total
Fiscal year ended June 30,			
2020	$ 2,559,060	$ 562,469	$ 3,121,529
2021	2,524,060	470,725	2,994,785
2022	2,149,060	380,875	2,529,935
2023	2,199,060	523,681	2,722,741
2024	917,949	243,406	1,161,355
2025-2029	3,110,302	800,356	3,910,658
2030-2034	1,674,062	163,156	1,837,218
Totals	$ 15,133,553	$ 3,144,668	$ 18,278,221

Note 7 – Interfund balances and activity

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	$ 1,977,778	$ 1,350,829	$ -	$ 4,534,409
Special Aid Fund	-	624,075	262,193	-
School Lunch Fund	-	252,273	113,906	-
Debt Service Fund	1,068,377	-	3,058,310	-
Capital Projects Fund	-	1,101,565	1,100,000	-
Total government activities	3,046,155	3,328,742	4,534,409	4,534,409
Fiduciary Agency Fund	282,587	-	-	-
	$ 3,328,742	$ 3,328,742	$ 4,534,409	$ 4,534,409

The District typically transfers from the General Fund to the Capital Fund to help fund capital renovations and additions. The district also transfers from the General Fund to the Special Aid fund the local portion of the Special Education Summer School Program. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

Note 8– Pension plans

General Information

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

Provisions and Administration

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

Note 8– Pension plans (continued)

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

Funding policies:

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

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30, was:

	NYSTRS	NYSERS
2018-2019	$ 1,299,308	$ 439,066
2017-2018	1,147,753	390,621
2016-2017	1,320,050	384,544

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. The District exercised that option.

Note 8– Pension plans (continued)

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 liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of June 30, 2018 for TRS and April 1, 2018 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension 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 TRS and ERS Systems in reports provided to the District.

	ERS	TRS
Actuarial valuation date	4/1/2018	6/30/2018
Net pension asset/ (liability)	$ (805,345)	$ 1,300,149
District's portion of the Plan's total net pension asset/ (liability)	0.0113664%	0.071900%

For the year ended June 30, 2019, the District's recognized pension expense (credit) of $1,017,401 for TRS and $547,561 for ERS. 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 outflow of resources		Deferred inflow of resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$ 158,589	$ 971,591	$ 54,061	$ 175,993
Changes of assumption	202,431	4,544,874	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	206,696	1,443,264
Changes in proportion and differences between the District's contributions and proportionate share of contributions	46,143	97,530	2,262	60,477
District's contribution subsequent to the measurement date	-	1,299,308	-	-
Total	$ 407,163	$6,913,303	$ 263,019	$ 1,679,734

Note 8– Pension plans (continued)

District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	ERS	TRS
2019	$ -	$ 1,311,543
2020	184,424	893,146
2021	(149,036)	101,670
2022	(5,233)	890,083
2023	113,989	604,398
Thereafter	-	133,422
	$ 144,144	$ 3,934,262

Actuarial Assumptions

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

	ERS	TRS
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7%	7.25%
Salary scale	3.80% - 4.50%	1.90%-4.72%
Decrement tables	April 1, 2010-March 31, 2015 System's Experience	July 1, 2009-June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale AA. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, the actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2015. 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.

Note 8– Pension plans (continued)

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

	ERS	TRS
Measurement date	4/1/2018	6/30/2018
Asset Type		
Domestic equity	36%	33%
International equty	14%	16%
Real estate	10%	11%
Private equities	10%	8%
Domestic fixed income securities	0%	16%
Global fixed income securities	0%	2%
Mortgages	17%	8%
Short-term	0%	1%
High-yield fixed income securities	0%	1%
Opportunistic portfolio	3%	0%
Cash	1%	0%
Inflation-indexed bonds	4%	0%
Absolute return strategies	2%	0%
Global equitiies	0%	4%
Real assets	3%	0%
	100%	100%

Discount Rate

The discount rate used to calculate the total pension liability was 7.25% for TRS and 7% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Note 8– Pension plans (continued)

ERS	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Employer's proportionate share of the net pension asset (liability)	$ (3,521,095)	$ (805,345)	$ 1,476,079

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension asset (liability)	$ (8,932,236)	$ 1,300,149	$ (9,872,044)

Payables to the Pension Plan

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 covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to $1,442,810.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to $153,228 of employer contributions. Employee contributions are remitted monthly.

Note 9 – Postemployment (health insurance) benefits

A. General information about the plan and benefits

Plan Description- The District's provides other postemployment benefits (OPEB) to all permanent full-time general and public safety employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend 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 medical, Medicare Part B and dental 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.

Note 9 – Postemployment (health insurance) benefits (continued)

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

Retirees and Survivors	228
Active employees	284
	512

B. Total OPEB Liability

The District's total OPEB liability of $58,717,170 was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

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

Inflation	2.60%
Salary Increases	3.00%
Discount Rate	3.50%
Healthcare Cost Trend Rates	6.1% to 4.1% over 57 years
Retirees' Share of Benefit-Related Costs	60% of projected health insurance premiums

The Discount rate was based on Bond Buyer Weekly 20-Bond GO Index

Mortality rates were based on RPH-2014 Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2018- June 30, 2019.

Note 9 – Postemployment (health insurance) benefits (continued)

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	$ 51,816,393
Changes for the Year	
Service cost	2,861,409
Interest	1,619,723
Differences between expected and actual experience	5,683,593
Changes in assumptions or other inputs	(1,879,654)
Benefit payments	(1,384,294)
Net Changes	6,900,777
Balance at June 30, 2019	$ 58,717,170

Changes in assumptions and other inputs reflect a change in the discount rate from 3.00% in 2018 to 3.50% in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate- The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.00%) or 1 percentage point higher (3.00%) than the current discount rate.

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	$ 70,034,543	$ 58,717,170	$ 49,816,418

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend 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 healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	$ 49,102,946	$ 58,717,170	$ 73,016,777

Note 9 – Postemployment (health insurance) benefits (continued)

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

For the year ended June 30, 2019, the District recognized OPEB expense of $4,973,704. 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	$ 5,269,140	$ -
Changes of assumptions or other inputs	-	(1,655,886)
	$ 5,269,140	$ (1,655,886)

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

Year Ended June 30,	Amount
2019	$ 39,722
2020	39,722
2021	39,722
2022	39,722
2023	39,722
Thereafter	103,277
	$ 301,887

Note 10 – Risk management

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.

Workers' Compensation:

The District incurs costs related to the Onondaga-Cortland-Madison BOCES Workers' Compensation Plan (Plan) sponsored by the Board of Cooperative Educational Services. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any component district of the BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to Withdrawal must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

Note 10 – Risk management (continued)

Plan membership is currently comprised of thirty-one districts. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment.

However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee.

The Plan purchases, on an annual basis, stop-loss insurance to limit its exposure for claims paid. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2019, the District incurred premiums or contribution expenditures totaling $255,319.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2019. The District's outstanding case reserves at June 30, 2019 approximated $462,600

Note 11 – Commitments and contingent liabilities

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. New York State Education Law requires that most capital projects require approval by the New York Office of Facilities Planning. New York State provides building aid for certain types of capital projects undertaken by school districts. Building aid is subject to numerous reporting requirements. The failure to adhere to these reporting requirements could lead to the refund of building aid already received and the loss of future aid on these particular projects. Building aid represents a significant source of financing for the District's financing of such projects and any loss or refund of building aid could have a significant impact on these financial statements.

Note 12– Subsequent events

Management has evaluated subsequent events through September 23, 2019, which is the date the financial statements were available to be issued.

SOLVAY UNION FREE SCHOOL DISTRICT
Required Supplementary Information
Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended June 30, 2019

	2019	2018
Measurement Date	July 1, 2018	July 1, 2017
Total OPEB Liability	$ 58,717,170	$51,816,393
Service Cost	2,861,409	2,138,005
Interest	1,619,723	1,522,883
Changes in benefit terms	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	5,683,593	341,609
Changes in assumptions or other inputs	(1,879,654)	-
Benefit payments	(1,384,294)	(1,609,881)
Net change in total OPEB liability	6,900,777	2,392,616
Total OPEB liability- beginning	51,816,393	49,423,777
Total OPEB liability- ending	$ 58,717,170	$51,816,393
Covered payroll	$ 13,406,822	$13,958,034
Total OPEB liability as a percentage of covered payroll	438%	371%

Note:
The District has net assets accumulated in a trust that meets certain criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB liabilities. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you go basis.

See paragraph on required supplementary information included in the auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Required Supplementary Information - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For the year ended June 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual
REVENUES					
Local sources					
Real property taxes	$ 12,255,000	$ 12,255,000	$ 12,422,185		$ 167,185
Other tax items	2,657,315	2,657,315	2,485,994		(171,321)
Nonproperty taxes	45,000	45,000	59,245		14,245
Charges for services	982,000	982,000	1,018,535		36,535
Use of money and property	626,250	626,250	805,017		178,767
Sale of property and compensation					-
for loss	1,000	1,000	9,472		8,472
Miscellaneous	150,500	163,250	294,913		131,663
Total local sources	16,717,065	16,729,815	17,095,361		365,546
State sources	15,182,935	15,257,935	15,411,113		153,178
Appropriated fund balance	1,400,000	1,400,000	-		(1,400,000)
Medicaid	50,000	50,000	104,528		54,528
Total revenues	33,350,000	33,437,750	32,611,002		(826,748)
EXPENDITURES					
General support					
Board of education	19,150	19,181	12,500	613	(6,068)
Central administration	361,905	374,085	372,748	-	(1,337)
Finance	418,440	441,230	367,575	18,303	(55,352)
Staff	185,515	189,682	159,179	716	(29,787)
Central services	2,004,245	2,061,190	1,865,794	22,887	(172,509)
Special items	265,740	263,740	250,439	-	(13,301)
Total general support	3,254,995	3,349,108	3,028,235	42,519	(278,354)
Instruction					
Instruction, administration and improvement	1,299,575	1,276,884	1,142,352	552	(133,980)
Teaching - regular school	8,395,025	8,368,611	8,005,641	97,376	(265,594)
Programs for students with disabilities	3,303,850	3,322,400	3,205,271	3,280	(113,849)
Occupational education	224,125	224,125	221,914	-	(2,211)
Teaching - special schools	76,865	76,865	76,575	-	(290)
Instructional media	972,840	1,003,403	969,831	1,164	(32,408)
Pupil services	1,609,100	1,703,825	1,618,130	12,702	(72,993)
Total instruction	15,881,380	15,976,113	15,239,714	115,074	(621,325)
Pupil transportation	2,187,750	2,237,606	2,163,558	46,689	(27,359)
Employee benefits	8,867,565	8,471,565	7,712,044	-	(759,521)
Debt service	-	-	-	-	-
Total expenditures	30,191,690	30,034,392	28,143,551	204,282	(1,686,559)
OTHER FINANCING USES					
Transfer to other funds	3,158,310	3,538,310	4,534,409	-	996,099
Total expenditures and other uses	$ 33,350,000	$ 33,572,702	$ 32,677,960	$ 204,282	$ (690,460)
Net change in fund balance			(66,958)		
Fund balance - beginning			11,703,754		
Fund balance - ending			$ 11,636,796		

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 required supplementary information included in the auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Schedule of District Contributions
For the year ended June 30, 2019

Teachers' Retirement System

	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,299,308	$ 1,147,753	$ 1,320,050	$ 1,590,279	$ 2,020,534
Contributions in relation to the contractually required contribution	1,299,308	1,147,753	1,320,050	1,590,279	2,020,534
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 12,234,539	$ 11,711,765	$ 11,263,225	$ 11,171,750	$ 11,141,477
Contributions as a percentage of covered payroll	11%	10%	12%	14%	18%

Employees' Retirement System

	2019	2018	2017	2016	2015
Contractually required contribution	$ 439,066	$ 390,621	$ 384,544	$ 408,204	$ 458,711
Contributions in relation to the contractually required contribution	439,066	390,621	384,544	408,204	458,711
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,172,283	$ 1,695,057	$ 1,996,348	$ 1,999,102	$ 2,029,375
Contributions as a percentage of covered payroll	37%	23%	19%	20%	23%

See paragraph on required supplementary information included in the auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Asset (Liability)
For the year ended June 30, 2019

Teachers' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.071900%	0.071076%	0.072398%	0.073029%	0.073284%
District's proportionate share of the net pension asset (liability)	$ 1,300,149	$ 540,249	$ (775,413)	$ 9,066,710	$ 10,086,430
District's covered payroll	$ 12,234,539	$ 11,711,765	$ 11,263,225	$ 11,171,750	$ 11,141,477
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll pension liability	11%	5%	-7%	81%	91%

Employees' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.0113664%	0.0109471%	0.0106021%	0.0106021%	0.9426400%
District's proportionate share of the net pension asset (liability)	$ (805,345)	$ (353,312)	$ (989,497)	$ (1,701,662)	$ (318,447)
District's covered payroll	$ 1,172,283	$ 1,695,057	$ 1,996,348	$ 1,999,102	$ 2,029,375
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll pension liability	69%	21%	50%	85%	16%

See paragraph on required supplementary information included in the auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Schedule of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit
For the year ended June 30, 2019

CHANGE FROM ADOPTED TO REVISED BUDGET

Adopted budget		$ 33,350,000
Add prior year's encumbrances		135,120
Original budget		33,485,120
Budget revision:		87,582
Revised budget		$ 33,572,702

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20 voter-approved expenditure budget maximum allowed (4% of 2019-20 budget)		34,020,000
General fund fund balance subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Assigned fund balance	1,604,282	
Unassigned fund balance	2,398,721	
Total unrestricted fund balance	4,003,003	
Less:		
Appropriated fund balance	1,400,000	
Encumbrances included in committed and assigned fund balance	204,282	
Total adjustments	1,604,282	
General fund fund balance subject to Section 1318 of Real Property Tax Law		$ 2,398,721
Actual percentage		7.05%

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

See paragraph on other information included in auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures - Capital Projects Fund
For the year ended June 30, 2019

	Original Budget	Revised Budget	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Transfers	Expenditures: Total	Unexpended Balance	Methods of Financing: Proceeds of Obligations	Methods of Financing: State Sources	Methods of Financing: Local Sources	Methods of Financing: Total	Fund Balance 06/30/2019
PROJECT TITLE												
2016 Construction Project	$ 6,600,000	$ 6,600,000	$ 5,685,388	$ 371,637	$ -	$ 6,057,025	$ 542,975	$ 5,400,000	$ -	$ 1,000,000	$ 6,400,000	$ 342,975
Smart Schools Bond Act	322,700	322,700	665,837	313,959	-	979,796	(657,096)	-	828,107	-	828,107	(151,689)
2018 Capital Project (voter approved 11/28/17)	28,200,000	28,200,000	179,734	2,957,956	-	3,137,690	25,062,310	-	-	1,000,000	1,000,000	(2,137,690)
Capital Outlay 17/18	100,000	100,000	73,648	-	-	73,648	26,352	-	-	76,648	76,648	3,000
Capital Outlay 18/19	100,000	100,000	-	83,277	-	83,277	16,723	-	-	100,000	100,000	16,723
Total projects	$ 35,322,700	$ 35,322,700	$ 6,604,607	$ 3,726,829	$ -	$ 10,331,436	$ 24,991,264	$ 5,400,000	$ 828,107	$ 2,176,648	$ 8,404,755	$ (1,926,681)

See paragraph on other information included in auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Investment in Capital Assets, Net of Related Debt
For the Year Ended June 30, 2019

Capital assets, net		$ 45,283,254
Deduct:		
Short-term portion of bonds payable	2,559,060	
Long-term portion of bonds payable	12,574,493	
		15,133,553
Net investment in capital assets		$ 30,149,701

See paragraph on other information included in the auditor's report.

PART II - REPORTS ON INTERNAL CONTROL AND COMPLIANCE

grossman st. amour
CERTIFIED PUBLIC ACCOUNTANTS PLLC

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*

INDEPENDENT AUDITOR'S REPORT

Board of Education
Solvay Union Free School District
Solvay, New York

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Solvay Union Free School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Solvay Union Free 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Solvay Union Free School District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Solvay Union Free School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we have reported to management of Solvay Union Free School District in a separate letter dated September 23, 2019.

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.

Grossman St Amour CPAs

Syracuse, New York
September 23, 2019

grossman st. amour
CERTIFIED PUBLIC ACCOUNTANTS PLLC

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Board of Education
Solvay Union Free School District
Solvay, New York

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Restricted Use

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

Grossman St Amour CPAs

Syracuse, New York
September 23, 2019

PART III - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SOLVAY UNION FREE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the year ended June 30, 2019

	Federal CFDA Number	Pass-Through Number	Passed Through to Subrecipients	Current Year Expenditures
U.S. Department of Education				
Passed through New York State Department of Education: (Grantor's No. 420702030000)				
Special Education Cluster:				
Special Education - Grants to States	84.027A	0032-19-0646		$ 354,304
Special Education - Preschool Grants	84.173A	0033-19-0646		10,236
Total Special Education Cluster				364,540
Title I Cluster				
Title I Grants to Local Educational Agencies (Title I, A)	84.010A	0021-19-2120		355,412
School Improvement Grant (Title I)	84.010A	0011-19-2700		5,409
Total Title I Cluster				360,821
English Language Acquisition Grants (Title III, A)	84.365A	0293-19-2120		2,831
English Language Acquisition Grants (Title III, A)	84.365A	0293-18-2120		14,038
Student Support and Academic Enrichment (Title IV, A)	84.424A	0204-19-2120		24,952
Twenty-First Century Community Learning Centers	84.287C	0187-19-7118		819,009
Improving Teacher Quality State Grants (Title II, A)	84.367A	0147-19-2120		64,796
Total U.S. Department of Education				1,650,987
U.S. Department of Agriculture				
Passed through New York State Department of Education (Grantor's No. 420702030000)				
Child Nutrition Cluster:				
School Breakfast Program	10.553			118,479
National School Lunch Program (cash assistance)	10.555			426,832
National School Lunch Program (non-cash assistance)	10.555			15,565
Summer Food Service Program for Children	10.559			11,449
Total U.S. Department of Agriculture				572,325
Total Expenditures of Federal Awards				**$ 2,223,312**

The accompanying notes are an integral part of the schedule

SOLVAY UNION FREE SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the Solvay Union Free School District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The accompanying schedule of expenditures of federal awards is a summary of the activity of Solvay Union Free School District's federal award programs and presents transactions that are included in the financial statements of the District presented on the modified accrual basis of accounting, as required by accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is a summary of the activity of Solvay Union Free School District's federal award programs and presents transactions that are included in the financial statements of the District presented on the modified accrual basis of accounting, as required by accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Solvay Union Free School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Food Distribution

The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted approximately $15,600 of commodities under the National School Lunch Program (CFDA 10.555).

PART IV - SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOLVAY UNION FREE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the year ended June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued: *unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ____Yes __X__No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ____Yes __X__No

Noncompliance material to financial statements noted? ____Yes __X__No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____Yes __X__No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ____Yes __X__No

Type of auditor's opinion(s) issued on compliance for major programs: *unmodified*

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

Identification of major programs:

Name of Federal Program or Cluster	*CFDA Number(s)*
Twenty-First Century Community Learning Centers	84.287c

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

Auditee qualified as low-risk? __X__Yes ____No

SOLVAY UNION FREE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the year ended June 30, 2019

Section II. Financial Statement Findings

None

Section III. Federal Award Findings and Questioned Costs

None

Section IV. Status of Prior Audit Findings and Recommendations

There were no findings in the fiscal year ended June 30, 2018