

**South Jefferson Central School District**

**Financial Statements**

**Year Ended June 30, 2020**

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# STACKEL & NAVARRA, C.P.A., P.C.

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## Independent Auditors' Report

### **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 South Jefferson Central 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.

### **Basis for Modified Opinion on General Fund**

As discussed in Note 15 of the financial statements, management has adopted a policy of recording pension expense in the General Fund when paid. Accounting principles generally accepted in the United States of America require that pension expense be recorded in the period when incurred. For the year ended June 30, 2020, General Fund expenses are overstated by \$195,333, liabilities are understated by \$1,152,553, and fund balance is overstated by \$1,152,553.

### **Modified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Modified Opinion on General Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of South Jefferson Central School District, as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified 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 other than the General Fund, and the aggregate remaining fund information of South Jefferson Central School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedule of funding progress - other post-employment benefits- last 3 fiscal years, the schedule of revenue, expenditures and changes in fund balance – budget and actual – general fund, the schedules of District contributions – NYSTRS & NYSERS pension plans – last 6 fiscal years, and the schedules of District’s proportionate share of the net pension liability – NYSTRS & NYSERS pension plans – last 6 fiscal years on pages 4-15 and 61-65 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.

# STACKEL & NAVARRA, C.P.A., P.C

CERTIFIED PUBLIC ACCOUNTANTS

## Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Jefferson Central School District's basic financial statements. The schedule of change from adopted budget to final budget and the real property tax limit – general fund, schedule of project expenditures – capital projects fund and net investment in capital assets are presented for purposes of additional analysis and are 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 change from adopted budget to final budget and the real property tax limit – general fund, schedule of project expenditures – capital projects fund, net investment in capital assets and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of change from adopted budget to final budget and the real property tax limit – general fund, schedule of project expenditures – capital projects fund, net investment in capital assets and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020, on our consideration of South Jefferson Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Jefferson Central School's internal control over financial reporting and compliance.

*Stackel & Navarra, CPA, PC*

Watertown, NY  
October 12, 2020

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

The following is a discussion and analysis of South Jefferson Central School District's financial performance for the fiscal year ended June 30, 2020. This 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 government-wide and fund-based financial statements. This section is only an introduction and should be read in conjunction with the school district's financial statements, which immediately follow this section. Responsibility for completeness and fairness of the information contained rests with the school district.

### **School District Overview and Highlights**

The school district is located in the northern tier of the state, approximately 45 miles from the Canadian border and employs approximately 350 full and part time professional and support staff. These employees are organized into three collective bargaining units (teaching staff, support staff, and administration). All agreements are set to expire on June 30, 2022.

The school district has continued to maximize sources of grants and aid from Federal and New York State sources, resulting in an average tax rate of \$11.533781 dollars of assessed value over the ten towns and three counties that comprise the district. In general, taxpayers are content with the district; budgets have been adopted with consistent tax levy increases while school events are always a popular attraction.

### **OVERVIEW OF FINANCIAL STATEMENTS**


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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the school district's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school district, reporting the school district's operations in more detail than the district-wide statements. The fund financial statements concentrate on the school district's most significant funds with all other non-major funds listed in total in one column.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the school district acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information (Supplemental Schedule SS-2) that further explains and supports the financial statements with a comparison of the school district's budget and actual for the year.

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

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

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

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

### **District-Wide Statements**

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

The two district-wide statements report the school district's net position and how it has changed. The net position, the difference between the school district's assets and liabilities, is one way to measure the school district's financial health.

- Over time, increases or decreases in the school district's net position can be an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the school district's overall health, you need to consider additional nonfinancial factors such as changes in the school district's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the Statement of Activities depicts most of the school's basic services. Entitled *Governmental Activities*, they include regular and special education services, pupil transportation, general support, and administration. Property taxes and state and federal aid finance most of these activities.

### **Fund Financial Statements**

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

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



South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

The district has two kinds of funds:

- 1.) 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 that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- 2.) Fiduciary Funds:** The school district is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The school district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The school district excludes these assets to finance its operations.

## **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The net position may serve over time as a useful indicator of a government's financial position. In the case of the school district, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$49,773,947 at the close of the most recent fiscal year, a decrease of \$3,964,029 from \$53,737,976. The negative net position is largely due to the required liability reporting mandated by GASB 75 regarding Other Postemployment Benefits Payable (OPEB). GASB 75 replaced GASB 45 for fiscal years beginning after June 15, 2017, resulting in a \$46,115,428 increase to the District's liability in 2018. The valuation methodology of Net OPEB Obligation has been modified to report the entire unfunded liability of OPEB obligations. GASB 75 is further discussed in the notes to the financial statements.

The largest portion of the school district's net assets reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The school district used capital assets to provide services; consequently, these assets are not available for future spending. Although the school district's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

The following schedule summarizes the school district's net position. The complete Statement of Net Position can be found in the school district's basic financial statements.

**Condensed Statement of Net Position**

	<u>2018-2019</u>	<u>2019-2020</u>
<b><u>ASSETS</u></b>		
Current and other assets	\$ 9,056,420	\$ 11,072,314
Capital assets, net	<u>40,311,574</u>	<u>44,987,695</u>
<b>Total Assets</b>	<b><u>\$ 49,367,994</u></b>	<b><u>\$ 56,060,009</u></b>
<b><u>DEFERRED OUTFLOWS OF</u></b>		
<b><u>RESOURCES</u></b>	<b><u>\$ 12,622,432</u></b>	<b><u>\$ 19,265,419</u></b>
<b><u>LIABILITIES</u></b>		
Current liabilities	\$ 6,752,578	\$ 13,216,629
Unearned Revenue	4,198	24,619
Long-term liabilities	<u>99,653,806</u>	<u>109,415,003</u>
<b>Total Liabilities</b>	<b><u>\$ 106,410,582</u></b>	<b><u>\$ 122,656,251</u></b>
<b><u>DEFERRED INFLOWS OF</u></b>		
<b><u>RESOURCES</u></b>	<b><u>\$ 9,317,820</u></b>	<b><u>\$ 2,443,124</u></b>
<b><u>NET POSITION</u></b>		
Invested in capital assets net of related debt	\$ 18,945,214	\$ 20,690,355
Restricted	328,511	397,646
Unrestricted	<u>(73,011,701)</u>	<u>(70,861,948)</u>
<b>Total Net Position</b>	<b><u>\$ (53,737,976)</u></b>	<b><u>\$ (49,773,947)</u></b>

In general, current assets are those assets that are available to satisfy current obligations and current liabilities are those liabilities that will be paid within one year. Current assets consist primarily of cash equivalents and state and federal aid receivable.

The Statement of Activities shows the cost of program services net of charges for services and grants offsetting those services. General revenues including tax revenue, investment earnings and unrestricted state and federal aid must support the net cost of the school district's programs.

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

The following schedule summarizes the school district's activities. The complete Statement of Activities can be found in the School District's basic financial statements.

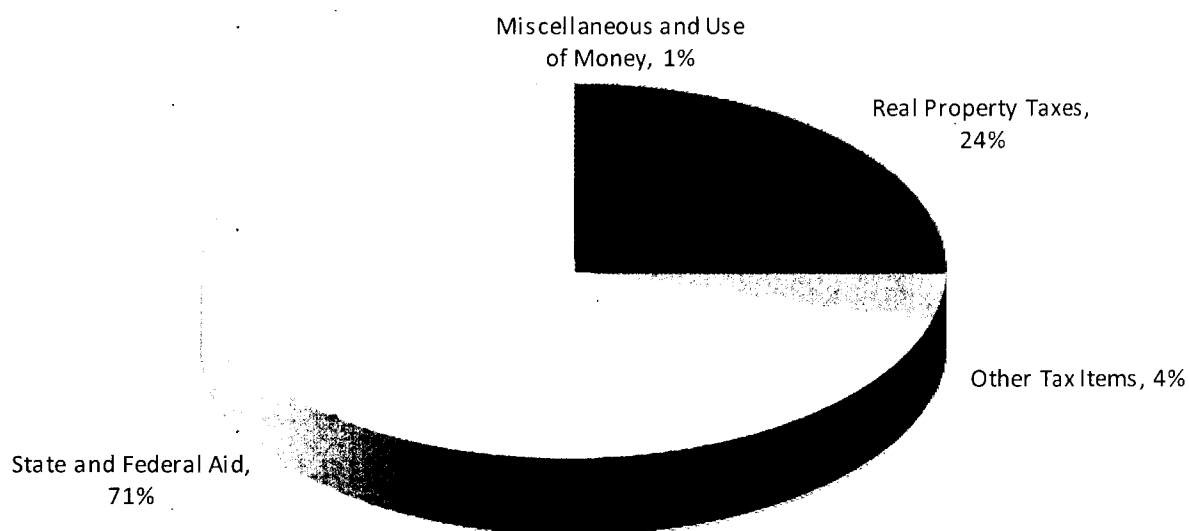
**Condensed Statement of Activities**

<b>Revenues</b>	<b>2018-2019</b>	<b>2019-2020</b>
Program Revenues		
Charges for services	\$ 429,390	\$ 336,185
Operating grants	2,102,975	7,567,419
Capital grants	221,799	33,353
General Revenues		
Property and other tax items	7,676,316	7,931,903
Use of money and property	64,581	82,444
Sale of property and compensation for loss	8,739	5,075
Federal sources	19,787	3,588
State sources	24,387,988	20,416,007
Other	269,812	318,555
<b>Total Revenues</b>	<b><u>\$ 35,181,387</u></b>	<b><u>\$ 36,694,529</u></b>
<b>Expenses</b>		
General Support	\$ 3,779,847	\$ 4,524,846
Instruction	25,661,867	23,830,413
Pupil Transportation	2,974,745	2,686,959
Debt Service	698,245	727,422
School Lunch Program - Cost of Food Sales	1,156,117	960,860
<b>Total Expenses</b>	<b><u>\$ 34,270,821</u></b>	<b><u>\$ 32,730,500</u></b>
<b>Change in Net Position</b>	<b><u>\$ 910,566</u></b>	<b><u>\$ 3,964,029</u></b>

The Statement of Activities includes the activity of the Special Aid funds, which are comprised of a number of state and federal grant programs. The school lunch fund, also known as the cafeteria fund, is included here as well. It is designed to be self-supporting, with revenues nearly matching expenditures. For many years prior to 2012 school lunch revenues exceed expenses; however, thereafter the program experienced a significant decrease in the fund balance. For the first time since 2013, the School Lunch Fund revenues exceeded expenditures, primarily due to the COVID-19 shutdown and the USDA initiative to provide availability of free meals to children and reimburse districts at the New York Free Lunch Rate. Finally, the statements also include the related debt service funds and the capital projects fund. These are also discussed later.

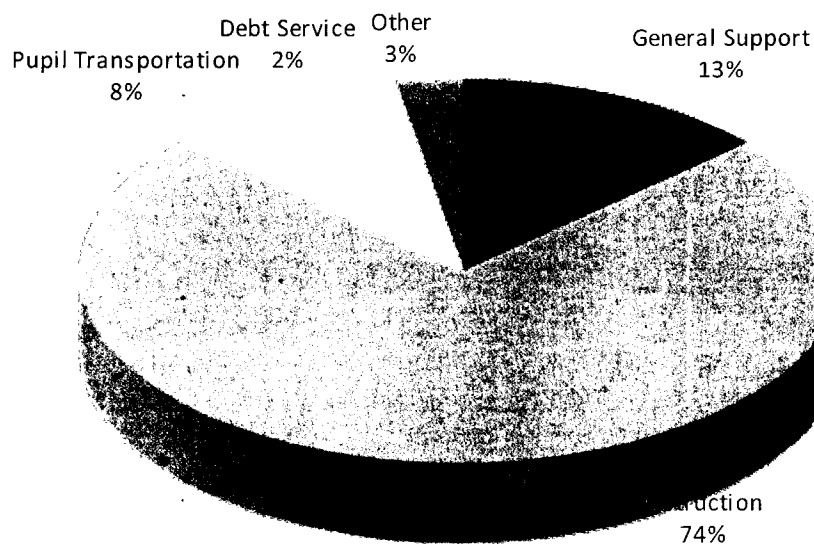
South Jefferson Central School District  
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### General Revenues for Year Ended 6/30/20



The school district is heavily dependent on both state and federal aid for its funding. State aid and the federal grants combined account for 75% of total revenues – consistent with prior year.

### Expenses for Year Ended 6/30/20



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**General Fund Budgetary Highlights**

The school district's adjusted budget for the 2019-2020 school year was \$36,290,406. Actual expenditures totaled \$33,702,525 which includes transfers out of \$3,507,419, for a favorable variance of \$2,479,139 (including \$108,742 encumbered and carried into the next year as an adjustment to the 2020-2021 budget). The schedule below shows, in general terms, how the actual expenditures are distributed and compared to final budgeted appropriations:

Results vs. Budget (in thousands of dollars)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:				
Local Sources	\$ 8,150	\$ 8,218	\$ 8,399	\$ 181
State Sources	25,656	25,656	25,455	(201)
Federal Sources	-	-	4	4
Transfers from other funds	-	-	28	28
Total	<u>\$ 33,806</u>	<u>\$ 33,874</u>	<u>\$ 33,886</u>	<u>\$ 12</u>
Expense:				
General Support	\$ 4,391	\$ 4,460	\$ 3,787	\$ 673
Instruction	16,186	16,307	15,387	920
Pupil Transportation	2,001	2,049	1,541	508
Employee Benefits	9,227	9,194	8,845	349
Debt Service	722	737	635	102
Transfers to Other Funds	3,543	3,543	3,507	36
Total	<u>\$ 36,070</u>	<u>\$ 36,290</u>	<u>\$ 33,702</u>	<u>\$ 2,588</u>

The school district under-expended its budget by \$2,479,139. As is the district's practice and budgetary control and as demonstrated in the financial statements, all functional budget codes were under-expended.

The school district's general fund receives its funding from many sources. The schedule above also depicts the actual revenues relative to the final budgeted revenues.

The district attempts to facilitate a conservative prediction of revenues; district officials show caution when building budgets. Due to the tenuous nature of predicting state aid, the district strategy is to underestimate all revenues; this year the district received more than they budgeted. The net variance was a positive \$12,094 for total revenues and other sources in the 2019-2020 school year.

South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

## **ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

### **Financial position (year to year) – General Fund**

The General Fund, fund balance increased to \$5,615,520 on June 30, 2020. This was an increase of \$183,394. The fund balance was as follows:

June 30, 2020	\$5,615,520
June 30, 2019	\$5,432,126
June 30, 2018	\$4,490,001
June 30, 2017	\$4,015,953
June 30, 2016	\$3,476,243

The attempt on the part of the district to maintain the size of the fund balance from changing significantly has been reasonably successful: fortunately, the fund balance increased \$183,394. The increase in the 2019-20 year reflects the positive variance in revenues coupled with strict fiscal controls on expenditures. This provides the taxpayers with the necessary fiscal reassurances to continue to support the budgets. The District was able to establish a Teacher Retirement System reserve in the amount of \$221,670 in 2019.

### **Capital Projects Fund**

The Capital Projects Fund shows a negative fund balance of (\$8,891,062). The Capital Projects Fund continues to show a negative fund balance as a result of the issuance of short-term bus and capital project bond anticipation notes (BAN). The outstanding BAN on buses represents (\$2,082,340) of the total fund balance of (\$8,891,062) in the Capital Projects Fund.

Because the district uses short term financing to purchase buses (to more closely match state aid streams) and uses short term financing for capital projects, the capital fund will continue to show deficit fund balances until permanent financing is secured.

### **School Food Service Fund**

The School Food Service Fund balance showed a net increase of \$101,694, bringing the fund balance as of June 30, 2020, to \$146,986.

It should be noted that the fund had an exceptional year regarding revenues. During the COVID-19 shutdown, the United States Department of Agriculture initiated a "summer meal program" to allow our District to offer free meals to all children under 18. The District received the child nutrition state and federal free/reduced meal reimbursement rate. The program was successful largely due to the District's efforts to deliver meals to households. The availability of free meals was a large factor in our profit margin. The department also made concentrated efforts to cut costs and utilize government commodities inventory by providing nutritious scratch cooked meals. Expenses in this fund largely reflect food costs, employee wages, and fringe benefits. While the General Fund covers some of the fringe benefits of the employees that work in that fund, a \$32,100 transfer was budgeted from the General Fund to the School Food Service Fund during the 2019-2020 school year. Additionally, the General Fund also reimburses the School Food Service Fund for all outstanding student meal charges at year end in the amount of \$2,020

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which is down \$1,973 from prior year. The District maintains its goal to eventually sustain the School Food Service fund without a transfer from General Fund. In an effort to improve participation, School Food Service is evaluating successful menu items, trialing new meals, and concentrating on a more positive dining room experience. Continued evaluation of food costs, implementing more product cross utilization, detailed menu planning and encouraging an increase in staff attendance with a positive environment are priorities for the department and will help the long-term goal of self-sustainability.

### Special Aid Funds

Federal and State grants provide funding for specific purposes ranging from reading improvement to servicing the needs of students with disabilities. The chart below indicates the 2018-2019 and the 2019-2020 revenues and corresponding expenditures for each grant that is outlined in the audit report. These grants are included in a Schedule of Expenditures of Federal Awards. All federal and state grants require the filing of an original budget, a budget amendment (if necessary), and a final cost report at the end of the project. Final cost reports have been filed and approved by the State Education Department for each grant.

	Purpose	2018-2019	2019-2020
ESSA Title I	Basic Grant	412,992	411,633
ESSA Title IIA	Supporting Effective Instruction	77,692	72,312
ESSA Title IV	Student Support & Academic Enrich	30,038	30,688
IDEA	Handicapped Programs	425,727	426,386
Other Federal Aid and Misc.	Impact Aid and DoDEA achievement at military connected schools	19,787	3,588
	<b>Total Federal Aid</b>	<b>966,236</b>	<b>944,607</b>

### CAPITAL ASSET AND DEBT ADMINISTRATION

The financial statements provide a picture of capital assets over time. These include land, buildings, and equipment and furniture. In response to the auditor's management letter from several years ago, the district contracted with the firm of Industrial Appraisal to take a physical inventory of all district assets; a tagging inventory system was also among the services that were contracted. This effort was completed in late Fall, 2006. As a result, the estimated costs of fixed assets acquired prior to 2002 have been adjusted. The original cost of fixed assets has been increased by construction in progress, the purchase of buses, and the acquisition of other fixed assets. Accumulated depreciation has been changed according to the sale of certain buses and the normal depreciation schedule.

	Capital Assets (Net of Depreciation)	
	<u>6/30/2019</u>	<u>6/30/2020</u>
Land	\$ 345,900	\$ 345,900
Construction in progress	1,165,706	6,905,311
Buildings	35,925,981	34,588,071
Furniture, vehicles, and equipment	<u>2,873,987</u>	<u>3,148,413</u>
	<u>\$ 40,311,574</u>	<u>\$ 44,987,695</u>

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Additions to capital assets totaled \$6,686,911.

**Long-Term Debt**

When favorable interest rates provide a significant savings, district officials will consider refunding its serial bonds. The current capital project is estimated to close for permanent financing in 2021-2022 the schedule will reflect those borrowings when secured.

The table below represents the bond payment schedule.

<b>Fiscal Year Ended</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$2,960,000	\$415,518	\$3,375,518
2022	\$3,045,000	\$333,306	\$3,378,306
2023	\$3,145,000	\$226,105	\$3,371,105
2024	\$1,800,000	\$114,956	\$1,914,956
2025	\$1,850,000	\$70,806	\$1,920,806
5 subsequent years	\$660,000	\$72,144	\$732,144
4 subsequent years	\$180,000	\$6,381	\$186,381
<b>Totals</b>	<b>\$13,640,000</b>	<b>\$1,239,216</b>	<b>\$14,879,216</b>

**FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

The district's annual audit as of June 30, 2020, indicate that it is in sound financial condition at this point. Management believes this audit confirms and continues that trend. However, what is concerning is that New York State Department of Budget (NYSDOB) withheld 20% of state aid and federal aid payments in the amount of \$518,496 from the 2019-2020 fiscal year. This amount is considered deferred inflow of resources in the General and Special Aid funds at this time.

The difficulty for future budgets for South Jefferson in its rural setting is magnified by the uncertainty of the fiscal condition of New York State, the large and seemingly unfair state aid reductions, and the continuing impact of the new tax cap legislation. District officials continue to comply with the tax cap legislation; voters approved the 2020-2021 budget with an increase in its local levy by 3.38%, which represented the allowable increase under the law without asking for a supermajority vote.

State Aid reductions, the continuation of the tax cap legislation, rising pension costs, unpredictable health care costs, and continuing threat of Federal sequestration resting on the non-defense discretionary portion of the federal budget will continue to put pressure on the district's budget. Further, the 20-21 enacted state budget froze foundation aid and created a pandemic reduction adjustment that equaled the Federal CARES Act support. Additionally, included in the enacted state budget is the mechanism in which NYSDOB can reduce budgeted school district aid when state revenues decrease and /or state expenses increase beyond certain levels. The upcoming budget year will be as or more challenging than the last, as the State announced a \$14.5 billion general fund revenue decline and state officials expect a slowing economy. What the impact on school aid will be remains to be determined.



South Jefferson Central School District  
Management's Discussion and Analysis  
June 30, 2020

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT TEAM**

This 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 information, contact the following district officials at the address below.

Scott Slater, Superintendent of Schools  
South Jefferson Central School District  
P.O. Box 10  
Adams, New York 13605

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Email: [sslater@spartanpride.org](mailto:sslater@spartanpride.org)

**South Jefferson Central School District**  
**Statement of Net Position**  
**Governmental Activities**  
**June 30, 2020**

**ASSETS**

Cash		
Unrestricted	\$ 5,433,277	
Restricted	397,646	
Accounts receivable	227	
Due from fiduciary fund	197	
State and Federal aid receivable	3,398,035	
Prepaid expenses	32,783	
Inventories	18,108	
Utility deposit	28,263	
Net pension asset - proportionate share	1,763,778	
Capital assets, net	<u>44,987,695</u>	
Total Assets		<u>\$ 56,060,009</u>
Deferred outflows of resources		
Pensions	\$ 9,108,217	
OPEB (GASB 75)	<u>10,157,202</u>	
Total deferred outflows of resources		<u>\$ 19,265,419</u>

**LIABILITIES**

Payables		
Accounts payable	\$ 56,608	
Accrued liabilities	470,018	
Unearned revenue	24,619	
Due to teachers' retirement system	1,071,441	
Due to employees' retirement system	151,237	
Due to other governments	67,418	
Bond anticipation notes payable	11,399,907	
Long-term liabilities		
Due and payable within one year		
Employees' retirement system	89,159	
Serial bonds	2,960,000	
Due and payable after one year		
Employees' retirement system	279,634	
Serial bonds	10,680,000	
Compensated absences payable	193,714	
Other postemployment benefits payable	91,961,124	
Net pension responsibility - proportionate share	<u>3,251,372</u>	
Total Liabilities		<u>\$ 122,656,251</u>
Deferred inflows of resources		
Pensions		<u>\$ 2,443,124</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 20,690,355	
Restricted	397,646	
Unrestricted (Deficit)	<u>(70,861,948)</u>	
Total Net Position		<u>\$ (49,773,947)</u>

**South Jefferson Central School District**  
**Statement of Activities and Changes in Net Position**  
**Governmental Activities**  
**For the Year Ended June 30, 2020**

		Program Revenues			Net (Expense)
	Expenses	Charges for	Operating	Capital	Revenue and
		Services	Grants	Grants	Changes in
					Net Position
<b>FUNCTIONS/PROGRAMS</b>					
General support	\$ 4,524,846	\$ -	-	-	\$ (4,524,846)
Instruction	23,830,413	149,286	6,870,965	33,353	(16,776,809)
Pupil transportation	2,686,959	-	-	-	(2,686,959)
Debt service	727,422	-	-	-	(727,422)
School food service	960,860	186,899	696,454	-	(77,507)
Total Functions and Programs	<u>\$ 32,730,500</u>	<u>\$ 336,185</u>	<u>\$ 7,567,419</u>	<u>\$ 33,353</u>	<u>(24,793,543)</u>
<b>GENERAL REVENUES</b>					
Real property taxes					6,860,158
Other tax items					1,071,745
Use of money and property					82,444
Sale of property and compensation for loss					5,075
Miscellaneous					240,949
Federal sources					3,588
State sources					20,416,007
Premium on BAN					<u>77,606</u>
Total General Revenues					<u>28,757,572</u>
Change in Net Position					3,964,029
Total Net Position - Beginning of year					<u>(53,737,976)</u>
Total Net Position - End of year					<u>\$ (49,773,947)</u>

**South Jefferson Central School District**  
**Balance Sheet - Governmental Funds**  
**June 30, 2020**

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 5,125,376	\$ -	\$ 199,438	\$ -	\$ 108,463	\$ 5,433,277
Restricted	397,646	-	-	-	-	397,646
Receivables						
Accounts receivable	227	-	-	-	-	227
Due from other funds	1,022,861	-	122,374	115,305	1,628,596	2,889,136
State and Federal aid	2,412,719	857,191	94,772	-	33,353	3,398,035
Utility deposit	28,263	-	-	-	-	28,263
Inventories	-	-	18,108	-	-	18,108
Prepaid expenses	32,783	-	-	-	-	32,783
Total Assets	\$ 9,019,875	\$ 857,191	\$ 434,692	\$ 115,305	\$ 1,770,412	\$ 12,197,475
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 48,742	\$ 3,732	\$ -	\$ -	\$ 4,134	\$ 56,608
Accrued liabilities	217,423	-	3,144	-	-	220,567
Deferred revenue	-	4,603	20,016	-	-	24,619
Due to other funds	1,775,642	848,856	264,441	-	-	2,888,939
Due to other governments	67,313	-	105	-	-	67,418
Due to teachers' retirement system	61,840	-	-	-	-	61,840
Due to employees' retirement system	8,285	-	-	-	-	8,285
Bond anticipation notes payable	742,567	-	-	-	10,657,340	11,399,907
Total Liabilities	2,921,812	857,191	287,706	-	10,661,474	14,728,183
Deferred Inflows of Resources						
State aid	482,543	35,953	-	-	-	518,496
<b>FUND BALANCES</b>						
Nonspendable	32,783	-	18,108	-	-	50,891
Restricted	282,341	-	-	115,305	-	397,646
Assigned	2,349,992	-	128,878	-	-	2,478,870
Unassigned	2,950,404	(35,953)	-	-	(8,891,062)	(5,976,611)
Total Fund Balances	5,615,520	(35,953)	146,986	115,305	(8,891,062)	(3,049,204)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,019,875	\$ 857,191	\$ 434,692	\$ 115,305	\$ 1,770,412	\$ 12,197,475

See notes to financial statements.

**South Jefferson Central School District**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**For the Year Ended June 30, 2020**

	Total Governmental Funds	Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>				
Unrestricted	\$ 5,433,277	\$ -	\$ -	\$ 5,433,277
Restricted	397,646	-	-	397,646
Accounts receivable	227	-	-	227
Due from other funds	2,889,136	-	(2,888,939)	197
State & federal aid receivable	3,398,035	-	-	3,398,035
Utility deposit	28,263	-	-	28,263
Prepaid expenses	32,783	-	-	32,783
Inventories	18,108	-	-	18,108
Net pension asset - proportionate share	-	1,763,778	-	1,763,778
Land, buildings and equipment (net)	-	44,987,695	-	44,987,695
Total Assets	<u>\$ 12,197,475</u>	<u>\$ 46,751,473</u>	<u>\$ (2,888,939)</u>	<u>\$ 56,060,009</u>
Deferred outflows of resources				
Pensions	\$ -	\$ 9,108,217	\$ -	\$ 9,108,217
OPEB (GASB 75)	-	10,157,202	-	10,157,202
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 19,265,419</u>	<u>\$ -</u>	<u>\$ 19,265,419</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 56,608	\$ -	\$ -	\$ 56,608
Accrued liabilities	220,567	249,451	-	470,018
Unearned revenue	24,619	-	-	24,619
Due to teachers' retirement system	61,840	1,009,601	-	1,071,441
Due to employees' retirement system	8,285	511,745	-	520,030
Due to other governments	67,418	-	-	67,418
Due to other funds	2,888,939	-	(2,888,939)	-
Bond anticipation notes payable	11,399,907	-	-	11,399,907
Compensated absences payable	-	193,714	-	193,714
Serial bonds payable	-	13,640,000	-	13,640,000
Net OPEB obligation	-	91,961,124	-	91,961,124
Net pension liability - proportionate share	-	3,251,372	-	3,251,372
Total Liabilities	<u>\$ 14,728,183</u>	<u>\$110,817,007</u>	<u>\$ (2,888,939)</u>	<u>\$122,656,251</u>
Deferred inflows of resources				
State aid	\$ 518,496	\$ (518,496)	\$ -	\$ -
Pensions	-	2,443,124	-	2,443,124
Total deferred inflows of resources	<u>\$ 518,496</u>	<u>\$ 1,924,628</u>	<u>\$ -</u>	<u>\$ 2,443,124</u>
<b>FUND BALANCE/NET POSITION</b>				
Total Fund Balance/Net Position	<u>(3,049,204)</u>	<u>(46,724,743)</u>	<u>-</u>	<u>(49,773,947)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	<u>\$ 12,197,475</u>	<u>\$ 66,016,892</u>	<u>\$ (2,888,939)</u>	<u>\$ 75,325,428</u>

See notes to financial statements.

**South Jefferson Central School District**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2020**

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 6,860,158	\$ -	\$ -	\$ -	\$ -	\$ 6,860,158
Other tax items	1,071,745	-	-	-	-	1,071,745
Charges for services	149,286	-	-	-	-	149,286
Use of money and property	71,330	-	145	10,969	-	82,444
Sale of property and compensation for loss	5,715	-	-	-	-	5,715
Miscellaneous	240,950	27,595	-	-	-	268,545
State sources	25,412,744	344,547	26,022	-	33,353	25,816,666
Federal sources	3,588	941,019	621,261	-	-	1,565,868
Medicaid reimbursement	42,570	-	-	-	-	42,570
Surplus food	-	-	49,171	-	-	49,171
Sales - school lunch	-	-	186,899	-	-	186,899
Total Revenues	33,858,086	1,313,161	883,498	10,969	33,353	36,099,067
<b>EXPENDITURES</b>						
General support	3,787,128	-	415,061	-	-	4,202,189
Instruction	15,386,679	1,202,201	-	-	-	16,588,880
Pupil transportation	1,541,490	15,913	-	-	-	1,557,403
Employee benefits	8,844,602	117,537	28,608	-	-	8,990,747
Debt service						
Principal	554,020	-	-	2,865,000	-	3,419,020
Interest	81,187	-	-	515,389	-	596,576
Cost of sales	-	-	370,235	-	-	370,235
Capital outlay	-	-	-	-	6,590,580	6,590,580
Total Expenditures	30,195,106	1,335,651	813,904	3,380,389	6,590,580	42,315,630
Excess (Deficiency) of Revenues Over Expenditures	3,662,980	(22,490)	69,594	(3,369,420)	(6,557,227)	(6,216,563)
<b>OTHER FINANCING SOURCES AND USES</b>						
Operating transfers in	27,833	-	32,100	3,375,319	100,000	3,535,252
Operating transfers (out)	(3,507,419)	(13,463)	-	(14,370)	-	(3,535,252)
Proceeds of debt	-	-	-	-	554,020	554,020
Premium on BAN	-	-	-	77,606	-	77,606
Total Other Sources (Uses)	(3,479,586)	(13,463)	32,100	3,438,555	654,020	631,626
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	183,394	(35,953)	101,694	69,135	(5,903,207)	(5,584,937)
Fund Balances - Beginning of year	5,432,126	-	45,292	46,170	(2,987,855)	2,535,733
Fund Balances - End of year	\$ 5,615,520	\$ (35,953)	\$ 146,986	\$ 115,305	\$ (8,891,062)	\$ (3,049,204)

**South Jefferson Central School District**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2020**

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

Net Change in Fund Balances - Total Governmental Funds	\$ (5,584,937)
--	----------------

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

Capital outlays	\$ 6,686,271	
Depreciation expense	<u>2,010,150</u>	4,676,121

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period.	3,505,353
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Proceeds of debt is recorded as an other financing source for governmental funds, but it is not recorded in the Statement of Activities.	(554,020)
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(Increases) decreases in accrued compensated absences reported in the statement of activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds.	18,819
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On the Statement of Activities, the actual and projected long term expenditures for post employment benefits are reported, whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.	1,872,391
--	-----------

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

Teachers' Retirement System	62,602	
Employees' Retirement System	<u>(615,283)</u>	(552,681)

Pension expense not recorded in fund statements. Adjustment in pension expense in the Statement of Activities to adjust to GAAP.	195,333
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State aid payments that have been delayed indefinitely are not recorded in fund statements. This aid is recorded as revenue in the statement of activities.	518,496
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Accrued interest expense is recorded in the Statement of Activities but not in the governmental funds. The decrease in accrued interest is reported in expense.	<u>(130,846)</u>
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Change in net position of governmental activities	<u>\$ 3,964,029</u>
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**South Jefferson Central School District**  
**Statement of Fiduciary Net Position**  
**For the Year Ended June 30, 2020**

	Private Purpose Trusts	Agency
<b>ASSETS</b>		
Cash	\$ 15,893	\$ 218,229
Total Assets	<u>\$ 15,893</u>	<u>\$ 218,229</u>
<b>LIABILITIES</b>		
Due to other funds	\$ -	\$ 197
Due to other governments	-	517
Extra-classroom activity balances	-	217,515
Total Liabilities	<u>\$ -</u>	<u>\$ 218,229</u>
<b>NET POSITION</b>		
Reserved for scholarships	<u>\$ 15,893</u>	<u>\$ -</u>

**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2020**

	Private Purpose Trusts
<b>ADDITIONS</b>	
Gifts and contributions	\$ 11,591
Investment earnings	18
Total Additions	<u>11,609</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	14,696
Transfer to NNY Community Foundation	4,587
Total Deductions	<u>19,283</u>
Change in Net Position	(7,674)
Net Position - Beginning of year	<u>23,567</u>
Net Position - End of Year	<u>\$ 15,893</u>



**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

**Note 1 – Summary of accounting policies:**

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

A) Reporting entity:

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

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

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

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with

**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The district accounts for assets held as an agent for various student organizations in an agency fund.

B) Joint venture:

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

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

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

During the year, the District was billed \$3,917,743 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$1,941,326.

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

C) Basis of presentation:

i) District-wide statements:

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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

ii) Funds statements:

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

The District reports the following major governmental funds:

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

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

Special Aid Fund: Used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State or Local grants.

School Food Service: Use to account for transactions of the lunch and breakfast programs.

**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

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

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

The District reports the following fiduciary funds:

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

There are two classes of fiduciary funds:

Private Purpose Trust Funds: These funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. A scholarship is an example of a Private-Purpose Trust Fund. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

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

**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

D) Measurement focus and basis of accounting:

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

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

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

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

E) Property taxes:

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

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

F) Restricted resources:

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

G) Inter-fund transactions:

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

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

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

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

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make

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estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/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.

I) Cash and Investments

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

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

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

J) Accounts Receivable:

No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K) Inventories and prepaid items:

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial

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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 receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures.

L) Other assets/restricted assets:

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

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

M) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

	Capitalization <u>Threshold</u>	Depreciation <u>Method</u>	Estimated <u>Useful Life</u>
Buildings	\$ 50,000	Straight line	50 years
Land improvements	\$ 25,000	Straight line	20 years
Furniture, vehicles & equipment	\$ 5,000	Straight line	5 to 20 years



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N) Deferred Outflows and Inflows of Resources:

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

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurements periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

O) Pension Obligations

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS) (the Systems).

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement

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

Employees' Retirement System (ERS)

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

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

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>	<u>TRS</u>
2019-2020	\$ 528,027	\$ 1,263,133
2018-2019	\$ 481,103	\$ 1,149,978
2017-2018	\$ 495,713	\$ 1,337,445

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year. ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

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

At June 30, 2020, the District reported the following asst/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2019	June 30, 2018
Net pension asset/(liability)	\$ (3,251,372)	\$ 1,763,778
District's portion of the Plan's total net pension asset/(liability)	0.0122783%	0.0678900%

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For the year ended June 30, 2020, the District recognized its proportionate share of pension expense of \$1,148,222 for ERS and the actuarial value \$1,203,447 for TRS. At June 30, 2020 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions form the following sources:

	<u>Deferred Outflows of Resource</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Difference between expected and actual experience	\$ 191,356	\$ 1,195,267	\$ -	\$ 131,158
Changes of assumptions	65,467	3,332,013	56,530	812,439
Net difference between projected and actual earnings on pension plan investments	1,666,811	-	-	1,414,459
Changes in proportion and differences between the District's contributions and proportionate share of contributions	119,421	122,111	28,538	-
District's contributions subsequent to the measurement date	<u>142,952</u>	<u>2,272,819</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,186,007</u>	<u>\$ 6,922,210</u>	<u>\$ 85,068</u>	<u>\$ 2,358,056</u>

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2021 for ERS and June 30, 2020 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>NYSERS</u>	<u>NYSTRS</u>
Year ended:		
2020	\$ -	\$ 828,315
2021	340,051	80,989
2022	490,812	825,423
2023	622,781	545,685
2024	504,343	67,046
Thereafter	-	(56,124)

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Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Interest rate	6.80%	7.10%
Salary scale	4.20%	Differ based on service
Decrement tables	April 1, 2010- March 31, 2015	July 1, 2019 - June 30, 2014
Inflation rate	2.50%	2.20%
Projected cost of living adjustments	1.30%	1.30%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2018. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of

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return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

<u>ERS</u>	<u>Target Allocation</u>	<u>Long-term expected Real rate of return*</u>
	<u>2020</u>	<u>2020</u>
Asset class:		
Domestic equities	36%	4.05%
International equities	14%	6.15%
Private equity	10%	6.75%
Real estate	10%	4.95%
Absolute return strategies (1)	2%	3.25%
Opportunistic portfolio	3%	4.65%
Real assets	3%	5.95%
Bonds and mortgages	17%	0.75%
Cash	1%	0.00%
Inflation-indexed bonds	<u>4%</u>	0.50%
Total	<u>100%</u>	

\*Real rates of return are net of the long-term inflation assumption of 2.5% for 2020.

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

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<u>TRS</u>	<u>Target Allocation</u>	<u>Long-term expected Real rate of return*</u>
	<u>2019</u>	<u>2019</u>
Asset class:		
Domestic equities	33%	6.30%
International equities	16%	7.80%
Global equities	4%	7.20%
Real estate	11%	4.60%
Private equities	8%	9.90%
Domestic fixed income securities	16%	1.30%
Global fixed income securities	2%	0.90%
Private debt	1%	6.50%
Real estate debt	7%	2.90%
High-yield fixed income securities	1%	3.60%
Short-term	<u>1%</u>	0.30%
Total	<u>100%</u>	

\*Real rates of return are net of the long-term inflation assumption of 2.2% for 2019.

*Discount Rate*

The discount rate used to calculate the total pension asset/(liability) was 6.8% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

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

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2020 calculated using the discount rate of 6.8% for ERS and 7.1% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage

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point lower (5.8% for ERS and 6.1% for TRS) or 1 percentage point higher (7.8% for ERS and 8.1% for TRS) than the current rate:

	1% Decrease	Current Assumption	1% Increase
<b><u>ERS</u></b>	<b><u>(5.8%)</u></b>	<b><u>(6.8%)</u></b>	<b><u>(7.8%)</u></b>
Employer's proportionate share of the net pension asset/(liability)	\$(5,967,185)	\$(3,251,372)	\$ (750,096)
	1% Decrease	Current Assumption	1% Increase
<b><u>TRS</u></b>	<b><u>(6.1%)</u></b>	<b><u>(7.1%)</u></b>	<b><u>(8.1%)</u></b>
Employer's proportionate share of the net pension asset/(liability)	\$(7,961,510)	\$ 1,763,778	\$ 9,922,197

*Changes of Assumptions*

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

*Collective Pension Expense*

Collective pension expense includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2020 is \$1,475,823 for ERS and \$1,006,685 for TRS.

*Payables to the Pension Plan*

For ERS, employer contributions are paid annually based on the System's fiscal year which ends March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$151,237.



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For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$1,071,441.

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

P) Unearned Credits

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

Q) Vested employee benefits:

Compensated absences

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

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

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

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

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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.

R) Other benefits:

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

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

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

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

S) Short-term debt:

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

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds

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that will actually receive the proceeds from the issuance of bonds. Such notes may be classified as part of the General Long-Term Debt Account Group when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance-sheet issuance of long-term debt or by an acceptable financing agreement. State Law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

Interest paid	\$ 81,187
Less interest accrued in the prior year	(48,752)
Plus interest accrued in the current year	<u>200,204</u>
Total Expense	<u><u>\$ 232,639</u></u>

**Bond Anticipation Notes**

The following is a summary of changes in short-term debt for the year ended June 30, 2020:

Balance, July 1	\$ 4,861,360
Increases	11,399,907
Decreases	<u>(4,861,360)</u>
Balance, June 30	<u><u>\$ 11,399,907</u></u>

**T) Accrued liabilities and long-term obligations:**

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

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

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U) Equity classifications:

District-wide statements:

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

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

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

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

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

**Non-spendable** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes inventory recorded in the School Food Service Fund of \$18,108 and \$32,783 in prepaid expense in the General Fund.

**Restricted** – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

**Unemployment Insurance Payment Reserve Fund**

According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess

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applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

**Liability Claims and Property Loss Reserve Funds**

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

**Retirement Contributions Reserve Fund**

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

**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.

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Restricted fund balance includes the following:

General Fund:	
Unemployment insurance	\$ 30,147
Property loss	7,050
Liability	23,474
Retirement contributions	221,670
Debt Service Fund	<u>115,305</u>
	<u>\$ 397,646</u>

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

**Assigned** – Includes amounts that are constrained by the District’s intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund. Assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$108,742. Appropriated fund balance in the General Fund amounted to \$2,241,250. Any remaining fund balance in other funds is considered assigned. The school food service fund also reports assigned fund balance of \$128,878. As of June 30, 2020, the District’s General Fund encumbrances were classified as follows:

General support	\$ 74,668
Instruction	34,074
Pupil Transportation	<u>-</u>
Total	<u>\$ 108,742</u>

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

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

**Net Position/Fund Balance**

Net Position Flow Assumption: In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order: committed, assigned, and unassigned.

Fund Balance Flow Assumption: In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order: committed, assigned, and unassigned.

**Note 2 – Explanation of certain differences between fund statements and District-wide statements:**

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

- A) Total fund balances of governmental funds vs. net position of governmental activities:

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

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

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

i) Long-term revenue and expense differences:

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

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

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



**South Jefferson Central School District**  
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iv) Pension differences:

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

v) OPEB differences:

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

**Note 3 – Stewardship, compliance and accountability:**

Budgets

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved 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. The following supplemental appropriations occurred during the year:

Additional revenue designated for specific uses totaling \$68,545.

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.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2020.

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

**Encumbrances**

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

The Capital Projects Fund has a deficit fund balance of \$8,891,062. This will be funded when the District obtains permanent financing for its current construction project and receives transportation aid for purchased buses.

The Special Aid Fund shows an unassigned fund balance deficit of \$35,953. This deficit results from revenues that are due and expected to be received in no later than 90 days. In accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, this amount does not meet the availability criteria for recognition as revenue in the current period.

**Note 4 – Cash (and cash equivalents) – custodial credit, concentration of credits, interest rate, and foreign currency risks:**

**Cash**

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

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$5,257,046
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Restricted cash and investments represent cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash

**South Jefferson Central School District**  
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**For the Year Ended June 30, 2020**

as of year-end includes \$282,341 restricted for various fund balance reserves in the general fund, \$218,229 restricted for extraclassroom in the fiduciary fund and \$15,893 restricted for scholarships in the fiduciary funds.

**Deposits**

Deposits are valued at cost- or cost-plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2020 all deposits were fully insured or collateralized.

**Investment and Deposit Policy**

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

**Interest Rate Risk**

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

**Credit Risk**

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

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

**Custodial Credit Risk**

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

**South Jefferson Central School District**  
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**For the Year Ended June 30, 2020**

equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principle and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

**Investment Pool**

The District participates in the Cooperative Liquid Assets Security System – New York (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

Total investments of the cooperative at June 30, 2020 are \$3,364,214,294, which consisted of \$214,167,351 in repurchase agreements, \$2,065,434,434 in U.S. Treasury Securities, and \$1,084,612,509 in collateralized bank deposits, with various interest rate and due dates.

The amount of \$4,341,340 on deposit with NYCLASS is included as cash in the financial statements.

The above amounts represent the fair value of the investment pool shares. The Lead Participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at [www.newyorkclass.org](http://www.newyorkclass.org).

The following amounts are included as unrestricted and restricted cash:

<u>Fund</u>	<u>Balance</u>
General	\$ 4,333,011
Capital Projects	\$ 8,329

**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

**Note 5 – Receivables:**

Receivables at year-end for individual major funds and non-major funds, including the applicable allowances for uncollected accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>				<u>Total</u>
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
Accounts receivable	\$ 227	\$ -	\$ -	\$ -	\$ 227
State and federal aid	<u>2,412,719</u>	<u>857,191</u>	<u>94,772</u>	<u>33,353</u>	<u>3,398,035</u>
	<u>\$ 2,412,946</u>	<u>\$ 857,191</u>	<u>\$ 94,772</u>	<u>\$ 33,353</u>	<u>\$ 3,398,262</u>

District management has deemed the amounts to be fully collectible.

**Note 6 – Capital assets:**

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

	<u>Beginning Balance</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 345,900	\$ -	\$ -	\$ 345,900
Construction in progress	<u>1,165,706</u>	<u>5,739,605</u>	<u>-</u>	<u>6,905,311</u>
Total nondepreciable assets	<u>1,511,606</u>	<u>5,739,605</u>	<u>-</u>	<u>7,251,211</u>
Capital assets that are depreciated:				
Buildings	64,372,246	100,000	-	64,472,246
Furniture, vehicles and equipment	<u>8,794,624</u>	<u>847,306</u>	<u>(690,036)</u>	<u>8,951,894</u>
Total depreciable assets	<u>73,166,870</u>	<u>947,306</u>	<u>(690,036)</u>	<u>73,424,140</u>
Less accumulated depreciation:				
Buildings	28,446,265	1,437,910	-	29,884,175
Furniture, vehicles and equipment	<u>5,920,637</u>	<u>572,240</u>	<u>(689,396)</u>	<u>5,803,481</u>
Total accumulated depreciation	<u>34,366,902</u>	<u>2,010,150</u>	<u>(689,396)</u>	<u>35,687,656</u>
Total depreciated assets, net	<u>38,799,968</u>	<u>(1,062,844)</u>	<u>(640)</u>	<u>37,737,764</u>
Capital assets, net	<u>\$ 40,311,574</u>	<u>\$ 4,676,761</u>	<u>\$ 640</u>	<u>\$ 44,987,695</u>
Depreciation expense was charged to governmental functions as follows:				
General support		\$ 192,945		
Instruction		1,233,855		
Pupil transportation		<u>583,350</u>		
		<u>\$ 2,010,150</u>		

**South Jefferson Central School District**  
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**Note 7 – Short-term debt:**

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN maturing 2/14/2020 at 3.00%	\$ 1,861,360	\$ -	\$ 1,861,360	\$ -
BAN maturing 2/12/2021 at 2.00%	-	2,082,340	-	2,082,340
BAN maturing 7/10/2019 at 2.50%	3,000,000	-	3,000,000	-
BAN maturing 7/9/2020 at 2.25%	-	8,575,000	-	8,575,000
BAN maturing 4/30/2021 at 1.94%	-	742,567	-	742,567
	<u>\$ 4,861,360</u>	<u>\$ 11,399,907</u>	<u>\$ 4,861,360</u>	<u>\$ 11,399,907</u>

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

Interest paid	\$ 81,187
Less interest accrued in the prior year	(48,752)
Plus interest accrued in the current year	<u>200,204</u>
Total expense	<u>\$ 232,639</u>

**Note 8 – Long-term obligations:**

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

**Serial Bonds**

The School District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The provisions will be in the General Fund's future budgets for capital indebtedness.

**South Jefferson Central School District**  
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Noncurrent liability balances and activity are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts due within one year</u>
Government activities:					
Bonds and notes payable:					
Serial bonds at 3% - 5%,					
Issued February 16, 2012					
Final payment due					
4/15/2032	\$ 5,605,000	\$ -	\$ 1,250,000	\$ 4,355,000	\$ 1,310,000
Serial bonds at 1% - 3%					
Issued June 19, 2014					
Final payment due					
June 15, 2025	6,880,000	-	1,080,000	5,800,000	1,105,000
Serial bonds at 1% - 2.25%,					
Issued June 18, 2015					
Final payment due					
June 15, 2025	2,860,000	-	450,000	2,410,000	460,000
Serial bonds at 2% - 2.25%,					
Issued July 28, 2016					
Final payment due					
June 15, 2031	<u>1,160,000</u>	<u>-</u>	<u>85,000</u>	<u>1,075,000</u>	<u>85,000</u>
Total bonds payable	<u>\$ 16,505,000</u>	<u>\$ -</u>	<u>\$ 2,865,000</u>	<u>\$ 13,640,000</u>	<u>\$ 2,960,000</u>
Other liabilities					
Compensated absences payable	\$ 212,533	\$ -	\$ 18,819	\$ 193,714	\$ -
Other postemployment benefits payable	81,662,384	10,298,740	-	91,961,124	-
Net pension liability - proportionate share	818,763	2,432,609	-	3,251,372	-
Due to retirement systems	<u>455,126</u>	<u>-</u>	<u>86,333</u>	<u>368,793</u>	<u>89,159</u>
Total other long-term liabilities	<u>83,148,806</u>	<u>12,731,349</u>	<u>105,152</u>	<u>95,775,003</u>	<u>89,159</u>
	<u>\$ 99,653,806</u>	<u>\$ 12,731,349</u>	<u>\$ 2,970,152</u>	<u>\$ 109,415,003</u>	<u>\$ 3,049,159</u>

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

**South Jefferson Central School District**  
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**For the Year Ended June 30, 2020**

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

Fiscal year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,960,000	\$ 415,518	\$ 3,375,518
2022	3,045,000	333,306	3,378,306
2023	3,145,000	226,105	3,371,105
2024	1,800,000	114,956	1,914,956
2025	1,850,000	70,806	1,920,806
5 subsequent years	660,000	72,144	732,144
2 subsequent years	180,000	6,381	186,381
Totals	<u>\$ 13,640,000</u>	<u>\$ 1,239,216</u>	<u>\$ 14,879,216</u>

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

Interest paid	\$ 510,319
Less interest accrued in the prior year	(63,548)
Plus interest accrued in the current year	<u>49,247</u>
Total expense	<u>\$ 496,018</u>

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

\$4,570,000 of bonds outstanding are considered defeased.

**Note 9 – Interfund transactions – governmental funds:**

	<u>Receivable</u>	<u>Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 1,022,861	\$ 1,775,642	\$ 27,833	\$ 3,507,419
Special Aid	-	848,856	-	13,463
School Lunch	122,374	264,441	32,100	-
Debt Service	115,305	-	3,375,319	14,370
Capital Projects	1,628,596	-	100,000	-
Total Governmental Funds	2,889,136	2,888,939	3,535,252	3,535,252
Fiduciary	-	197	-	-
Total	<u>\$ 2,889,136</u>	<u>\$ 2,889,136</u>	<u>\$ 3,535,252</u>	<u>\$ 3,535,252</u>



**South Jefferson Central School District**  
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The District typically transfers from the General Fund to the Special Aid Fund, to cover the local share of programs and from the General Fund to the Debt Service Fund to pay long term debt payments.

The District made a one-time transfer of \$32,100 from the General Fund to the School Lunch Fund. This amount was used to bring the fund balance to a positive amount.

The District also made a transfer from the General Fund to the Capital Fund to finance a \$100,000 capital project.

**Note 10 – Postemployment Benefits Obligation Payable:**

*Plan Description*

The District administers a defined benefit OPEB plan that provides for all permanent full-time general employees of the District. The plan is a single-employer defined benefit OPEB plan (the Plan) administered by Article 11 of the State Compiled Statutes which grants the authority to establish and amend the benefit terms and financing requirements to the District's Board, subject to applicable collective bargaining and employment agreements, and Board of Education policy. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Funding Policy*

The obligations of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 3 to 5 years of service to qualify for other post-employment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2020 approximately \$2,432,726 was paid on behalf of 204 retirees.

*Benefits Provided*

The District provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses. The benefit terms are dependent on which contract each employee falls under, retirees and their spouses receive benefits for the lifetime of the

**South Jefferson Central School District**  
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retired employee. The specifics of each contract are on file at the District offices and are available upon request.

*Employees Covered by Benefit Terms* – At June 30, 2020, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	197
Active plan members	<u>263</u>
Total plan members	<u><u>460</u></u>

*Net OPEB Liability*

The District's total OPEB liability of \$91,961,124 was measured as of July 1, 2019 and was determined by an actuarial valuation as of June 30, 2019.

*Actuarial Assumptions and Other Inputs*

The total OPEB liability at June 30, 2020 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25% (Based on CPI)
Salary Increases	Varied by years of service and retirement system
Discount Rate	3.14% (Average of Bond-Buyer - 20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, and Fidelity GA AA 20 years)
Healthcare Cost Trend Rates	Pre 65 - 7.00%, decreasing to an ultimate rate of 3.886% for 2075. Post 65 - 6.00% for 2019, decreasing to an ultimate rate of 3.886% for 2075.
Retirees' Share of Benefit-Related Costs	0% to 100% of projected health insurance premiums for retirees.
Prescription Drug Trend Rates	10.25% decreasing to an ultimate rate of 3.886% for 2075.

**South Jefferson Central School District**  
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Mortality rates were based on the RPH-2014 Mortality Tables, as appropriate, with adjustments for mortality improvements based on Scale AA.

Retirement participation rate assumed that 85% of eligible Teachers and Instructional Administrators and 75% of participants other than Teachers and Instructional Administrators will elect medical coverage at retirement age, and 48% of active member's spouses will elect medical coverage. Additionally, a tiered approach based on age and years of service was used to determine retirement rate assumption.

Termination rates are based on tables used by the New York State Teachers' Retirement System and the New York State and Local Retirement System for female employees. Rates are tiered based on the percentage of employees who will terminate employment at any given age each year, for reasons other than death or retirement.

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

*Changes in the Total OPEB Liability*

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Total OPEB Liability (a)
Balance at June 30, 2019	\$ 81,662,384	\$ -	\$ 81,662,384
Changes for the year:			
Service cost	2,616,568	-	2,616,568
Interest	2,523,909	-	2,523,909
Contributions - employer		2,566,213	(2,566,213)
Changes of assumptions or other inputs	7,724,476	-	7,724,476
Benefit payments	(2,566,213)	(2,566,213)	-
Net changes	<u>10,298,740</u>	<u>-</u>	<u>10,298,740</u>
Balance at June 30, 2020	<u>\$ 91,961,124</u>	<u>\$ -</u>	<u>\$ 91,961,124</u>

Changes of benefit terms reflect changes in assumptions and other inputs including a change in the discount rate from 3.62% in 2019 to a 3.14% in 2020.

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**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

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

The following presents the District's total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.14%) or 1 percentage point higher (4.14%) than the current discount rate:

	1% Decrease (2.14%)	Discount Rate (3.14%)	1% Increase (4.14%)
Total OPEB Liability	\$ 109,130,947	\$ 91,961,124	\$ 77,000,912

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare costs trend rates that are 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current healthcare cost trend rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Total OPEB Liability	\$ 72,459,690	\$ 91,961,124	\$ 119,530,326

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$10,298,740. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	7,724,476	-
Contributions subsequent to the measurement period	2,432,726	-
Total	<u>\$ 10,157,202</u>	<u>\$ -</u>

**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

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

For the year ended:

2021	\$ 1,131,128
2022	1,131,128
2023	1,131,128
2024	1,131,128
2025	1,131,128
Thereafter	2,068,836

**Note 12 – Risk Management:**

**General**

The District is exposed to various risks of loss relative 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 and Self-Insured Plans**

The District participates in South Jefferson Central School District Health Plan Trust for its employee health and accident insurance coverage. The trust is operated for the benefit of the District and is considered a self-sustaining risk pool that will provide coverage for its members up to \$145,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$145,000 limit, and the District has essentially transferred all related risk to the trust.

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

**Note 13 – Commitments and contingencies:**

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

**South Jefferson Central School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2020**

The District has signed contracts for a building reconstruction project. The total anticipated cost of this project is \$8,575,000 of which \$6,871,958 has been expended through the end of this fiscal year.

The District is financially responsible for a portion of the projected \$20,000,000 capital project of the Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES. The District's total projected share of the cost of the project is \$1,650,148, of which \$907,581 was recorded as an expense during 2019-2020 and \$742,567 is included in the 2020-2021 fiscal year budget. The District will receive financial aid reimbursement for a portion of its obligation.

**Note 14 – Tax abatements:**

The County of Jefferson entered into a property tax abatement program for the purpose of economic development. The School District property tax revenue was reduced by \$294,321. The District received payment in Lieu of Tax (PILOT) payment totaling \$41,179.

**Note 15 – Departure from GAAP:**

During the year ended June 30, 2004, the district changed its method of recording pension expense. Previously, pension expense was accrued in the various funds when the expense became a liability of that fund. The method of recording was changed to recording pension expense in the funds when paid. During the year ended June 30, 2020, a pension accrual of \$1,152,553 was not recorded in the fund accounts resulting in an understatement of liability and overstatement of fund balances of \$1,152,553. Pension expense for the year ended June 30, 2020 is overstated by \$195,333 in the fund statements. However, this expense and liability have been included in the Statement of Net Position and the Statement of Activities.

**Note 16 – Subsequent Events:**

Management has evaluated subsequent events through October 12, 2020, the date on which the financial statements were available to be issued.

Beginning around March 2020, the COVID-19 virus was declared a global pandemic. Business continuity across a broad range of industries has been impacted. Future potential impacts may include decreases in Federal and State aid. Management is carefully monitoring the situation and evaluating its options during this time.

**South Jefferson Central School District**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**Other Post Employment Benefits Plan**  
**June 30, 2020**

SS #1

Measurement date	June 30, 2020	June 30, 2019	June 30, 2018
<b>Total OPEB Liability</b>			
Service cost	\$ 2,616,568	\$ 2,372,352	\$ 2,763,397
Interest	2,523,909	2,794,911	2,455,885
Differences between expected and actual experience in the measurement of the total OPEB liability	-	3,477,603	-
Changes of assumptions or other inputs	7,724,476	(1,984,525)	(8,180,446)
Benefit payments	<u>(2,566,213)</u>	<u>(2,268,700)</u>	<u>(2,220,712)</u>
Net change in total OPEB liability	10,298,740	4,391,641	(5,181,876)
Total OPEB liability - beginning	<u>81,662,384</u>	<u>77,270,743</u>	<u>82,452,619</u>
Total OPEB liability - ending	<u>\$ 91,961,124</u>	<u>\$ 81,662,384</u>	<u>\$ 77,270,743</u>
Covered payroll	<u>\$ 15,859,062</u>	<u>\$ 15,859,062</u>	<u>\$ 15,490,742</u>
Total OPEB liability as a percentage of covered payroll	579.86%	514.93%	498.82%

Note: The District does not have assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

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

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

**South Jefferson Central School District**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget And Actual - General Fund**  
**For the Year Ended June 30, 2020**

SS #2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance With Budgetary Actual</u>
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 7,878,000	\$ 7,878,000	\$ 6,860,158	\$ (1,017,842)
Other tax items	53,500	53,500	1,071,745	1,018,245
Charges for services	29,000	97,545	149,286	51,741
Use of money and property	2,500	2,500	71,330	68,830
Sale of property and compensation for los	-	-	5,715	5,715
Miscellaneous	<u>186,500</u>	<u>186,500</u>	<u>240,950</u>	<u>54,450</u>
Total Local Sources	8,149,500	8,218,045	8,399,184	181,139
State sources	25,655,780	25,655,780	25,455,314	(200,466)
Federal sources	<u>-</u>	<u>-</u>	<u>3,588</u>	<u>3,588</u>
Total Revenues	<u>33,805,280</u>	<u>33,873,825</u>	<u>33,858,086</u>	<u>(15,739)</u>
Other Financing Sources				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>27,833</u>	<u>27,833</u>
Total revenues and other sources	<u>33,805,280</u>	<u>33,873,825</u>	<u>\$ 33,885,919</u>	<u>\$ 12,094</u>
<b>Appropriated Fund Balance</b>				
Prior year's surplus	2,265,440	2,265,440		
Prior year's encumbrances	<u>-</u>	<u>151,141</u>		
Total Appropriated Fund Balance	<u>2,265,440</u>	<u>2,416,581</u>		
Total Revenues, Other Sources and Appropriated Fund Balance	<u>\$ 36,070,720</u>	<u>\$ 36,290,406</u>		



**South Jefferson Central School District**

SS #2

**Required Supplementary Information****Schedule of Revenues, Expenditures and Changes in Fund Balance -****Budget and Actual - General Fund****For the Year Ended June 30, 2020**

<b>EXPENDITURES</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Year-end Encumbrances</b>	<b>Final Budget Variance With Budgeting Actual and Encumbrances</b>
General Support					
Board of education	\$ 36,205	\$ 62,713	\$ 39,990	\$ -	\$ 22,723
Central administration	198,867	204,523	203,704	-	819
Finance	366,377	373,872	353,691	-	20,181
Staff	69,713	62,177	52,074	-	10,103
Central services	2,298,692	2,335,095	1,740,148	74,668	520,279
Special items	1,421,460	1,421,460	1,397,521	-	23,939
Total General Support	4,391,314	4,459,840	3,787,128	74,668	598,044
Instruction					
Instruction, administration and improvement	1,055,260	1,070,849	1,034,030	550	36,269
Teaching - regular school	9,561,906	9,574,027	9,132,737	6,710	434,580
Programs for children with handicapping conditi	2,858,380	2,830,167	2,572,891	140	257,136
Occupational education	1,102,580	1,107,580	1,107,332	-	248
Teaching - special school	13,677	65,800	61,010	-	4,790
Instructional media	320,081	324,378	280,939	7,200	36,239
Pupil services	1,274,005	1,334,410	1,197,740	19,474	117,196
Total Instruction	16,185,889	16,307,211	15,386,679	34,074	886,458
Pupil Transportation	2,000,672	2,048,983	1,541,490	-	507,493
Employee Benefits	9,227,230	9,194,387	8,844,602	-	349,785
Debt Service	722,196	736,566	635,207	-	101,359
Total Expenditures	32,527,301	32,746,987	30,195,106	108,742	2,443,139
<b>OTHER FINANCING USES</b>					
Transfers to other funds	3,543,419	3,543,419	3,507,419	-	36,000
Total Expenditures and Other Uses	\$ 36,070,720	\$ 36,290,406	\$ 33,702,525	\$ 108,742	\$ 2,479,139
Net change in fund balances			183,394		
Fund balance - beginning			5,432,126		
Fund balance - ending			\$ 5,615,520		

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

**South Jefferson Central School District**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**NYSTRS Pension Plan**  
**Last 6 Fiscal Years**  
**For the Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,263,133	\$ 1,149,978	\$ 1,273,039	\$ 1,566,583	\$ 1,871,452	\$ 1,949,624
Contributions in Relation to the Contractually Required Contribution	1,263,133	1,149,978	1,273,039	1,566,583	1,871,452	1,949,624
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$11,331,888	\$11,083,487	\$11,178,699	\$11,814,351	\$10,695,234	\$10,675,710
Contributions as a Percentage of Covered-Employee Payroll	11.15%	10.38%	11.39%	13.26%	17.50%	18.26%

**Schedule of District Contributions**  
**NYSERS Pension Plan**  
**Last 6 Fiscal Years**  
**For the Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 528,027	\$ 481,103	\$ 495,713	\$ 530,000	\$ 633,478	\$ 678,960
Contributions in Relation to the Contractually Required Contribution	528,027	481,103	495,713	530,000	633,478	678,960
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 3,821,275	\$ 3,825,624	\$ 3,462,308	\$ 3,544,472	\$ 3,545,219	\$ 3,423,773
Contributions as a Percentage of Covered-Employee Payroll	13.82%	12.58%	14.32%	14.95%	17.87%	19.83%

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

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

**Required Supplementary Information**

**Schedule of District's Proportionate Share of the Net Pension Liability**

**NYSTRS Pension Plan**

**Last 6 Fiscal Years**

**For the Year Ended June 30, 2020**

Measurement date	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
District's Proportion of the Net Pension Liability (Asset)	0.067890%	0.068043%	0.068200%	0.069310%	0.071070%	0.071200%
District's Proportionate Share of the Net Pension Liability (Ass \$ (1,763,778) \$ (1,230,402) \$ (518,387) \$ 742,339 \$ (7,381,930) \$ (7,939,006)						
District's Covered-Employee Payroll	\$11,331,888	\$ 11,083,487	\$ 11,178,699	\$11,814,351	\$ 10,695,234	\$ 10,675,710
District's Proportionate Share of the Net Pension Liability (Asset)						
as a Percentage of its Covered-Employee Payroll	15.56%	11.10%	4.63%	-6.28%	69.02%	73.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	102.20%	101.53%	-100.66%	99.01%	110.46%	93.00%

**Schedule of District's Proportionate Share of the Net Pension Liability**

**NYSERS Pension Plan**

**Last 6 Fiscal Years**

**For the Year Ended June 30, 2020**

Measurement date	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>3/31/2020</u>	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.012278%	0.011556%	0.012105%	0.012409%	0.012886%	0.012362%
District's Proportionate Share of the Net Pension Liability (Ass \$ 3,251,372 \$ 818,763 \$ 390,690 \$ 1,165,951 \$ 2,068,243 \$ 417,600						
District's Covered-Employee Payroll	\$ 3,821,275	\$ 3,825,624	\$ 3,462,308	\$ 3,544,472	\$ 3,545,219	\$ 3,423,773
District's Proportionate Share of the Net Pension Liability (Asset)						
as a Percentage of its Covered-Employee Payroll	85.09%	21.40%	11.28%	32.89%	58.34%	12.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	86.39%	96.27%	98.24%	94.70%	90.68%	100.00%

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

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

**South Jefferson Central School District**      Supplemental Schedule #5  
**Schedule of Change from Adopted Budget to Final Budget**  
**And the Real Property Tax Limit - General Fund**  
**For the Year Ended June 30, 2020**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 36,070,720
Additions:	
Prior year's encumbrances	<u>151,141</u>
Original budget	36,221,861
Budget revisions:	
Summer recreation program	68,545
Final budget	<u><u>\$ 36,290,406</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2020-2021 subsequent year's voter-approved expenditure budget	
Maximum allowed (4% of 2020-2021 budget of \$36,972,338)	<u><u>\$ 1,478,894</u></u>

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

Unrestricted fund balance:	
Assigned fund balance	2,349,992
Unassigned fund balance	<u>2,950,404</u>
Total unrestricted fund balance	<u><u>\$ 5,300,396</u></u>

Less:	
Appropriated fund balance	2,241,250
Encumbrances included in assigned fund balance	<u>108,742</u>
Total adjustments	<u><u>\$ 2,349,992</u></u>

General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 2,950,404</u></u>
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Actual percentage	<u><u>7.98%</u></u>
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See paragraph on supplementary schedules included in independent auditors' report.

**South Jefferson Central School District**  
**Schedule of Project Expenditures -**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2020**

PROJECT TITLE	Expenditures				Methods of Financing					Fund Balance June 30, 2020	
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Source	Local Sources		Total
Buses*	\$ 750,975	\$ 750,975	\$ -	\$ 750,975	\$ 750,975	\$ -	\$ 554,020	\$ -	\$ -	\$ 554,020	(2,001,024)
Alterations - Adams Center Bus Garage	96,000	65,960	7,137	-	7,137	58,823	-	-	(58,823)	(58,823)	-
Districtwide Project	8,575,000	8,575,000	1,165,706	5,706,252	6,871,958	1,703,042	-	-	-	-	(6,871,958)
Smart Schools Bond Act	33,353	33,353	-	33,353	33,353	-	-	33,353	-	33,353	-
Mannsville Lighting	100,000	100,000	-	100,000	100,000	-	-	-	100,000	100,000	-
Additions & Alterations - Clarke	70,000	70,000	78,478	-	78,478	(8,478)	-	-	60,398	60,398	(18,080)
Additions & Alterations - Clarke	100,000	100,000	98,425	-	98,425	1,575	-	-	(1,575)	(1,575)	-
	\$ 9,725,328	\$ 9,695,288	\$ 1,349,746	\$ 6,590,580	\$ 7,940,326	\$ 1,754,962	\$ 554,020	\$ 33,353	\$ 100,000	\$ 687,373	\$ (8,891,062)

\* Buses are financed by BANs when purchased.  
Only current year appropriations are listed.

**South Jefferson Central School District**

Supplemental Schedule #7

**Net Investment in Capital Assets****For the Year Ended June 30, 2020**

Capital assets, net		\$44,987,695
Deduct:		
Bond anticipation notes	\$10,657,340	
Short-term portion of bonds payable	2,960,000	
Long-term portion of bonds payable	<u>10,680,000</u>	
		<u>24,297,340</u>
Net Investment in capital assets		<u>\$20,690,355</u>

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

# STACKEL & NAVARRA, C.P.A., P.C.

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Mark B. Hills, C.P.A.

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

Board of Education  
South Jefferson Central School District  
Adams, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Jefferson Central School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise South Jefferson Central School District's basic financial statements and have issued our report thereon dated October 12, 2020.

### **Internal Control Over Financial Reporting**

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

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

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

## STACKEL & NAVARRA, C.P.A., P.C

CERTIFIED PUBLIC ACCOUNTANTS

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Jefferson Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-1.

### 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.

*Stackel & Navarra, CPA, PC*

Stackel & Navarra, C.P.A., P.C.

Watertown, NY

October 12, 2020



# STACKEL & NAVARRA, C.P.A., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Education  
South Jefferson Central School District  
Adams, New York

### Report on Compliance for Each Major Federal Program

We have audited South Jefferson Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Jefferson Central School District's major federal programs for the year ended June 30, 2020. South Jefferson Central 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 the requirements of 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 South Jefferson Central 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 South Jefferson Central 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 South Jefferson Central School District's compliance.

### Opinion of Each Major Federal Program

In our opinion, South Jefferson 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 South Jefferson Central 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 South Jefferson Central 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Jefferson Central 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 weakness 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.

*Stackel & Navarra, CPA, PC*

Stackel & Navarra, C.P.A., P.C.  
Watertown, NY  
October 12, 2020

**South Jefferson School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

<b>Federal/Grantor/Pass-Through Grantor/Program Title</b>	<b><u>CFDA</u></b>	<b><u>Agency or</u></b>	
<b>U.S. Department of Education</b>	<b><u>Number</u></b>	<b><u>Pass-through</u></b>	
<b>Passed-through NYS Education Department:</b>		<b><u>Number</u></b>	
Special Education Cluster:			
IDEA - Part B (Section 619)	84.173	0033200314	\$4,500
IDEA - Part B (Section 611)	84.027	0032200314	421,886
Total Special Education Cluster			<u>426,386</u>
Title I - ESEA - Basic Grant	84.010	0021201155	411,633
Title IV Part A - Student Support & Academic Enrichment	84.424	0204201155	30,688
Title IIA - Supporting Effective Instruction	84.367	0147201155	72,312
Total Passed-through NYS Education Department			<u>941,019</u>
<b>Department of Education Direct Programs</b>			
Impact Aid	84.041		<u>3,588</u>
Total U.S. Department of Education			<u>944,607</u>
<b>U.S. Department of Agriculture</b>			
<b>Passed-through NYS Education Department:</b>			
Child Nutrition Cluster:			
Non-cash assistance (food distribution)			
National School Lunch Program	10.555		49,171
Cash assistance			
School Breakfast Program	10.553		61,820
National School Lunch Program	10.555		258,108
Summer Food Service Program for Children	10.559		300,561
Snack	10.555		772
Total Child Nutrition Cluster			<u>670,432</u>
Total Federal Awards Expended			<u>\$ 1,615,039</u>

See notes to Schedule of Expenditures of Federal Awards.

**South Jefferson School District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

**Note 1 – Summary of certain significant accounting policies:**

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

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

**Note 2 – Food distribution:**

Nonmonetary assistance is recorded in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District has food commodities totaling \$12,216 in inventory.

**Note 3 – Subrecipients:**

No amounts were provided to subrecipients.

**Note 4 – Other disclosures:**

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

**South Jefferson Central School District**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's opinion(s) issued: Modified

Internal control over financial reporting:

Material weakness (es) identified? \_\_\_\_\_ yes   X   no

Significant deficiency (ies) identified? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted?   X   yes \_\_\_\_\_ no

***Federal Awards***

Internal control over major programs:

Material weakness (es) identified? \_\_\_\_\_ yes   X   no

Significant deficiency (ies) identified? \_\_\_\_\_ yes   X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance \_\_\_\_\_ yes   X   no

Identification of major programs:

<u>Name of federal program</u>	<u>CFDA Number</u>
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IDEA – Part B (Section 619)	84.173
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IDEA – Part B (Section 611)	84.027
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Title I – ESEA – Basic Grant	84.010
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Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$750,000</u>
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Auditee qualified as low risk? \_\_\_\_\_ yes   X   no

**South Jefferson Central School District**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

**Section II - Financial Statements Findings**

2020-01: Condition and criteria: Undesignated General Fund balance exceeds the 4% allowed by Section 1318 of the Real Property Tax Law.

Cause: The School District's budget overestimated expenditures.

Effect: The School District is in violation of Section 1318 of the Real Property Tax Law. At June 30, 2020, the School District appropriated \$2,241,250 of fund balance for the 2020-2021 fiscal year leaving a balance of \$2,950,404 unassigned. The amount left unappropriated is in excess of four percent of the ensuing fiscal year balance by \$1,471,510.

Auditors' recommendation: We recommend the School District implement procedures to ensure that the budget is accurate and allows the School District to comply with the fund balance limit.

Corrective Action Planned: The District is aware that it exceeded the four percent limitation. The District is implementing procedures to better track budgetary expenditures throughout the year in order to more accurately predict the year-end fund balance during the budget development process. Another strategy in response to this finding is that the District recently established a Reserve Fund for required contributions to the NYS Teachers Retirement System (NYSTRS). Each year, the District will allocate the maximum allowable contribution to this fund from the unassigned fund balance.

**Section III - Federal Award Findings and Questioned Costs**

NONE