

VALLEY CENTRAL SCHOOL DISTRICT

**Financial Statements and Required Reports
Under Uniform Guidance
As of June 30, 2020**

Together with Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

C O N T E N T S

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4-13
 FINANCIAL STATEMENTS	
Statement of net position	14
Statement of activities	15
Balance sheet – Governmental funds	16-17
Reconciliation of total governmental fund balance to government-wide net position.....	18
Statement of revenue, expenditures, and changes in fund balance – Governmental funds	19
Reconciliation of the statement of revenue, expenditures, and changes in fund balance to the statement of activities	20
Statement of net position and Statement of changes in net position - Fiduciary funds	21
Notes to financial statements	22-52
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of revenue, expenditures, and changes in fund balance – Budget and actual - General fund	53-54
Schedule of proportionate share of net pension liability (asset).....	55
Schedule of contributions – pension plans.....	56
Schedule of changes in total OPEB Liability and related ratios.....	57
 OTHER INFORMATION (UNAUDITED)	
Schedule of change from original budget to revised budget – General fund	58
Section 1318 of Real Property Tax Law Limit calculation –	58
Schedule of project expenditures - Capital projects fund	59
Schedule of net investment in capital assets	60

C O N T E N T S (Continued)

Page

REQUIRED REPORTS UNDER UNIFORM GUIDANCE

Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	61-62
Independent auditor's report on compliance for each major federal program and on internal control over compliance required by Uniform Guidance	63-64
Schedule of expenditures of federal awards.....	65
Notes to schedule of expenditures of federal awards	66
Schedule of findings and questioned costs	67-68

INDEPENDENT AUDITOR'S REPORT

October 13, 2020

To the Board of Education of
Valley Central School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Valley Central School District (School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Valley Central School District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of proportionate share of the net pension (asset) liability and contributions – pension plans and changes in total OPEB liability and related ratios 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 the School District's financial statements. The other information described in the table of contents, as required by the New York State Education Department, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The other information required by the New York State Education Department has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The following is a discussion and analysis of the Valley Central School District's (School District) financial performance for the fiscal year ended June 30, 2020. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the School District-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 School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- School District-wide net position of the School District was \$(125,677,659).
- School District-wide net position was \$9,435,935 less than at June 30, 2019.
- As of the close of this fiscal year, the School District's governmental funds reported combined fund balance of \$21,761,631, an increase of \$20,649,856 from the prior year.
- The fund balance of the General fund was \$20,313,150, an increase of \$2,105,683 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the School District-wide statements.

- The *governmental funds statements* tell how basic services, such as special education, were financed in the *short-term*.
- *Fiduciary funds* statements provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

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

Figure A-1 shows how the various sections of this annual report are arranged and related to one another.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-1 Organization of the School District's Annual Financial Report

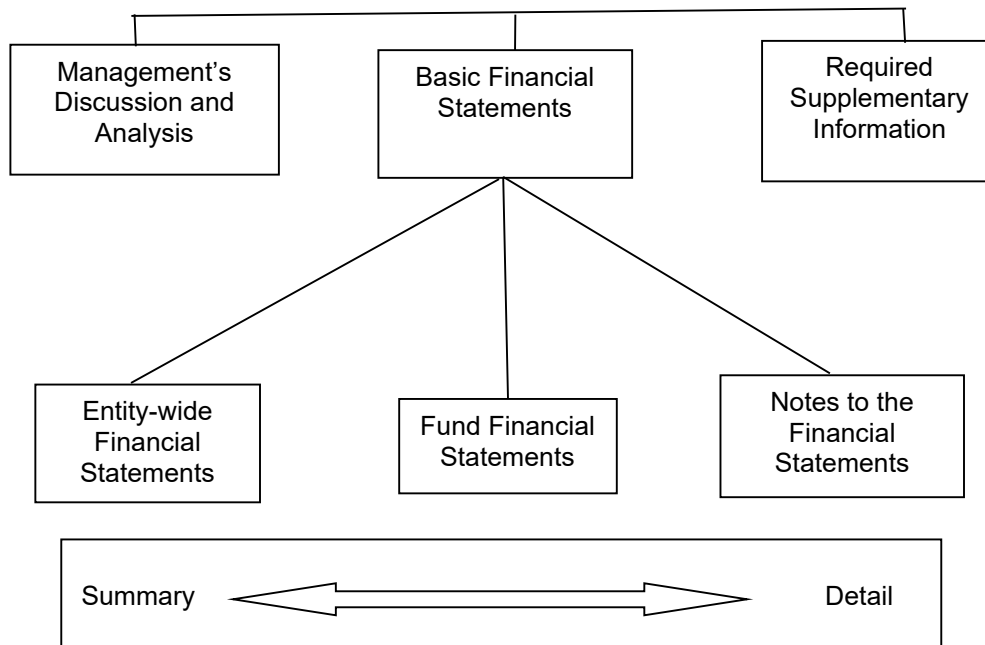


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

School District-Wide Statements

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

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

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

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

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

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenses using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets.
 - Restricted net position has constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

The School District has two types of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can 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 School District's programs. Because this information does not encompass the additional long-term focus of the School District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, debt service fund, and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the School District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Figure A-3 Condensed Statement of Net Position (In Thousands of Dollars)

	Fiscal Year 2020	Fiscal Year 2019	Percent Change
Current and other assets	\$ 31,111	\$ 28,051	10.91%
Noncurrent assets	68,698	67,965	1.08%
Total assets	99,809	96,016	3.95%
Deferred outflows of resources	55,670	41,608	33.80%
Current liabilities	10,811	26,540	-59.27%
Long-term liabilities	243,249	198,372	22.62%
Total liabilities	254,061	224,912	12.96%
Deferred inflows of resources	27,096	28,953	-6.42%
Net position:			
Net investment in capital assets	37,410	36,421	2.72%
Restricted	8,007	14,090	-43.18%
Unrestricted	(171,094)	(166,753)	-2.60%
Total net position	\$ (125,678)	\$ (116,242)	8.12%

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

Changes in Net Position

The School District's 2020 revenue was \$108,182,074 (See Figure A-4). Property taxes and New York State aid accounted for the majority of revenue by contributing 52% and 35%, respectively, of the total revenue raised (see Figure A-5). The remainder of revenue came from fees for services, use of money and property, operating grants, and other miscellaneous sources.

The total cost of all programs and services totaled \$117,618,009 for 2020. These expenses are predominately for the education, supervision, and transportation of students (see Figure A-6). The School District's administrative and business activities accounted for 10% of total costs.

Net position decreased during the year by \$9,435,935 due primarily to the effects of recognizing other post-employment benefits as well as the effects of ERS and TRS proportionate assets, deferred outflows, liabilities and deferred inflows.

Figure A-4 Changes in Net Position from Operating Results (In Thousands of Dollars)

	Fiscal Year 2020	Fiscal Year 2019	Percent Change
Revenue:			
Charges for services	\$ 824	\$ 2,234	-63.12%
Operating grants	4,393	5,014	-12.39%
General revenue:			
Property taxes	56,524	55,181	2.43%
Other tax items	7,654	7,677	-0.30%
Use of money & property	396	654	-39.48%
Sale of property and compensation for loss	17	37	-54.27%
Miscellaneous	491	591	-16.89%
State sources	37,779	35,295	7.04%
Federal sources	103	97	6.95%
Total revenue	<u>108,182</u>	<u>106,782</u>	1.31%
Expenses:			
General support	10,585	9,783	8.20%
Instruction	99,165	96,184	3.10%
Pupil Transportation	5,690	5,545	2.61%
Debt service - Interest	638	822	-22.30%
Cost of sales - Food	1,540	1,616	-4.75%
Total expenses	<u>117,618</u>	<u>113,951</u>	3.22%
Change in net position	<u>\$ (9,436)</u>	<u>\$ (7,169)</u>	-31.62%

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

Figure A-5: Revenue Sources for 2020:

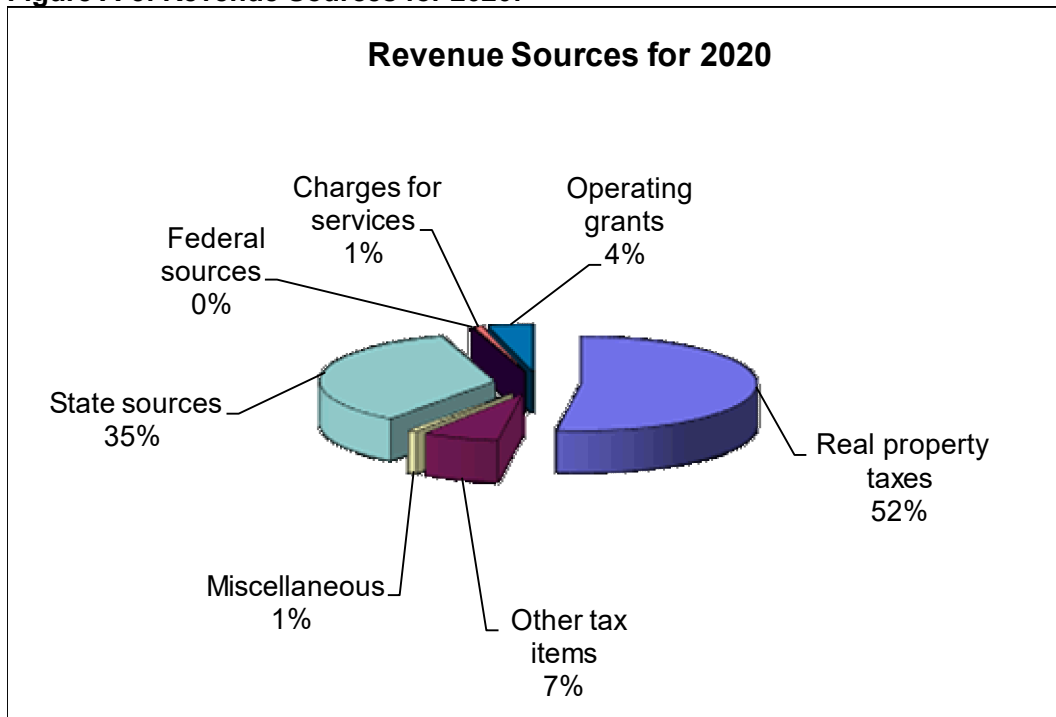
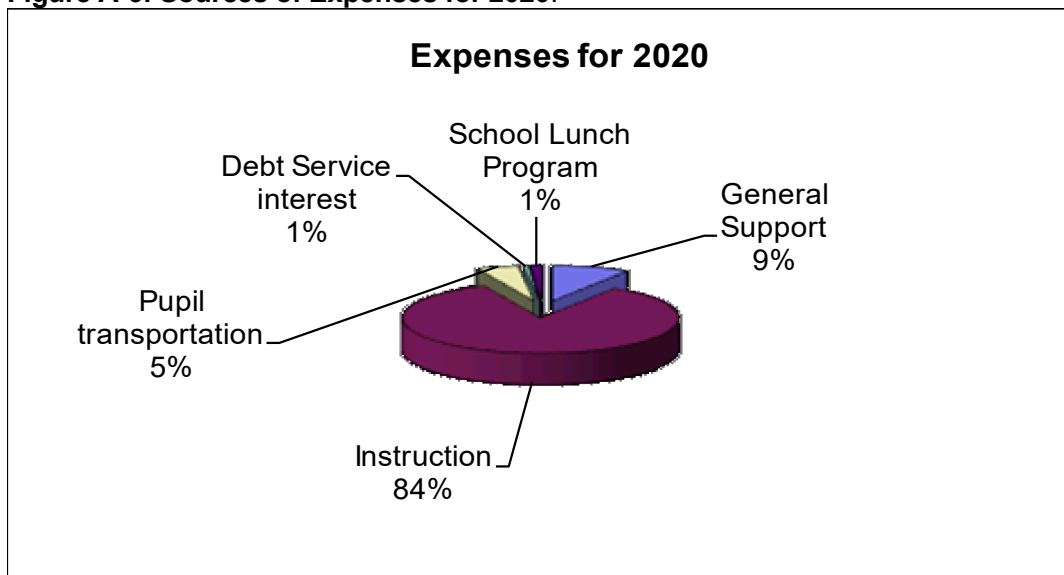


Figure A-6: Sources of Expenses for 2020:



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

Governmental Activities

Revenue for the School District's governmental activities totaled \$108,182,074 while total expenses were \$117,618,009. Accordingly, net position decreased by \$9,435,935.

Figure A-7 presents the cost of several of the School District's major activities. The figure also shows each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

Figure A-7 Net Cost of Governmental Activities (In Thousands of Dollars)

	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2020</u>	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>
General support	\$ 10,585	\$ 10,585	\$ 9,783	\$ 9,784
Instruction	99,165	95,039	96,184	90,579
Pupil transportation	5,690	5,690	5,545	5,379
Debt service - Interest	638	638	822	822
Cost of sales - Food	1,540	449	1,616	140
	<u>\$ 117,618</u>	<u>\$ 112,401</u>	<u>\$ 113,951</u>	<u>\$ 106,702</u>

- The cost of all governmental activities for the year was \$117,618,009.
- The users of the School District's programs financed \$824,067 of the costs through charges for services.
- The federal and state government financed \$4,392,960 of the costs through operating grants.
- The majority of costs were financed by the School District's taxpayers and unallocated NYS aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

Governmental Funds Highlights

General Fund – New York State operating aid is tied to the growth in New York State personal income and sales taxes and the available funds in the state budget. The total 2019-2020 General Fund balance increased by \$2,105,683.

Special Aid Fund – The Special Aid fund ended the year with a fund balance of \$150,204. The fund balance will be appropriated in future years to offset the School District's local share for their summer handicapped program.

School Lunch Fund – The School Lunch fund ended the year with a fund balance of \$234,910. Expenditures exceeded revenues by \$260,968. An interfund transfer from the General fund in the amount of \$260,968 funded the deficit.

Capital Projects Fund – The Capital Projects fund ended the year with a fund balance of \$258,000, an increase of \$18,484,526 from the deficit fund balance at June 30, 2019 of \$18,226,526. Permanent bond financing for the Energy, Abatement & Technology project was authorized by the voters and short-term financing on this project was converted to long-term bonds in the amount of \$17,050,877.

Debt Service Fund – The Debt Service fund ended the year with a fund balance of \$805,367. This fund balance will be appropriated in future years to offset principal and interest payments.

General Fund Budgetary Highlights

Results vs. Budget (In Thousands of Dollars)

	Original Budget	Final Budget	Actual	Encumbrances	Variance (Actual/Budget)
Revenue:					
Local sources	\$ 65,806	\$ 65,820	\$ 65,976	\$ -	\$ 156
State sources	37,308	37,308	38,017	-	709
Federal sources	50	50	103	-	53
Transfers in	258	258	258	-	-
Total	<u>103,422</u>	<u>103,436</u>	<u>104,354</u>	<u>-</u>	<u>918</u>
Expenditures:					
General support	8,177	9,459	8,085	972	402
Instruction	62,156	63,051	60,145	840	2,066
Pupil transportation	6,353	6,933	5,469	121	1,343
Employee benefits	26,696	26,045	24,955	540	549
Debt service	3,012	3,069	2,867	-	202
Transfers out	428	474	727	-	(252)
Total	<u>106,822</u>	<u>109,032</u>	<u>102,248</u>	<u>2,473</u>	<u>4,310</u>
Revenue over (under) expenditures	<u>\$ (3,400)</u>	<u>\$ (5,596)</u>	<u>\$ 2,106</u>	<u>\$ (2,473)</u>	<u>\$ 5,229</u>

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights (Continued)

In the General Fund, for the year ended June 30, 2020, actual revenues were greater than final budgeted revenues by \$918,208 (0.89%). Actual expenditures and encumbrances were less than final budgeted expenditures by \$4,310,453 (3.96%). A factor contributing to the 2019-2020 budget savings was the three and a half month closure due to COVID-19.

For the 2020-2021 year, the School District has appropriated \$5,130,345 of fund balance to reduce the tax levy.

Factors that continue to affect the budget process are as follows:

Last year, the School District began to take steps to reduce the aggregate amount of fund balance and reserves appropriated to the budget while also anticipating for a reduction in transportation aid and an increase in unemployment expenses. Due to anticipated reductions in State Aid for years to come as a result of the economic downturn related to COVID-19, fund balance and reserves will have to be carefully monitored and managed.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2020, the School District had \$61,854,388 invested in buildings, computers, and other educational equipment.

Figure A-8 Capital Assets (In Thousands of Dollars), net of accumulated depreciation

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>
Land	\$ 538	\$ 538
Construction in progress	-	20,138
Land improvements	139	2
Buildings and improvements	60,098	41,308
Furniture and equipment	1,080	1,168
Total	<u>\$ 61,854</u>	<u>\$ 63,154</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

Long-Term Liabilities

As of June 30, 2020, the School District had \$245,575,311 in long-term liabilities. Detailed information about the School District's long-term liabilities is included in the notes to the financial statements.

Figure A-9 Outstanding Long-Term Debt (In Thousands of Dollars)

	Fiscal Year 2020	Fiscal Year 2019
General obligation bonds	\$ 24,765	\$ 8,446
Other long-term liabilities	<u>220,811</u>	<u>191,088</u>
Total	<u>\$ 245,575</u>	<u>\$ 199,534</u>

During 2020, the School District paid down its bonded debt by \$1,120,000.

Bond Ratings – Moody's Investors Service (Moody's) has assigned a rating of A1 to outstanding uninsured bonds of the School District. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's. There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

The School District has concerns about future reductions of State Aid due to the economic impact of COVID-19. If additional State funding does not materialize, the Board of Education may be forced to make significant layoffs and/or exceed the tax levy cap.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Valley Central School District
School Business Office, Attn: Brad Conklin
944 Route 17K
Montgomery, New York 12549

VALLEY CENTRAL SCHOOL DISTRICT**STATEMENT OF NET POSITION
JUNE 30, 2020****ASSETS****CURRENT ASSETS:**

Cash and cash equivalents - unrestricted	\$ 16,836,648
Cash and cash equivalents - restricted	8,012,940
State and federal aid receivable	4,362,363
Due from other governments	610,856
Due from fiduciary funds	16,500
Prepaid expenses	1,199,903
Inventory	<u>71,903</u>
Total current assets	<u>31,111,113</u>

NONCURRENT ASSETS:

Capital assets, net	61,854,388
Net pension asset - TRS	<u>6,843,178</u>

TOTAL ASSETS 99,808,679

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - ERS	5,740,009
Deferred outflows of resources - TRS	22,104,405
Deferred outflows of resources - OPEB	<u>27,825,328</u>

Total Deferred Outflows of Resources 55,669,742

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES 155,478,421

LIABILITIES**CURRENT LIABILITIES:**

Accounts payable and accrued liabilities	3,452,998
Accrued interest	104,380
Due to fiduciary funds	349
Due to other governments	199,551
Due to Teachers' Retirement System	4,312,146
Due to Employees' Retirement System	370,252
Unearned revenues	45,527
Bonds payable due within one year	<u>2,325,877</u>

Total current liabilities 10,811,080

LONG-TERM LIABILITIES:

Bonds payable, net of current portion	21,775,000
Bonds premium, net	663,781
Net pension liability	8,567,941
Total other postemployment benefits	210,048,102
Compensated absences	<u>2,194,610</u>

Total long-term liabilities 243,249,434

TOTAL LIABILITIES 254,060,514

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - ERS	148,966
Deferred inflows of resources - TRS	9,863,051
Deferred inflows of resources - OPEB	<u>17,083,549</u>

Total Deferred Inflows of Resources 27,095,566

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 281,156,080

NET POSITION

Net investment in capital assets	37,409,902
Restricted	8,006,548
Unrestricted	<u>(171,094,109)</u>

TOTAL NET POSITION \$ (125,677,659)

The accompanying notes are an integral part of these statements.

VALLEY CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenue		Net (Expense)
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
FUNCTIONS/PROGRAMS:				
General support	\$ 10,585,033	\$ -	\$ -	\$ (10,585,033)
Instruction	99,164,895	431,861	3,694,095	(95,038,939)
Pupil transportation	5,690,007	-	-	(5,690,007)
Debt service interest	638,428	-	-	(638,428)
School lunch program	<u>1,539,646</u>	<u>392,206</u>	<u>698,865</u>	<u>(448,575)</u>
TOTAL FUNCTIONS/PROGRAMS	<u>\$ 117,618,009</u>	<u>\$ 824,067</u>	<u>\$ 4,392,960</u>	<u>(112,400,982)</u>
GENERAL REVENUE:				
Real property taxes				56,523,952
Other tax items				7,654,405
Use of money and property				395,873
Sale of property and compensation for loss				16,887
Miscellaneous				491,437
State sources				37,779,134
Federal sources				<u>103,359</u>
TOTAL GENERAL REVENUE				<u>102,965,047</u>
CHANGE IN NET POSITION				(9,435,935)
NET POSITION - beginning of year				<u>(116,241,724)</u>
TOTAL NET POSITION - end of year				<u>\$ (125,677,659)</u>

The accompanying notes are an integral part of these statements.

VALLEY CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	Governmental Fund Types					Total
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
ASSETS						
Cash and cash equivalents - unrestricted	\$ 15,936,322	\$ 385,588	\$ 514,738	\$ -	\$ -	\$ 16,836,648
Cash and cash equivalents - restricted	7,201,181	-	-	491,587	320,172	8,012,940
State and federal aid receivable	2,502,026	1,828,759	31,578	-	-	4,362,363
Due from other governments	610,856	-	-	-	-	610,856
Due from other funds	2,385,385	-	-	313,780	53,762	2,752,927
Prepaid expenditures	1,199,903	-	-	-	-	1,199,903
Inventory	-	-	71,903	-	-	71,903
TOTAL ASSETS	<u>\$ 29,835,673</u>	<u>\$ 2,214,347</u>	<u>\$ 618,219</u>	<u>\$ 805,367</u>	<u>\$ 373,934</u>	<u>\$ 33,847,540</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Accounts payable	\$ 710,451	\$ 5,191	\$ 4,695	\$ -	\$ -	\$ 720,337
Accrued liabilities	2,710,104	-	22,557	-	-	2,732,661
Due to other governments	199,303	248	-	-	-	199,551
Due to other funds	251,608	2,058,704	310,530	-	115,934	2,736,776
Due to Teachers' Retirement System	4,312,146	-	-	-	-	4,312,146
Due to Employees' Retirement System	370,252	-	-	-	-	370,252
Unearned revenue	-	-	45,527	-	-	45,527
TOTAL LIABILITIES	<u>8,553,864</u>	<u>2,064,143</u>	<u>383,309</u>	<u>-</u>	<u>115,934</u>	<u>11,117,250</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned revenues	<u>968,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>968,659</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>968,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>968,659</u>

(Continued)

The accompanying notes are an integral part of these statements.

VALLEY CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2020

	Governmental Fund Types					Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
FUND BALANCE:						
Nonspendable:						
Inventory	\$ -	\$ -	\$ 71,903	\$ -	\$ -	\$ 71,903
Prepaid expenditures	1,199,903	-	-	-	-	1,199,903
Total nonspendable fund balance	1,199,903	-	71,903	-	-	1,271,806
Restricted:						
Retirement contributions	956,316	-	-	-	-	956,316
Insurance	51,467	-	-	-	-	51,467
Capital	356,003	-	-	-	-	356,003
Tax certiorari	3,292,785	-	-	-	-	3,292,785
Employee benefits accrued liability	2,194,610	-	-	-	-	2,194,610
Unemployment insurance	350,000	-	-	-	-	350,000
Debt service	-	-	-	805,367	-	805,367
Total restricted fund balance	7,201,181	-	-	805,367	-	8,006,548
Assigned:						
Appropriated for subsequent year's expenditures	5,130,345	-	-	-	-	5,130,345
Unappropriated	-	150,204	163,007	-	258,000	571,211
Other	2,473,263	-	-	-	-	2,473,263
Total assigned fund balance	7,603,608	150,204	163,007	-	258,000	8,174,819
Unassigned	4,308,458	-	-	-	-	4,308,458
TOTAL FUND BALANCE	20,313,150	150,204	234,910	805,367	258,000	21,761,631
TOTAL LIABILITIES AND FUND BALANCE	\$ 29,835,673	\$ 2,214,347	\$ 618,219	\$ 805,367	\$ 373,934	\$ 33,847,540

The accompanying notes are an integral part of these statements.

VALLEY CENTRAL SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION JUNE 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balance	\$ 21,761,631
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	61,854,388
Deferred revenue is considered earned in the current year and recognized as revenue under full accrual accounting.	968,659
Pension related government wide activity	
Deferred outflows - ERS/TRS	27,844,414
Deferred inflows - ERS/TRS	(10,012,017)
Net pension liability - ERS	(8,567,941)
Net pension asset - TRS	6,843,178
OPEB related government wide activity	
Deferred outflows of resources	27,825,328
Deferred inflows of resources	(17,083,549)
Total OPEB liability	(210,048,102)
Long-term liabilities, including bonds payable and compensated absences, are not due in the current period and, therefore, are not reported in the funds	(26,295,487)
Bond premium is recorded as revenue in the fund financial statements, but is amortized over the life of the bond under full accrual accounting	(663,781)
Interest payable is to be recorded in the government-wide statements under full accrual accounting	<u>(104,380)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (125,677,659)</u>

The accompanying notes are an integral part of these statements.

VALLEY CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Debt Service	Capital Projects	
REVENUE:						
Real property taxes	\$ 56,523,952	\$ -	\$ -	\$ -	\$ -	\$ 56,523,952
Other tax items	7,654,405	-	-	-	-	7,654,405
Charges for services	900,115	-	-	-	-	900,115
Use of money and property	389,398	-	318	6,157	-	395,873
Sale of property and compensation for loss	16,887	-	-	-	-	16,887
Miscellaneous	491,437	-	-	-	-	491,437
State sources	38,016,552	1,777,264	25,381	-	-	39,819,197
Federal sources	103,359	1,916,831	673,484	-	-	2,693,674
Sales - School lunch	-	-	392,206	-	-	392,206
Total revenue	<u>104,096,105</u>	<u>3,694,095</u>	<u>1,091,389</u>	<u>6,157</u>	<u>-</u>	<u>108,887,746</u>
EXPENDITURES:						
General support	8,084,725	-	-	-	-	8,084,725
Instruction	60,145,422	3,723,741	-	-	-	63,869,163
Pupil transportation	5,469,454	178,108	-	-	-	5,647,562
Employee benefits	24,954,978	-	257,919	-	-	25,212,897
Debt service - Interest	546,121	-	-	143,736	-	689,857
Debt service - Principal	2,321,000	-	-	-	-	2,321,000
Cost of sales	-	-	1,094,438	-	-	1,094,438
Total expenditures	<u>101,521,700</u>	<u>3,901,849</u>	<u>1,352,357</u>	<u>143,736</u>	<u>-</u>	<u>106,919,642</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>2,574,405</u>	<u>(207,754)</u>	<u>(260,968)</u>	<u>(137,579)</u>	<u>-</u>	<u>1,968,104</u>
OTHER FINANCING SOURCES (USES):						
BANs redeemed from appropriations	-	-	-	-	1,201,000	1,201,000
Premium on issuance of bonds	-	-	-	429,875	-	429,875
Proceeds from issuance of bonds	-	-	-	-	17,050,877	17,050,877
Operating transfers in	258,000	207,754	260,968	25,351	258,000	1,010,073
Operating transfers (out)	(726,722)	-	-	(258,000)	(25,351)	(1,010,073)
Total other financing sources (uses)	<u>(468,722)</u>	<u>207,754</u>	<u>260,968</u>	<u>197,226</u>	<u>18,484,526</u>	<u>18,681,752</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>2,105,683</u>	<u>-</u>	<u>-</u>	<u>59,647</u>	<u>18,484,526</u>	<u>20,649,856</u>
FUND BALANCE - beginning of year	<u>18,207,467</u>	<u>150,204</u>	<u>234,910</u>	<u>745,720</u>	<u>(18,226,526)</u>	<u>1,111,775</u>
FUND BALANCE - end of year	<u>\$ 20,313,150</u>	<u>\$ 150,204</u>	<u>\$ 234,910</u>	<u>\$ 805,367</u>	<u>\$ 258,000</u>	<u>\$ 21,761,631</u>

The accompanying notes are an integral part of these statements.

VALLEY CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balance - Total governmental funds	\$ 20,649,856
Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net position.	281,025
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(1,580,771)
Certain revenue in the statement of activities is recognized as revenue in the government-wide statements, but is not recognized as revenue under the modified accrual basis of accounting in the fund financial statements.	(705,672)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.	2,321,000
BANs redeemed from appropriations are not recognized as revenue in the statement of activities	(1,201,000)
Government funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	42,532
Proceeds of long-term debt are recorded as revenue in the governmental funds, but are recorded as increases in debt in the statement of net position	(17,050,877)
Bond premiums on long-term debt are recorded as revenue in the governmental funds, but not in the statement of activities	(429,875)
Other postemployment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds.	(6,189,335)
Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(5,581,755)
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds.	<u>8,937</u>
Change in net position - Governmental activities	<u>\$ (9,435,935)</u>

The accompanying notes are an integral part of these statements.

VALLEY CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS JUNE 30, 2020

	Private Purpose Trust	Agency
ASSETS:		
Cash - unrestricted	\$ -	\$ 33,425
Cash - restricted	71,882	258,639
Investments	50,513	-
Due from other funds	-	349
State and federal aid receivable	-	103
Total assets	<u>\$ 122,395</u>	<u>\$ 292,516</u>
LIABILITIES:		
Extraclassroom activity balances	\$ -	\$ 258,639
Due to other governments	-	110
Due to other funds	-	16,500
Other liabilities	-	17,267
Total liabilities	<u>\$ -</u>	<u>\$ 292,516</u>
NET POSITION:		
Restricted for scholarships	<u>\$ 122,395</u>	

VALLEY CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	Private Purpose Trust
ADDITIONS:	
Gifts and contributions	\$ 17,671
Investment earnings	1,950
Total additions	<u>19,621</u>
DEDUCTIONS:	
Scholarships and awards	<u>20,917</u>
CHANGE IN NET POSITION	(1,296)
NET POSITION - beginning of year	<u>123,691</u>
NET POSITION - end of year	<u>\$ 122,395</u>

The accompanying notes are an integral part of these statements.

VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Valley Central School District provides K-12 public education to students living within its geographic borders.

The financial statements of Valley Central School District (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 utilized by the School District are described below:

Reporting Entity

Valley Central School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education. The President of the Board of Education 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 School District. The Board of Education has the authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). 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 School District. The School District is not a component unit of another reporting entity. The decision to include a potential component unit in the School 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 included in the School District's reporting entity:

Extra classroom Activity Funds

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

The School District is one of the component School Districts in the Orange/Ulster Board Of Cooperative Education Services (BOCES). 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 School 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 School Districts pay tuition or a service fee for programs in which its students participate.

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

Basis of Presentation

School District-Wide Statements

The statement of net position and the statement of activities present financial information about the School 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 revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital), grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between program expenses and revenue for each function of the School 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 revenue 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The fund statements provide information about the School 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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The accounts of the School District are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types used by the School District are as follows:

Governmental Fund Types

Governmental funds are those in which most governmental functions of the School District are reported. The acquisition, use, and balances of the School District's expendable financial resources and the related liabilities (except those accounted for in the proprietary and fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income. The following are the School District's governmental fund types:

General Fund: This is the School 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, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. The School District uses two special revenue type funds – special aid and school lunch.

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Debt Service Fund: This fund is used to account for and report on the accumulation of resources to be used for redemption of general long-term indebtedness.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District as an agency for individuals, private organizations, other governmental units, and/or other funds. These activities are not included in the School District-wide financial statements, because their resources do not belong to the School District and are not available to be used.

The School District utilizes the following fiduciary funds:

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

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The School District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the School District gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations.

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The School District considers all revenue reported in the governmental funds to be available if the revenue is collected within ninety 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in demand deposit accounts, and amounts with the New York Liquid Asset Fund (NYLAF). The School District's deposit and investment policies are governed by State statutes. The School District has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include NYLAF, obligations of the U.S. Treasury, U.S. Agencies and obligations of New York State or its political subdivisions and accordingly, the School District's policy provides for no credit risk on investments.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by FDIC insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and School District subdivisions.

The School District participates in NYLAF, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2020, the School District held \$11,780,494 in NYLAF consisting of various investments in securities issued by the United States and its agencies. NYLAF is rated 'AAAm' from Standard & Poor's Global Ratings. Amounts held with NYLAF are highly liquid, and the amount held represents the cost of the investment pool shares, which are considered to approximate fair value. Due to the highly liquid nature of these investments, they are classified as cash equivalents in the financial statements. Additional information concerning NYLAF, including the annual report, can be found on its website at www.nylaf.org.

Accounts Receivable

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

Inventories and Prepaid Items

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventorable 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 School 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 School District-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

Interfund Transactions

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

In the School 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.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

Interfund Transactions (Continued)

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 School District's practice to settle these amounts at a net balance based upon the right of legal offset.

Capital Assets, Net

Capital assets, net are reflected in the School District-wide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third party professionals. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, except land, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds and estimated useful lives of capital assets reported in the School District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$ 10,000	50 years
Land Improvements	\$ 5,000	15-25 years
Furniture and Equipment	\$ 5,000	5-20 years
Vehicles	\$ 5,000	5-20 years

Property Taxes

Real property taxes are levied annually by the board of education no later than September 1, and become a lien on August 13. Taxes are collected by the Town of Montgomery and the Town of Newburgh during the period September 1 to October 31.

Uncollected real property taxes are subsequently enforced by Orange County. An amount representing uncollected real property taxes is transmitted to the County for enforcement and is paid by the County to the School District no later than the forthcoming April 1.

Vested Employee Benefits

Compensated absences

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

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

School District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods. Consistent with GASB Statement 16, accounting for compensated absences, the liability for compensated absences has been calculated using the vesting/termination method and an accrual for that liability is included in the School District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end. In the fund statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** **(Continued)**

Vested Employee Benefits (Continued)

Other Benefits

Eligible School District employees participate in the New York State Employees' Retirement System or the New York State Teachers' Retirement System.

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

Other Postemployment Benefits

In addition to providing the pension benefits described, the School District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School 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 School District and the retired employee. The School District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level the School District recognizes the cost of providing health care insurance by recording its share of insurance premiums as an expenditure.

Unearned Revenue

Unearned revenue is reported when potential revenue meets both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

Unearned revenue recorded in governmental funds is generally not recorded in the School District-wide statements.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the School District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the School 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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources

Deferred outflows of resources, in the statement of net position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) so will not be recognized as an inflow of resources (revenue) until that time.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the School 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.

Fund Balance/Net Position Classifications

School District-Wide Statements

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

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

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.

Restricted net position consists of the following:

Retirement contributions reserve	\$ 956,316
Insurance reserve	51,467
Capital reserve	356,003
Employee benefits accrued liabilities reserve	2,194,610
Tax certiorari reserves	3,292,785
Unemployment insurance reserve	350,000
Debt service reserve	<u>805,367</u>
	<u>\$ 8,006,548</u>

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

Governmental Fund Statements

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

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually are required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Fund Balance/Net Position Classifications (Continued)
Governmental Fund Statements (Continued)

Restricted fund balance – 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.

The School District has available the following restricted fund balances:

Capital Reserve

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

Unemployment insurance reserve (GML §6-m) is 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 School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund under restricted fund balance.

Reserve for Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. The reserve is accounted for in the debt service fund under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

Fund Balance/Net Position Classifications (Continued)
Governmental Fund Statements (Continued)

Insurance Reserve

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

Liability Claims and Property Loss Reserve

Liability claims and property loss reserve, (Education Law §1709(8) (c)), are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by School Districts, except city School Districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

Tax Certiorari Reserve

Tax certiorari reserve, (Education Law §3651.1-a), is 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 which 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 accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability Reserve

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds 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 legal appropriated. The reserve is accounted for in the general fund under restricted fund balance.

Employee Retirement Contribution Reserve

Employee Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2020.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Fund Balance/Net Position Classifications (Continued)

Governmental Fund Statements (Continued)

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$2,473,263. As of June 30, 2020, the School District's encumbrances were classified as follows:

General support	\$ 971,763
Instruction	839,768
Pupil transportation	121,341
Employee benefits	<u>540,391</u>
Total encumbrances	<u>\$ 2,473,263</u>

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 the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

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

Order of Fund Balance Spending Policy

The School 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 the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

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

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

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

Total fund balances of the School District's governmental funds differ from net position of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Change in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered available, whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

Capital Related Differences

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

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas 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.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

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 School 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.

Fund Balance

Portions of fund balances are restricted and not available for current expenditures, as reported in the governmental funds' balance sheet.

4. CASH

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

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	<u>\$ 15,764,767</u>	<u>\$ 13,433,040</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 14,736,259	
Covered by FDIC insurance	<u>1,028,508</u>	
Total	<u>\$ 15,764,767</u>	

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

Restricted cash consists of the following:

General fund:

Cash on deposit for retirement contributions	\$ 956,316
Cash on deposit for insurance	51,467
Cash on deposit for capital	356,003
Cash on deposit for employee benefits accrued liabilities	2,194,610
Cash on deposit for tax certiorari	3,292,785
Cash on deposit for unemployment insurance	<u>350,000</u>
	<u>\$ 7,201,181</u>

Capital projects fund:

Cash on deposit for capital projects	<u>\$ 320,172</u>
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Debt service fund:

Cash on deposit for debt service	<u>\$ 491,587</u>
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Fiduciary funds:

Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	<u>\$ 330,521</u>
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5. INVESTMENTS

The School District has an investment held for a donated scholarship fund and chooses to disclose the investment by specifically identifying it. The School District's investment policy for investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- (A) Insured or registered, or investments held by the School District or by the School District's agent in the School District's name, or
- (B) Uninsured and unregistered, with the investments held by the financial institutes trust department in the School District's name, or
- (C) Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the School District's name.

Investment	T. Rowe Price Equity Index 500	T. Rowe Price Inc. Emerging Markets Stock Fund #73	T. Rowe Price International Eq Index	Federated US Treasury Cash Reserves I
Fund	Private Purpose Trust	Private Purpose Trust	Private Purpose Trust	Private Purpose Trust
Market Value	\$19,918	\$1,008	\$1,341	\$4,294
Type of Investment	Mutual Fund	Mutual Fund	Mutual Fund	Money Market Fund
Investment	SPDR Series Trust Portfolio Md ETF	SPDR Series Trust Portfolio Sm ETF	SPDR Series Trust Portfolio Intrmd	SPDR Series Trust Portfolio Short
Fund	Private Purpose Trust	Private Purpose Trust	Private Purpose Trust	Private Purpose Trust
Market Value	\$1,094	\$930	\$10,959	\$10,969
Type of Investment	Exchange Traded Fund	Exchange Traded Fund	ETF Bond Taxable	ETF Bond Taxable

The School District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The School District does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

6. PARTICIPATION IN BOCES

During the year, the School District was billed \$7,026,006 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$2,044,758.

7. CAPITAL ASSETS, NET

Capital asset balances and activity for the year ended June 30, 2020, were as follows:

	July 1, 2019 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2020 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 537,850	\$ -	\$ -	\$ 537,850
Construction in progress	<u>20,137,703</u>	<u>-</u>	<u>20,137,703</u>	<u>-</u>
Total non-depreciable cost	<u>20,675,553</u>	<u>-</u>	<u>20,137,703</u>	<u>537,850</u>
Capital assets that are depreciated:				
Land improvements	989,281	-	552,612	436,669
Buildings and improvements	71,122,603	20,137,703	10,842	91,249,464
Furniture and equipment	<u>5,611,478</u>	<u>68,013</u>	<u>3,073,397</u>	<u>2,606,094</u>
Total depreciable historical cost	<u>77,723,362</u>	<u>20,205,716</u>	<u>3,636,851</u>	<u>94,292,227</u>
Less accumulated depreciation:				
Land improvements	987,345	20,643	710,025	297,963
Buildings and improvements	29,814,343	1,347,804	10,842	31,151,305
Furniture and equipment	<u>4,443,093</u>	<u>212,324</u>	<u>3,128,996</u>	<u>1,526,421</u>
Total accumulated depreciation	<u>35,244,781</u>	<u>1,580,771</u>	<u>3,849,863</u>	<u>32,975,689</u>
Total capital assets, net	<u>\$ 63,154,134</u>	<u>\$ 18,624,945</u>	<u>\$ 19,924,691</u>	<u>\$ 61,854,388</u>

Depreciation expense for the year ended June 30, 2020, was allocated to specific functions as follows:

General support	\$ 64,022
Instruction	1,503,743
Pupil transportation	1,861
Cost of sales	<u>11,145</u>
Total	<u>\$ 1,580,771</u>

8. SHORT-TERM DEBT

The School District may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), in anticipation of the receipt of revenue. 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 School 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.

8. SHORT-TERM DEBT (Continued)

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

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

<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Principal Paid</u>	<u>Replaced with bonds</u>	<u>Ending Balance</u>
6/19/2020	2.25%	<u>\$ 18,286,972</u>	<u>\$ -</u>	<u>\$ 1,201,000</u>	<u>\$ 17,085,972</u>	<u>\$ -</u>

9. LONG-TERM DEBT

Interest on debt for the year was composed of:

Interest paid	\$ 689,857
Less: Interest accrued in the prior year	(113,277)
Less: Amortization expense on bond premium	(42,532)
Plus: Interest accrued in the current year	<u>104,380</u>
Total expense	<u>\$ 638,428</u>

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

	<u>July 01, 2019 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020 Balance</u>	<u>Amounts Due Within One Year</u>	<u>Long-term Portion</u>
Government activities:						
Bonds and notes payable						
General obligation debt:						
Serial bonds	\$ 8,170,000	\$ 17,050,877	\$ 1,120,000	\$ 24,100,877	\$ 2,325,877	\$ 21,775,000
Unamortized serial bond premiums	276,438	429,875	42,532	663,781	-	663,781
Other long-term liabilities:						
Compensated absences	2,194,650	-	40	2,194,610	-	2,194,610
Other postemployment benefits	186,604,794	23,443,308	-	210,048,102	-	210,048,102
Net pension liability	<u>2,288,182</u>	<u>6,279,759</u>	<u>-</u>	<u>8,567,941</u>	<u>-</u>	<u>8,567,941</u>
Total long-term liabilities	<u>\$ 199,534,064</u>	<u>\$ 47,203,819</u>	<u>\$ 1,162,572</u>	<u>\$ 245,575,311</u>	<u>\$ 2,325,877</u>	<u>\$ 243,249,434</u>

9. LONG-TERM DEBT (Continued)

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	June 30, 2020
				<u>Balance</u>
Serial Bond	12/15/2006	6/15/2021	4.00%	\$ 300,000
Serial Bond	6/14/2012	6/14/2025	3.00-5.00%	2,120,000
Serial Bond	2/19/2014	2/15/2029	2.00-3.00%	4,630,000
Serial Bond	6/16/2020	6/15/2034	2.00%	17,050,877
				<u>\$ 24,100,877</u>

The following is a summary of the maturity of bonds payable:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,325,877	\$ 582,570	\$ 2,908,447
2022	2,085,000	523,700	2,608,700
2023	2,055,000	469,075	2,524,075
2024	2,110,000	412,850	2,522,850
2025	2,085,000	352,700	2,437,700
2026-2030	8,255,000	1,063,500	9,318,500
2031-2034	<u>5,185,000</u>	<u>259,200</u>	<u>5,444,200</u>
Totals	<u>\$ 24,100,877</u>	<u>\$ 3,663,595</u>	<u>\$ 27,764,472</u>

10. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

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

The following is a summary of interfund activity:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditures</u>
General fund	\$ 2,385,385	\$ 251,608	\$ 258,000	\$ 726,722
Special aid fund	-	2,058,704	207,754	-
School lunch fund	-	310,530	260,968	-
Debt Service	313,780	-	25,351	258,000
Capital fund	53,762	115,934	258,000	25,351
Fiduciary funds	<u>349</u>	<u>16,500</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 2,753,276</u>	<u>\$ 2,753,276</u>	<u>\$ 1,010,073</u>	<u>\$ 1,010,073</u>

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

11. PENSION PLANS

New York State Employees' Retirement System

The School District participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing 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), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an 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 School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27th, 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 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>
2020	\$ 1,420,732
2019	1,320,348
2018	1,272,210

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

At June 30, 2020, the School District reported a net pension liability of \$8,567,941 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2019. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020 and 2019, the School District's proportion was .0323556% and .032295%, respectively, which were measured at March 31, 2020 and 2019, respectively.

11. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

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

For the year ended June 30, 2020, the School District recognized pension expense of \$2,853,756. At June 30, 2020, the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 504,258	\$ -
Changes of Assumptions	172,518	148,966
Net difference between projected and actual earnings on pension plan investments	4,392,343	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	196,621	-
Contributions subsequent to the measurement date	474,269	-
Total	<u>\$ 5,740,009</u>	<u>\$ 148,966</u>

The School District recognized \$474,269 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2020 which will be recognized on a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ending March 31:

2021	\$ 908,449
2022	1,285,404
2023	1,625,253
2024	1,297,668
2025	-
Thereafter	-
	<u>\$ 5,116,774</u>

11. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	4.2% indexed by service
Projected COLAs	1.3% compounded annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2018
Investment Rate of Return	6.8% compounded annually, net of investment expenses

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	36.0	4.05%
International Equity	14.0	6.15%
Private Equity	10.0	6.75%
Real Estate	10.0	4.95%
Absolute Return Strategies	2.0	3.25%
Opportunistic Portfolio	3.0	4.65%
Real Assets	3.0	5.95%
Bonds and Mortgages	17.0	0.75%
Cash	1.0	0.00%
Inflation-Indexed Bonds	4.0	0.50%
	<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. 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 Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

11. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (5.8%) or 1% higher (7.8%) than the current rate:

	1% Decrease (5.8%)	Current Discount (6.8%)	1% Increase (7.8%)
Employer's Proportionate Share of Net Pension Liability (Asset)	\$ 15,724,591	\$ 8,567,941	\$ 1,976,636

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2020, was as follows:

	Pension Plan's Fiduciary Net Position
Total pension liability	\$ 194,596,261
Net position	168,115,682
Net pension liability (asset)	<u>\$ 26,480,579</u>
ERS net position as a percentage of total pension liability	86.39%

New York State Teachers' Retirement System

The School District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers 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.

The New York State Teachers' Retirement Board administers NYSTRS. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

11. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Contributions (Continued)

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

	<u>TRS</u>
2020	\$ 3,994,208
2019	4,246,979
2018	4,925,377

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

At June 30, 2020, the School District reported an asset of \$6,843,178 for its proportionate share of the NYSTRS net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2018. The School District's proportion of the net pension asset was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020 and 2019, the School District's proportionate share was 0.263401% and 0.266050%, respectively, which were measured at June 30, 2019 and 2018, respectively.

For the year ended June 30, 2020, the School District recognized pension expense of \$7,957,015. At June 30, 2020 the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,637,447	\$ 508,872
Changes of Assumptions	12,927,679	3,152,134
Net difference between projected and actual earnings on pension plan investments	-	5,487,875
Changes in proportion and differences between the District's contributions and proportionate share of contributions	227,133	714,170
Contributions subsequent to the measurement date	4,312,146	-
Total	<u>\$ 22,104,405</u>	<u>\$ 9,863,051</u>

The School District recognized \$4,312,146 as a deferred outflow of resources related to pensions resulting from the School District's contributions subsequent to the measurement date of June 30, 2019, which will be recognized as a reduction of the net pension asset in the year ending June 30, 2021.

11. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

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

Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ending June 30:

2020	\$ 2,931,476
2021	31,972
2022	2,920,255
2023	1,994,223
2024	247,491
Thereafter	(196,210)
	<u>\$ 7,929,207</u>

Actuarial Assumptions

The total pension liability at the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. These actuarial valuations used the following actuarial assumptions:

Actuarial cost method	Entry age normal										
Inflation	2.20%										
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.										
	<table><tr><td><u>Service</u></td><td><u>Rate</u></td></tr><tr><td>5</td><td>4.72%</td></tr><tr><td>15</td><td>3.46%</td></tr><tr><td>25</td><td>2.37%</td></tr><tr><td>35</td><td>1.90%</td></tr></table>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Projected COLAs	1.50% compounded annually										
Investment Rate of Return	7.10% compounded annually, net of pension plan investment expense, including inflation.										

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2018, applied on a generational basis. Active member mortality rates are based on a plan member experience.

The actuarial assumptions used in the June 30, 2018 valuation was based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

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

11. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the measurement date of June 30, 2019 are summarized in the following table:

<u>Asset Type</u>	Target Allocations in %	Long-term expected real rate of return in %
Domestic Equity	33.0	6.3%
International Equity	16.0	7.8%
Global Equity	4.0	7.2%
Real Estate Equity	11.0	4.6%
Private Equity	8.0	9.9%
Domestic Fixed Income	16.0	1.3%
Global Bonds	2.0	0.9%
Private Debt	1.0	6.5%
Real Estate Debt	7.0	2.9%
High-Yield Bonds	1.0	3.6%
Cash Equivalents	1.0	0.3%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from School Districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' 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 (Asset) to the Discount Rate Assumption

The following presents the net pension liability (asset) of the School District calculated using the discount rate of 7.10 percent, as well as what the School Districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount (7.10%)	1% Increase (8.10%)
Employer's Proportionate Share of Net Pension Liability (Asset)	\$ 30,889,393	\$ (6,843,178)	\$ (38,496,547)

11. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current year net pension liability (asset) of the employers as of June 30, 2019, were as follows:

	Pension Plan's Fiduciary Net Position
Total pension liability	\$ 119,879,473,882
Net position	122,447,480,654
Net pension liability (asset)	<u>\$ (2,568,006,772)</u>
TRS net position as a percentage of total pension liability	102.14%

12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The School District's defined benefit OPEB plan provides OPEB for eligible retired employees of the School District, their spouses and their dependent children.

The plan is a single-employer defined benefit OPEB plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The School District provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	482
Active employees	<u>560</u>
Total participants	<u><u>1,042</u></u>

Total OPEB Liability

The School District's total OPEB liability of \$210,048,102 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs

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

Salary increases	3.8 percent
Discount Rate	3.51 percent as of July 1, 2018
Healthcare Cost Trend Rates	Pre-65: 7.14% for 2020, decreasing to an ultimate rate of 4.50% for 2027 and future years. Post-65: 7.91% for 2020, decreasing to an ultimate rate of 4.50% for 2027 and future years.
Current & Future retirees' share of benefit related costs	Contributions vary by bargaining unit.
Cost method	Entry Age Normal

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

Mortality rates were based on Pub-2010 Headcount Weighted Mortality Table projected generationally with MP-2018 from the central year.

Changes in the Total OPEB Liability

Balance at July 1, 2019	<u>\$ 186,604,794</u>
Changes for the Year	
Service cost	6,806,536
Interest	7,405,396
Changes of benefit terms	-
Changes in assumptions or other inputs	13,096,313
Differences between expected and actual experience	289,364
Benefit payments	<u>(4,154,301)</u>
Net changes	<u>23,443,308</u>
Balance at June 30, 2020	<u>\$ 210,048,102</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% to 3.51%.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

	1% Decrease (2.51%)	Current Discount (3.51%)	1% Increase (4.51%)
Total OPEB Liability	<u>\$253,316,213</u>	<u>\$210,048,102</u>	<u>\$ 176,333,457</u>

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

The following presents the total OPEB liability of the School District, as well as what the School 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:

	Healthcare		
	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	<u>\$170,859,159</u>	<u>\$210,048,102</u>	<u>\$ 262,411,989</u>

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$14,213,597. At June 30, 2020, the School 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	\$ 12,533,774	\$ -
Changes of assumptions	11,421,593	17,083,549
Contributions subsequent to the measurement date	<u>3,869,961</u>	<u>-</u>
Total	<u>\$ 27,825,328</u>	<u>\$ 17,083,549</u>

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2021	\$ 3,871,626
2022	1,665
2023	1,665
2024	393,268
2025	3,358,216
Thereafter	<u>3,115,339</u>
	<u>\$ 10,741,779</u>

13. TAX ABATEMENTS

All real property in New York State is subject to taxation unless specific legal provision grant it exempt status. Real property exemptions are granted on the basis of many different criteria, including the use to which the property is put, the owner's ability to pay taxes, the desire of the state and local governments to encourage certain economic or social activities, and other considerations. Most exemptions are granted under Article 4 of the Real Property Tax Law, but others are authorized by a wide variety of statutes ranging from Article 18-A of the Real Property Tax Law, the Agriculture and Markets Law and the Transportation Law. Certain exemptions provide full relief from taxation (wholly exempt property) and others reduce the taxes which would otherwise be payable by varying degrees (partially exempt property). Some exemptions apply to taxes levied for county, city/town, and school purposes, whereas others pertain only to certain of these purposes. Some tax exemptions are mandated by State law, others are subject to local option and/or local determination of eligibility criteria.

13. TAX ABATEMENTS (Continued)

The following are the PILOT agreements and the amount of real property tax that has been abated for the year ended June 30, 2020:

Agreement With	Taxable Value	Tax Rate	Tax Value	Actual	Assessed Value	Exemption	Value of Exemption
Town of Newburgh							
Sky Chefs/Pacific Sintereg Metals	\$ 375,000	68.679945	\$ 25,755	\$ 25,708	\$ 375,000	\$ -	\$ -
GRS Enterprise/Newburgh IND Associatio	5,400,000	68.679945	370,872	370,192	5,400,000	-	-
Bergy Realty LLC	276,500	68.679945	18,990	18,955	276,500	-	-
LKD Realty	2,204,630	68.679945	151,414	110,372	2,204,630	-	-
Air Logistics Inc.	360,000	68.679945	24,725	24,679	360,000	-	-
NELCO	1,170,600	68.679945	80,397	80,249	1,170,600	-	-
NY Telephone	101,100	68.679945	6,944	6,931	101,100	-	-
Omnipoint Comm. Inc.	101,000	68.679945	6,937	6,924	101,000	-	-
EJ Del Monte Corp.	1,864,000	68.679945	128,019	127,785	1,864,000	-	-
Cargex Properties (CALEAST)	2,805,750	68.679945	192,699	192,345	2,805,750	-	-
Town of Hamptonburgh							
Blackhawk/McKesson	7,350,000	23.351181	171,631	162,247	24,150,000	16,800,000	392,300
Carlisle Construction	16,549,400	23.351181	386,448	365,318	22,849,400	6,300,000	147,112
Town of Montgomery							
Kadge, LLC	2,554,800	35.92517	91,782	93,377	3,444,000	889,200	31,945
Polich Tallix	1,226,900	35.92517	44,077	-	1,577,900	351,000	12,610
Goodwill Properties	2,848,000	35.92517	102,315	104,094	5,416,000	2,568,000	92,256
Bruderhof Communities	2,888,600	35.92517	103,773	105,577	2,888,600	-	-
Spruce Properties	687,050	35.92517	24,682	25,111	1,325,750	638,700	22,945
United Natural Foods	18,782,800	35.92517	674,775	686,505	33,938,800	15,156,000	544,482
Hudson Heritage Federal Credit Union	701,250	35.92517	25,193	25,630	810,000	108,750	3,907
Montgomery Housing			1,426	1,426			-
Montgomery Manor			3,480	3,480			-
Evergreen Senior Complex			4,058	4,088			-
	<u>\$ 68,247,380</u>		<u>\$ 2,640,392</u>	<u>\$ 2,540,993</u>	<u>\$111,059,030</u>	<u>\$42,811,650</u>	<u>\$ 1,247,557</u>

14. RISK MANAGEMENT

General Information

The School 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.

Consortiums

The School District participates in Orange/Ulster School District Health Insurance Plan, a non-risk retained public entity risk pool for its employees and accident insurance coverage. The pool is operated for the benefit of 20 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool. The School District has essentially transferred all related risk to the pool.

14. RISK MANAGEMENT (Continued)

Consortiums (Continued)

The School District participates in Orange/Ulster School District Workers Compensation Plan, a non-risk retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 18 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members up to \$500,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$500,000 limit, and the School District has essentially transferred all related risk to the pool.

Other Contingencies

The School District has several claims that are currently being litigated with the support of legal counsel. The results of this litigation are unknown at this time.

15. COMMITMENTS AND CONTINGENCIES

The School 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 School District's administration believes disallowances, if any, will be immaterial.

16. DONOR-RESTRICTED ENDOWMENTS

The School District administers endowment funds, which are restricted by the donor for the purpose of student scholarships and awards.

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

17. COVID-19 PANDEMIC

As of the date of this report, the United States is in the midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). The School District was closed effective March 16, 2020 and did not re-open during the 2020 academic year. The School District has developed a re-opening plan for the 2020-2021 school year and has resumed educating students in September. Instruction will be a mix of in-person and virtual education.

Businesses throughout NYS remain closed or are operating significantly below their capacity. New York State has publicly stated that COVID-19 will have a significant negative impact on its revenues and its 2020-21 budget. In August 2020 the New York State Department of Education notified all School Districts that effective immediately certain future payments of state aid will be reduced by a 20% withholding and that this withholding may become a permanent reduction in aid. As a result, at June 30, 2020, the School District has recorded a deferred inflow of resources in the amount of \$500,405 in the General fund.

It is difficult at this time to predict with certainty the full effect this impact may have on future State aid payments to the School District. The School District is currently analyzing the effects such a reduction will have on its fiscal 2021 operations.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

VALLEY CENTRAL SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUE					
LOCAL SOURCES:					
Real property taxes	\$ 61,639,746	\$ 56,535,730	\$ 56,523,952	\$ -	\$ (11,778)
Other tax items	2,640,390	7,744,406	7,654,405	-	(90,001)
Charges for services	750,000	750,000	900,115	-	150,115
Use of money and property	320,000	320,000	389,398	-	69,398
Sale of property and compensation for loss	-	-	16,887	-	16,887
Miscellaneous	<u>455,827</u>	<u>469,724</u>	<u>491,437</u>	<u>-</u>	<u>21,713</u>
Total local sources	65,805,963	65,819,860	65,976,194	-	156,334
State sources	37,308,037	37,308,037	38,016,552	-	708,515
Federal sources	<u>50,000</u>	<u>50,000</u>	<u>103,359</u>	<u>-</u>	<u>53,359</u>
Total revenue	<u>103,164,000</u>	<u>103,177,897</u>	<u>104,096,105</u>	<u>-</u>	<u>918,208</u>

(Continued)

VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
(Continued)
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	\$ 98,510	\$ 217,301	\$ 105,138	\$ 57,153	\$ 55,010
Central administration	356,263	364,564	352,641	6,699	5,224
Finance	761,959	860,532	699,973	134,657	25,902
Staff	524,052	747,456	623,837	51,071	72,548
Central services	5,347,142	6,112,684	5,217,934	714,870	179,880
Special items	<u>1,089,329</u>	<u>1,156,361</u>	<u>1,085,202</u>	<u>7,313</u>	<u>63,846</u>
Total general support	<u>8,177,255</u>	<u>9,458,898</u>	<u>8,084,725</u>	<u>971,763</u>	<u>402,410</u>
INSTRUCTION:					
Instruction, administration, and improvement	3,667,305	3,900,416	3,746,888	52,822	100,706
Teaching - regular school	32,963,137	32,254,074	31,293,729	139,989	820,356
Programs for children with handicapping conditions	16,416,795	16,503,155	15,300,037	519,352	683,766
Programs for English language learners	-	583,240	583,200	-	40
Occupational education	1,143,481	1,165,200	1,165,200	-	-
Teaching - special school	160,000	160,000	114,287	-	45,713
Instructional media	1,874,469	2,470,595	2,190,373	111,489	168,733
Pupil services	<u>5,931,025</u>	<u>6,014,644</u>	<u>5,751,708</u>	<u>16,116</u>	<u>246,820</u>
Total instruction	<u>62,156,212</u>	<u>63,051,324</u>	<u>60,145,422</u>	<u>839,768</u>	<u>2,066,134</u>
Pupil transportation	6,352,622	6,933,428	5,469,454	121,341	1,342,633
Employee benefits	26,696,311	26,044,713	24,954,978	540,391	549,344
Debt service - principal	2,212,000	2,345,475	2,321,000	-	24,475
Debt service - Interest	<u>799,600</u>	<u>723,932</u>	<u>546,121</u>	<u>-</u>	<u>177,811</u>
Total expenditures	<u>106,394,000</u>	<u>108,557,770</u>	<u>101,521,700</u>	<u>2,473,263</u>	<u>4,562,807</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	258,000	258,000	258,000	-	-
Transfers to other funds	<u>(428,000)</u>	<u>(474,368)</u>	<u>(726,722)</u>	<u>-</u>	<u>(252,354)</u>
Total expenditures and other financing uses	<u>106,564,000</u>	<u>108,774,138</u>	<u>101,990,422</u>	<u>2,473,263</u>	<u>4,310,453</u>
NET CHANGE IN FUND BALANCE	(3,400,000)	(5,596,241)	2,105,683	(2,473,263)	5,228,661
FUND BALANCE - beginning of year	<u>18,207,467</u>	<u>18,207,467</u>	<u>18,207,467</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 14,807,467</u>	<u>\$ 12,611,226</u>	<u>\$ 20,313,150</u>	<u>\$ (2,473,263)</u>	<u>\$ 5,228,661</u>

See the independent auditor's report

VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of the net pension liability (asset)	0.032356%	0.032295%	0.031604%	0.030991%	0.281519%	0.027336%				
Proportionate share of the net pension liability (asset)	\$8,568	\$2,288	\$1,020	\$2,912	\$4,518	\$923				
Covered-employee payroll	\$10,436	\$9,934	\$9,280	\$9,045	\$8,541	\$7,565				
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	82.10%	23.03%	10.99%	32.19%	52.90%	12.21%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.39%	96.27%	98.24%	94.70%	90.70%	97.95%				

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of the net pension liability (asset)	0.263401%	0.266050%	0.265200%	0.262947%	0.247970%	0.240310%				
Proportionate share of the net pension liability (asset)	(\$6,843)	(\$4,811)	(\$2,016)	\$2,816	(\$25,756)	(\$26,769)				
Covered-employee payroll	\$45,081	\$43,337	\$42,679	\$41,217	\$37,634	\$35,508				
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-15.18%	-11.10%	-4.72%	6.83%	-68.44%	-75.39%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.14%	101.53%	100.66%	99.01%	110.46%	111.48%				

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

VALLEY CENTRAL SCHOOL DISTRICT

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,421	\$ 1,320	\$ 1,272	\$ 1,265	\$ 1,325	\$ 1,322				
Contributions in relation to the contractually required contribution	1,421	1,320	1,272	1,265	1,325	1,322				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Covered-employee payroll	\$ 10,436	\$ 9,934	\$ 9,280	\$ 9,045	\$ 8,541	\$ 7,565				
Contributions as a percentage of covered-employee payroll	13.61%	13.29%	13.71%	13.98%	15.51%	17.47%				

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 3,994	\$ 4,247	\$ 4,925	\$ 5,380	\$ 6,530	\$ 5,768				
Contributions in relation to the contractually required contribution	3,994	4,247	4,925	5,380	6,530	5,768				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Covered-employee payroll	\$ 45,081	\$ 43,337	\$ 42,679	\$ 41,217	\$ 37,634	\$ 35,508				
Contributions as a percentage of covered-employee payroll	8.86%	9.80%	11.54%	13.05%	17.35%	16.25%				

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total OPEB Liability										
Service cost	\$ 6,806,536	\$ 4,276,735	\$ 5,236,510							
Interest	7,405,396	6,070,405	5,358,083							
Changes of benefit terms	-	-	-							
Differences between expected and actual experience	289,364	17,304,487	-							
Changes in assumptions	13,096,313	(4,558,024)	(24,528,768)							
Benefit payments	(4,154,301)	(3,521,954)	(3,573,079)							
Total change in total OPEB liability	23,443,308	19,571,649	(17,507,254)							
Total OPEB liability - beginning	186,604,794	167,033,145	184,540,399							
Total OPEB liability - ending	\$ 210,048,102	\$ 186,604,794	\$ 167,033,145							
 Covered-employee payroll	 \$ 51,299,825	 \$ 48,896,249	 \$ 40,013,154							
 Total OPEB liability as a percentage of covered-employee payroll	 409.5%	 381.63%	 417.45%							

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Notes to schedule:

Changes of assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount rate	3.51%	3.87%	3.58%
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Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET - GENERAL FUND AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2020

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 106,564,000
Add: Prior year's encumbrances	<u>2,162,574</u>
Original budget	108,726,574
Budget revisions	<u>47,564</u>
Final budget	<u>\$ 108,774,138</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter-approved expenditure budget	\$ 108,429,011	
Maximum allowed (4% of 2020-21 budget)		<u>\$ 4,337,160</u>

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

Unrestricted fund balance:	
Assigned fund balance	7,603,608
Unassigned fund balance	<u>4,308,458</u>
	<u>\$ 11,912,066</u>

Less:

Appropriated fund balance	5,130,345
Encumbrances included in assigned fund balance	<u>2,473,263</u>
Total adjustments	<u>\$ 7,603,608</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 4,308,458</u>
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Actual percentage	3.97%
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* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

OTHER INFORMATION (UNAUDITED)

VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Proceeds from Debt	Methods of Financing			Fund Balance June 30, 2020
			Prior Years	Current Year	Total			State Sources	Local Sources	Total	
Energy, Abatement & Tech	\$ 19,875,000	\$ 19,875,000	\$ 19,854,629	\$ 25,351	\$ 19,879,980	\$ (4,980)	\$ 17,050,877	\$ -	\$ 2,829,103	\$ 19,879,980	\$ -
Other District Improvements	400,000	400,000	359,925	-	359,925	40,075	-	-	359,925	359,925	-
High School Auditorium	258,000	258,000	-	-	-	258,000	-	-	258,000	258,000	258,000
Total	<u>\$ 20,533,000</u>	<u>\$ 20,533,000</u>	<u>\$ 20,214,554</u>	<u>\$ 25,351</u>	<u>\$ 20,239,905</u>	<u>\$ 293,095</u>	<u>\$ 17,050,877</u>	<u>\$ -</u>	<u>\$ 3,447,028</u>	<u>\$ 20,497,905</u>	<u>\$ 258,000</u>

VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2020

Capital assets, net		\$ 61,854,388
Deduct:		
Unamortized bond premium	663,781	
Short-term portion of bonds payable	2,325,877	
Long-term portion of bonds payable	<u>21,775,000</u>	24,764,658
Add:		
Unspent bond proceeds		<u>320,172</u>
Net investment in capital assets		<u>\$ 37,409,902</u>

REQUIRED REPORTS UNDER UNIFORM GUIDANCE

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

October 13, 2020

To the Board of Education of
Valley Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Valley Central School District (School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 13, 2020.

Internal Control Over Financial Reporting

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

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

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

(Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

October 13, 2020

To the Board of Education of
Valley Central School District:

Report on Compliance for Each Major Federal Program

We have audited the Valley Central School District's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2020. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE (Continued)

Opinion on Each Major Federal Program

In our opinion, Valley Central 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, 2020.

Report on Internal Control Over Compliance

Management of the 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 School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 School 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.

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.

VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grant Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Passed through New York State Department of Education			
<i>Child Nutrition Cluster</i>			
National School Lunch program (Noncash food donations)	10.555	NA	\$ 84,560
National School Lunch program	10.555	NA	448,884
<i>Subtotal CFDA #10.555</i>			<u>533,444</u>
School Breakfast program	10.553	NA	<u>140,040</u>
Total U.S. Department of Agriculture			<u>673,484</u>
U.S. Department of Education			
Passed through New York State Department of Education			
<i>Special Education Cluster (IDEA)</i>			
Special Education Grants to States	84.027	0032-20-0690	1,098,845
Special Education Preschool Grants	84.173	0033-20-0690	42,149
Total Special Education Cluster (IDEA)			<u>1,140,994</u>
Title I Grants to Local Educational Agencies	84.010	0021-20-2270	508,949
Title I Grants to Local Educational Agencies	84.010	0021-19-2270	16,988
<i>Subtotal CFDA #84.010</i>			<u>525,937</u>
Education for Homeless Children and Youth	84.196	0212-20-3037	<u>29,790</u>
Improving Teacher Quality State Grants	84.367	0147-20-2270	<u>110,846</u>
Student Support and Academic Enrichment Program	84.424	0204-20-2270	<u>21,404</u>
Hurricane Education Recovery	84.938	0084-19-2270	<u>2,860</u>
Total U.S. Department of Education			<u>1,831,831</u>
U.S. Department of Justice			
STOP School Violence	16.839	NA	<u>116,274</u>
Total U.S. Department of Justice			<u>116,274</u>
Total expenditures of federal awards			<u>\$ 2,621,589</u>

VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Valley Central School District (School District), under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows for the School District.

2. BASIS OF ACCOUNTING

The Schedule is presented using generally accepted accounting principles, as described in the School District's basic financial statements.

3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the financial reports used as the source for the expenditures presented.

The School District did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. MATCHING COSTS

Matching costs, i.e., the School District's share of certain program costs, are not included in the reported expenditures.

5. NONMONETARY ASSISTANCE

The School District is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed a non-monetary program. During the year ended June 30, 2020, the School District received food commodities, the fair value of which amounted to \$84,560 is presented in the Schedule as National School Lunch Program (CFDA No. 10.555).

VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified

☐ Yes ☒ None reported

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

Unmodified

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

☐ Yes ☒ No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027/84.173

Special Education Cluster (IDEA)

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

\$ 750,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

VALLEY CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

Section II—Financial Statement Findings

There were no findings identified that are required to be reported under *Government Auditing Standards*.

Section III—Federal Award Findings and Questioned Costs

There were no findings identified, including questioned costs, that are required to be reported under Uniform Guidance.