

**EVANS-BRANT CENTRAL
SCHOOL DISTRICT, NEW YORK**
*Basic Financial Statements, Required Supplementary
Information, Supplementary Information, and Federal
Awards Information for the Year Ended June 30, 2020 and
Independent Auditors' Reports*

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Education
Evans-Brant Central School District, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position 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 and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

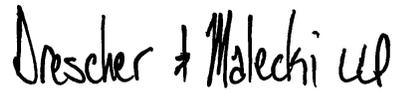
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, 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* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, 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 Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



September 15, 2020

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2020

As management of the Evans-Brant Central School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. This document should be read in conjunction with the additional information that we have furnished in the District's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of liabilities at the close of the most recent fiscal year by \$19,339,589 (*net position*). This consists of \$18,566,727 net investment in capital assets, \$6,901,854 restricted for specific purposes, offset by unrestricted net position of \$(6,128,992).
- The District's net position decreased \$919,713 during the year ended June 30, 2020.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$(1,960,415), a decrease of \$6,598,114 in comparison with the prior year's fund balance of \$4,637,699. Excluding the Capital Projects Fund, the District's governmental funds reported combined ending fund balances of \$11,445,856, an increase of \$406,068 from the prior year.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$2,402,253, or approximately 4.3 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 21.5 percent of the General Fund's total fund balance of \$11,171,696 at June 30, 2020.
- The District's total bonded indebtedness decreased by \$2,625,000 as a result of scheduled principal payments.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general support, instruction, pupil transportation, school food service, and interest on long-term debt. The District does not engage in any business-type activities.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Aid Fund, School Lunch Fund, and Capital Projects Fund, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District maintains two fiduciary funds, the Private Purpose Trust Fund and the Agency Fund.

The fiduciary fund financial statements can be found on pages 18-19 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-44 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District’s net pension liability/(asset), the changes in the District’s total other postemployment benefits (“OPEB”) obligation, and the District’s budgetary comparison for the General Fund. Required Supplementary Information and related notes to the Required Supplementary Information can be found on pages 45-52 of this report.

Other supplementary information is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 53-55 of this report.

Finally, the Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found immediately following the Supplementary Information on pages 56-63 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,339,589 at the close of the most recent fiscal year, as compared to \$20,259,302 at the close of the fiscal year ended June 30, 2019.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position

| | June 30, | |
|----------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Current assets | \$ 28,618,715 | \$ 28,332,067 |
| Noncurrent assets | 46,653,795 | 38,761,127 |
| Total assets | <u>75,272,510</u> | <u>67,093,194</u> |
| Deferred outflows of resources | <u>15,867,338</u> | <u>16,075,559</u> |
| Current liabilities | 30,624,019 | 23,763,978 |
| Noncurrent liabilities | 36,005,376 | 34,894,565 |
| Total liabilities | <u>66,629,395</u> | <u>58,658,543</u> |
| Deferred inflows of resources | <u>5,170,864</u> | <u>4,250,908</u> |
| Net position: | | |
| Net investment in capital assets | 18,566,727 | 19,519,095 |
| Restricted | 6,901,854 | 6,545,062 |
| Unrestricted | <u>(6,128,992)</u> | <u>(5,804,855)</u> |
| Total net position | <u>\$ 19,339,589</u> | <u>\$ 20,259,302</u> |

The largest portion of the District’s net position, \$18,566,727, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District’s net position, \$6,901,854, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Any remaining portion of the District’s net position would represent resources that are unrestricted and may be used to meet the District’s ongoing obligations to citizens and creditors.

The remaining balance of the District’s net position, \$(6,128,992), is considered to be an unrestricted deficit. This deficit does not mean that the District does not have resources available to meet its obligations in the ensuing year. Rather, it reflects liabilities not related to the District’s capital assets and are not expected to be repaid from current resources. These long-term liabilities including compensated absences, other post-employment benefits (“OPEB”) obligations, and net pension liability are funded annually within the funds.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2020 and June 30, 2019:

Table 2—Condensed Statements of Changes in Net Position

| | <u>Year Ended June 30,</u> | |
|------------------------------------|----------------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| Program revenues: | | |
| Charges for services | \$ 3,465,361 | \$ 3,624,710 |
| Operating grants and contributions | 4,058,038 | 4,081,160 |
| Capital grants and contributions | 413,990 | 1,232,225 |
| General revenues | <u>52,435,653</u> | <u>52,216,420</u> |
| Total revenues | <u>60,373,042</u> | <u>61,154,515</u> |
| | | |
| Program expenses | <u>61,292,755</u> | <u>58,432,513</u> |
| | | |
| Change in net position | (919,713) | 2,722,002 |
| | | |
| Net position—beginning | <u>20,259,302</u> | <u>17,537,300</u> |
| Net position—ending | <u>\$ 19,339,589</u> | <u>\$ 20,259,302</u> |

Overall revenues decreased by 1.3 percent from the prior year, due primarily to decreases in capital project building aid. Total expenses increased by 4.9 percent from the year ended June 30, 2019, as a result of cost allocated from the performance of the state-managed pension plan.

A summary of sources of revenues for the years ended June 30, 2020 and June 30, 2019 is presented in Table 3 below:

Table 3—Summary of Sources of Revenues

| | Year Ended June 30, | | Increase/(Decrease) | |
|---|----------------------|----------------------|---------------------|-------------|
| | 2020 | 2019 | Dollars | Percent (%) |
| Charges for services | \$ 3,465,361 | \$ 3,624,710 | \$ (159,349) | (4.4) |
| Operating grants and contributions | 4,058,038 | 4,081,160 | (23,122) | (0.6) |
| Capital grants and contributions | 413,990 | 1,232,225 | (818,235) | (66.4) |
| Real property taxes and items | 17,950,327 | 17,674,543 | 275,784 | 1.6 |
| Non-property tax items | 2,558,337 | 2,781,058 | (222,721) | (8.0) |
| Use of money and property | 273,089 | 236,126 | 36,963 | 15.7 |
| Sale of property and compensation for loss | 64,892 | 78,604 | (13,712) | (17.4) |
| Miscellaneous | 366,321 | 461,988 | (95,667) | (20.7) |
| State sources—unrestricted | 31,222,687 | 30,984,101 | 238,586 | 0.8 |
| Total revenues | <u>\$ 60,373,042</u> | <u>\$ 61,154,515</u> | <u>\$ (781,473)</u> | (1.3) |

The most significant sources of revenue for the year ended June 30, 2020 were unrestricted State sources of \$31,222,687, or 51.7 percent of total revenues, and real property taxes and items of \$17,950,327 or 29.7 percent of total revenues. Similarly, for the year ended June 30, 2019, the largest sources of revenue unrestricted State sources of \$30,984,101, or 50.7 percent of total revenues, and real property taxes and items of \$17,674,543, or 28.9 percent of total revenues.

A summary of program expenses for the years ended June 30, 2020 and June 30, 2019 is presented below in Table 4:

Table 4—Summary of Program Expenses

| | Year Ended June 30, | | Increase/(Decrease) | |
|-----------------------------------|----------------------|----------------------|---------------------|-------------|
| | 2020 | 2019 | Dollars | Percent (%) |
| General support | \$ 10,560,918 | \$ 10,877,734 | \$ (316,816) | (2.9) |
| Instruction | 44,517,902 | 41,344,896 | 3,173,006 | 7.7 |
| Pupil transportation | 4,666,454 | 4,685,105 | (18,651) | (0.4) |
| School food service | 870,156 | 949,921 | (79,765) | (8.4) |
| Interest and other fiscal charges | 677,325 | 574,857 | 102,468 | 17.8 |
| Total program expenses | <u>\$ 61,292,755</u> | <u>\$ 58,432,513</u> | <u>\$ 2,860,242</u> | 4.9 |

The most significant expense items for the year ended June 30, 2020 were instruction of \$44,517,902, or 72.6 percent of total expenses, general support of \$10,560,918, or 17.2 percent of total expenses, and pupil transportation of \$4,685,105, or 7.6 percent of total expenditures. Similarly, for the year ended June 30, 2019, the most significant expense items were instruction of \$41,344,896, or 70.8 percent of total expenses, general support of \$10,877,734, or 18.6 percent of total expenses, and pupil transportation of \$4,685,105, or 8.0 percent of total expenses.

Financial Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to specific use* in special revenue funds may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the District itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Board of Education.

As of June 30, 2020, the District’s governmental funds reported a combined ending fund balance deficit of \$1,960,415, a decrease of \$6,598,114 from the prior year. Excluding the effects of a \$13,406,271 fund balance deficit in the Capital Projects Fund, approximately 21.0 percent of this amount, \$2,402,253, constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$66,240, (2) restricted for particular purposes, \$6,901,854, or (3) assigned for particular purposes, \$2,075,509.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,402,253, while the total fund balance increased to \$11,171,696. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 4.3 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 19.8 percent of that same amount.

The total fund balance of the District’s General Fund increased by \$359,205 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$1,841,285 of fund balance, which includes funds appropriated from fund balance (\$1,750,000) and the appropriation of prior year encumbrances (\$91,285). As a result of spending less than anticipated, the District’s General Fund fund balance ended \$2,200,490 higher than anticipated.

The Special Aid Fund maintains funds that are received by the State and Federal governments. Revenues for the year ended June 30, 2020 totaled \$2,186,034 and were comprised of State and Federal sources. Expenditures totaled \$2,274,858 and were mostly used towards the instruction and transportation of students. The difference between revenues and expenditures was subsidized by a transfer from the General Fund.

The School Lunch Fund total fund balance is \$274,160 as of June 30, 2020, of which \$24,457 represents inventory and is classified as nonspendable. The remaining portion of fund balance of \$249,703, or 91.1 percent of total fund balance, is considered assigned for school lunch purposes. The fund balance of the District’s School Lunch Fund increased by \$46,863 in the current fiscal year.

Due to expansive capital outlay, supported primarily by short-term debt, which continued during the year ended June 30, 2020, the Capital Projects Fund reported a fund balance deficit of \$13,406,271, as compared to a fund balance deficit of \$6,402,089 at the close of the previous year. The change in fund balance deficit from the prior year was primarily due to the increased use of short-term financing to fund capital projects. The remaining deficit is anticipated to be remedied with the conversion of the outstanding short-term debt to long-term debt.

General Fund Budgetary Highlights

The District's General Fund budget generally contains a minimal amount of budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose. A summary of revisions from adopted budget to final budget is presented below in Table 5:

Table 5—General Fund Budget

| | |
|--|-----------------------------|
| Adopted budget 2019-2020 | \$ 59,982,787 |
| Add: Prior year's encumbrances—June 30, 2019 | <u>91,285</u> |
| Original budget 2019-2020 | 60,074,072 |
| Budget revisions | <u>-</u> |
| Final budget, 2019-2020 | <u><u>\$ 60,074,072</u></u> |

More detailed information about the District's General Fund budget is presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget (Non-GAAP Basis) and Actual—General Fund within the Required Supplementary Information section of this report.

Capital Assets and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of June 30, 2020, amounted to \$43,470,899 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and furniture and equipment. All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the District's capital asset policy.

Capital assets, net of depreciation for the governmental activities at June 30, 2020 and June 30, 2019 are presented below in Table 6:

Table 6—Summary of Capital Assets (Net of Accumulated Depreciation)

| | June 30, | |
|----------------------------|-----------------------------|-----------------------------|
| | <u>2020</u> | <u>2019</u> |
| Land | \$ 170,000 | \$ 170,000 |
| Construction in progress | 11,390,553 | 8,427,257 |
| Buildings and improvements | 28,577,664 | 24,666,213 |
| Furniture and equipment | <u>3,332,682</u> | <u>3,262,715</u> |
| Total | <u><u>\$ 43,470,899</u></u> | <u><u>\$ 36,526,185</u></u> |

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Long-term liabilities—At June 30, 2020, the District had serial bonds outstanding of \$9,500,000, as compared to \$12,125,000 in the prior year. During the year ended June 30, 2020, the District made principal payments of \$2,625,000.

A summary of the District’s long-term liabilities at June 30, 2020 and June 30, 2019 is presented below in Table 7:

Table 7—Summary of Long-Term Liabilities

| | June 30, | |
|-------------------------|----------------------|----------------------|
| | 2019 | 2018 |
| Serial bonds | \$ 12,125,000 | \$ 14,680,000 |
| Premium on serial bonds | 229,660 | 344,489 |
| Compensated absences | 1,539,083 | 1,285,394 |
| OPEB obligation | 19,299,152 | 18,622,435 |
| Net pension liability | 1,701,670 | 817,554 |
| Total | <u>\$ 34,894,565</u> | <u>\$ 35,749,872</u> |

Additional information on the District’s long-term liabilities can be found in Note 10 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

During the current fiscal year, the District appropriated \$1,750,000 of the General Fund’s unassigned fund balance for spending in the District’s 2020-2021 fiscal year budget. The 2020-2021 adopted budget appropriations total of \$60,057,225 is an approximate increase of 0.1 percent as compared to \$59,982,787 in 2019-2020. The District’s total budgeted tax levy in 2020-2021 is \$18,102,600, which is an approximate increase of 1.4 percent as compared to \$17,847,896 levied during the 2019-2020 year.

On January 31, 2020, the United States Secretary of Health and Human Services declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. The extent of the impact of COVID-19 on the District’s operational and financial performance will depend on further developments, including the duration and spread of the outbreak, impact on students, employees and vendors all of which cannot be predicted.

Impacted by the pandemic is the unemployment rate, which is not seasonally adjusted, for the Buffalo-Niagara region at June 30, 2020 was 13.7 percent. This compares to New York State’s unemployment rate of 15.7 percent. These factors, as well as others, are considered in preparing the District’s budget.

Requests for Information

This financial report is designed to provide our community, taxpayers, creditors and investors with a general overview of the District’s finances and to show the District’s accountability. If you have any questions about this report or need additional financial information, contact Daniel W. Pacos, Assistant Superintendent for Administration and Finance, 959 Beach Road, Angola, New York 14006.

BASIC FINANCIAL STATEMENTS

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EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2020

| | Primary Government |
|---|------------------------------------|
| | Governmental Activities |
| ASSETS | |
| Cash and cash equivalents | \$ 3,835,676 |
| Restricted cash and cash equivalents | 18,499,440 |
| Receivables | 208,427 |
| Intergovernmental receivables | 6,008,932 |
| Prepaid items | 41,783 |
| Inventories | 24,457 |
| Noncurrent net pension asset | 3,182,896 |
| Capital assets not being depreciated | 11,560,553 |
| Capital assets, net of accumulated depreciation | 31,910,346 |
| Total assets | 75,272,510 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows—relating to pension plans | 14,886,753 |
| Deferred outflows—relating to OPEB | 980,585 |
| Total deferred outflows of resources | 15,867,338 |
| LIABILITIES | |
| Accounts payable | 970,130 |
| Accrued liabilities | 571,472 |
| Due to retirement systems | 2,168,401 |
| Intergovernmental payables | 43 |
| Due to Agency Fund | 2,391 |
| Unearned revenue | 23,582 |
| Bond anticipation notes payable | 26,888,000 |
| Noncurrent liabilities: | |
| Due within one year | 2,930,198 |
| Due within more than one year | 33,075,178 |
| Total liabilities | 66,629,395 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows—relating to pension plans | 4,415,301 |
| Deferred inflows—relating to OPEB | 672,188 |
| Deferred inflows—gain on refunding | 83,375 |
| Total deferred inflows of resources | 5,170,864 |
| NET POSITION | |
| Net investment in capital assets | 18,566,727 |
| Restricted for: | |
| Employee benefit accrued liability | 777,019 |
| Retirement contribution | 721,599 |
| Tax certiorari | 85,609 |
| Debt service | 5,317,627 |
| Unrestricted | (6,128,992) |
| Total net position | \$ 19,339,589 |

The notes to the financial statements are an integral part of this statement.

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2020

| Function/Program | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|---------------------------------|---|---|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities |
| Governmental activities: | | | | | |
| General support | \$ 10,560,918 | \$ - | \$ - | \$ 413,990 | \$ (10,560,918) |
| Instruction | 44,517,902 | 3,302,126 | 3,351,141 | - | (37,864,635) |
| Pupil transportation | 4,666,454 | - | - | - | (4,666,454) |
| School food service | 870,156 | 163,235 | 706,897 | - | (24) |
| Interest and other fiscal charges | 677,325 | - | - | - | (677,325) |
| Total primary government | <u>\$ 61,292,755</u> | <u>\$ 3,465,361</u> | <u>\$ 4,058,038</u> | <u>\$ 413,990</u> | <u>(53,355,366)</u> |
| General revenues: | | | | | |
| Real property taxes and other tax items | | | | | 17,950,327 |
| Non-property tax items | | | | | 2,558,337 |
| Use of money and property | | | | | 273,089 |
| Sale of property and compensation for loss | | | | | 64,892 |
| Miscellaneous | | | | | 366,321 |
| State sources—unrestricted | | | | | <u>31,222,687</u> |
| Total general revenues | | | | | <u>52,435,653</u> |
| Change in net position | | | | | (919,713) |
| Net position—beginning | | | | | <u>20,259,302</u> |
| Net position—ending | | | | | <u>\$ 19,339,589</u> |

The notes to the financial statements are an integral part of this statement.

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2020

| | <u>Special Revenue</u> | | | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|--|------------------------|------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Aid</u> | <u>School Lunch</u> | | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 3,704,305 | \$ 6,358 | \$ 125,013 | \$ - | \$ 3,835,676 |
| Restricted cash and cash equivalents | 6,793,825 | 23,582 | - | 11,682,033 | 18,499,440 |
| Receivables | 208,388 | - | 39 | - | 208,427 |
| Due from other funds | 1,302,073 | - | 118,639 | 1,691,854 | 3,112,566 |
| Short-term notes receivable | 108,029 | - | - | - | 108,029 |
| Intergovernmental receivables | 4,440,575 | 1,116,580 | 49,486 | 402,291 | 6,008,932 |
| Prepaid items | 41,783 | - | - | - | 41,783 |
| Inventories | - | - | 24,457 | - | 24,457 |
| Total assets | <u>\$ 16,598,978</u> | <u>\$ 1,146,520</u> | <u>\$ 317,634</u> | <u>\$ 13,776,178</u> | <u>\$ 31,839,310</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 735,202 | \$ 6,940 | \$ 41,568 | \$ 186,420 | \$ 970,130 |
| Accrued liabilities | 513,545 | 11,175 | 1,863 | - | 526,583 |
| Due to other funds | 2,010,134 | 1,104,823 | - | - | 3,114,957 |
| Due to retirement systems | 2,168,401 | - | - | - | 2,168,401 |
| Intergovernmental payables | - | - | 43 | - | 43 |
| Unearned revenue | - | 23,582 | - | - | 23,582 |
| Notes payable | - | - | - | 26,996,029 | 26,996,029 |
| Total liabilities | <u>5,427,282</u> | <u>1,146,520</u> | <u>43,474</u> | <u>27,182,449</u> | <u>33,799,725</u> |
| FUND BALANCES (DEFICIT) | | | | | |
| Nonspendable | 41,783 | - | 24,457 | - | 66,240 |
| Restricted | 6,901,854 | - | - | - | 6,901,854 |
| Assigned | 1,825,806 | - | 249,703 | - | 2,075,509 |
| Unassigned | 2,402,253 | - | - | (13,406,271) | (11,004,018) |
| Total fund balances (deficit) | <u>11,171,696</u> | <u>-</u> | <u>274,160</u> | <u>(13,406,271)</u> | <u>(1,960,415)</u> |
| Total liabilities and fund balances (deficit) | <u>\$ 16,598,978</u> | <u>\$ 1,146,520</u> | <u>\$ 317,634</u> | <u>\$ 13,776,178</u> | <u>\$ 31,839,310</u> |

The notes to the financial statements are an integral part of this statement.

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2020

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

| | | |
|---|--------------------|----------------------|
| Total fund balances (deficit)—governmental funds (page 14) | | \$ (1,960,415) |
| Net pension assets are not current financial resources and, therefore, are not reported in the fund statements. | | 3,182,896 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$118,569,955 and the accumulated depreciation is \$75,099,056. | | 43,470,899 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements: | | |
| Deferred outflows related to experience, | | |
| investment earnings, and changes in assumptions | \$ 12,771,757 | |
| Deferred outflows related to employer contributions | 2,114,996 | |
| Deferred inflows related to pension plans | <u>(4,415,301)</u> | 10,471,452 |
| Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the fund statements: | | |
| Deferred outflows related to changes in assumptions | \$ 980,585 | |
| Deferred inflows related to experience | <u>(672,188)</u> | 308,397 |
| Deferred gains on refunding are not financial resources and, therefore, are not reported as liabilities in governmental funds. | | (83,375) |
| Net accrued interest expense for serial bonds is not reported in the fund statements. | | (44,889) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are: | | |
| Serial bonds | \$ (9,500,000) | |
| Premium on serial bonds | (114,830) | |
| Compensated absences | (1,807,369) | |
| Other postemployment benefits obligation | (18,013,857) | |
| Net pension liability | <u>(6,569,320)</u> | <u>(36,005,376)</u> |
| Net position of governmental activities | | <u>\$ 19,339,589</u> |

The notes to the financial statements are an integral part of this statement.

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)—Governmental Funds
Year Ended June 30, 2020

| | <u>Special Revenue</u> | | | | <u>Total Governmental Funds</u> |
|--|------------------------|------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Aid</u> | <u>School Lunch</u> | <u>Capital Projects</u> | |
| REVENUES | | | | | |
| Real property taxes | \$ 15,208,278 | \$ - | \$ - | \$ - | \$ 15,208,278 |
| Real property tax items | 2,742,049 | - | - | - | 2,742,049 |
| Non-property tax items | 2,558,337 | - | - | - | 2,558,337 |
| Charges for services | 3,302,126 | - | - | - | 3,302,126 |
| Use of money and property | 196,940 | - | - | 76,149 | 273,089 |
| Sale of property and compensation for loss | 64,892 | - | - | - | 64,892 |
| Miscellaneous | 237,089 | - | 81 | 129,151 | 366,321 |
| State sources | 31,449,502 | 610,547 | 24,093 | 413,990 | 32,498,132 |
| Federal sources | 938,292 | 1,575,487 | 682,804 | - | 3,196,583 |
| Sales-food service | - | - | 163,235 | - | 163,235 |
| Total revenues | <u>56,697,505</u> | <u>2,186,034</u> | <u>870,213</u> | <u>619,290</u> | <u>60,373,042</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General support | 6,082,889 | 5,784 | - | - | 6,088,673 |
| Instruction | 27,455,979 | 2,137,862 | - | - | 29,593,841 |
| Pupil transportation | 2,605,168 | 88,944 | - | - | 2,694,112 |
| Employee benefits | 14,387,560 | 42,268 | 41,681 | - | 14,471,509 |
| Debt service: | | | | | |
| Principal | 2,625,000 | - | - | - | 2,625,000 |
| Interest | 900,251 | - | - | - | 900,251 |
| Cost of sales | - | - | 789,096 | - | 789,096 |
| Capital outlay | - | - | - | 9,808,674 | 9,808,674 |
| Total expenditures | <u>54,056,847</u> | <u>2,274,858</u> | <u>830,777</u> | <u>9,808,674</u> | <u>66,971,156</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,640,658</u> | <u>(88,824)</u> | <u>39,436</u> | <u>(9,189,384)</u> | <u>(6,598,114)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 88,824 | 7,427 | 2,185,202 | 2,281,453 |
| Transfers out | <u>(2,281,453)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,281,453)</u> |
| Total other financing sources (uses) | <u>(2,281,453)</u> | <u>88,824</u> | <u>7,427</u> | <u>2,185,202</u> | <u>-</u> |
| Net change in fund balances (deficit) | 359,205 | - | 46,863 | (7,004,182) | (6,598,114) |
| Fund balances (deficit)—beginning | <u>10,812,491</u> | <u>-</u> | <u>227,297</u> | <u>(6,402,089)</u> | <u>4,637,699</u> |
| Fund balances (deficit)—ending | <u>\$ 11,171,696</u> | <u>\$ -</u> | <u>\$ 274,160</u> | <u>\$ (13,406,271)</u> | <u>\$ (1,960,415)</u> |

The notes to the financial statements are an integral part of this statement.

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances (deficit)—total governmental funds (page 16) \$ (6,598,114)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

| | | | |
|----------------------------|----|--------------------|-----------|
| Capital asset additions | \$ | 9,928,680 | |
| Loss on disposal of assets | | (7,673) | |
| Depreciation expense | | <u>(2,976,293)</u> | 6,944,714 |

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

| | | | |
|---|----|--------------------|-------------|
| District pension contributions | \$ | 3,037,086 | |
| Cost of benefits earned net of employee contributions | | <u>(6,486,532)</u> | (3,449,446) |

Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year amortization. 888,792

Deferred inflows of resources associated with refunding bond issuances are not reported in the governmental funds. The gain is reported as a deferred inflow of resources on the statement of net position, and recognized as a component of interest expense over the life of the related debt. 83,375

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 24,721

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

| | | | |
|--|----|--------------------|------------------|
| Repayment of serial bonds | \$ | 2,625,000 | |
| Amortization of premium on serial bonds | | 114,830 | |
| Change in compensated absences | | (268,286) | |
| Change in other postemployment benefits obligation | | <u>(1,285,299)</u> | <u>1,186,245</u> |

Change in net position of governmental activities \$ (919,713)

The notes to the financial statements are an integral part of this statement.

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Net Position—Fiduciary Funds
June 30, 2020

| | <u>Private Purpose Trust</u> | <u>Agency</u> |
|--------------------------------------|--------------------------------------|---------------------|
| ASSETS | | |
| Restricted cash and cash equivalents | \$ 383,616 | \$ 1,062,867 |
| Due from other funds | - | <u>2,391</u> |
| Total assets | <u>383,616</u> | <u>\$ 1,065,258</u> |
| LIABILITIES | | |
| Agency liabilities | - | \$ 921,860 |
| Due to retirement system | - | 12,358 |
| Extraclassroom activity funds | - | <u>131,040</u> |
| Total liabilities | <u>-</u> | <u>\$ 1,065,258</u> |
| NET POSITION | | |
| Restricted for scholarships | <u>383,616</u> | |
| Total net position | <u>\$ 383,616</u> | |

The notes to the financial statements are an integral part of this statement.

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Changes in Net Position—Fiduciary Funds
Year Ended June 30, 2020

| | <u>Private Purpose Trust</u> |
|-------------------------|--------------------------------------|
| ADDITIONS | |
| Gifts and contributions | \$ 10,189 |
| Investment earnings | <u>10,104</u> |
| Total additions | <u>20,293</u> |
| DEDUCTIONS | |
| Scholarships and awards | <u>13,514</u> |
| Change in net position | 6,779 |
| Net position—beginning | <u>376,837</u> |
| Net position—ending | <u>\$ 383,616</u> |

The notes to the financial statements are an integral part of this statement.

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EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Evans-Brant Central School District, New York (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The District reports no business-type activities or component units.

Reporting Entity

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations, and are governed by, or significantly influenced by, the Board of Education.

Essentially, the primary function of the District is to provide education for pupils. Support services such as transportation of pupils, food service, administration, finance, and plant maintenance are also included.

The financial reporting entity includes all funds, functions and organizations over which the District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

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

Joint Venture—The District is one of 27 participating school districts in the Erie No. 2—Chautauqua—Cattaraugus Board of Cooperative Educational Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services, and programs, and also provides educational and

support activities. There is no authority or process by which the District can terminate its status as a component of BOCES. All BOCES property is held by the BOCES Board as a corporation under Section 1950(6) of Education Law.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of General Municipal Law.

The BOCES budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of June 30, 2020 there was no debt issued by the District on behalf of BOCES.

During the year ended June 30, 2020, the District was billed \$4,196,701 for BOCES administrative and program costs. The District's share of BOCES aid and refunds amounted to \$2,246,945 for the year ended June 30, 2020. Audited financial statements are available from the BOCES administrative offices.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the District's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal sources of revenue for the General Fund are state sources and real property taxes.
- *Special Aid Fund*—The Special Aid Fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.
- *School Lunch Fund*—The School Lunch Fund is used to account for transactions of the District's food service operations.

- *Capital Projects Fund*—The Capital Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

Additionally, the District reports the following fund type:

Fiduciary Funds—These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary Funds of the District includes a *Private Purpose Trust Fund* and an *Agency Fund*.

- *Private Purpose Trust Fund*—The Private Purpose Trust Fund is used to account for assets held by the District for scholarships.
- *Agency Fund*—The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, various student groups and clubs and/or other governmental units. Included within the Agency Fund are the Extraclassroom Activity Funds of the District, which represent funds of the students of the District. The Board of Education exercises general oversight of these funds.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The 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 government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The Private Purpose Trust Fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The District’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. New York State law governs the District’s investment policies. Permissible investments include obligations of the United States Treasury, U.S. government agencies, repurchase agreements and obligations of New York State or its localities. The District had no investments at June 30, 2020; however, when the District does have investments they are recorded at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represents unspent proceeds of debt, amounts to support restricted fund balance, unearned revenues, and amounts held on behalf of others.

Receivables—Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance or uncollectible accounts has been provided since it is believed that such an allowance would not be material.

Prepaid Items—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than purchased.

Inventories—Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Capital Assets—Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of ten years.

Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of its donation. Major outlays for capital assets and improvements are capitalized as projects are completed.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

| Assets | Capitalization Threshold | Useful Life (Years) |
|----------------------------|-----------------------------|------------------------|
| Land | \$ 1 | n/a |
| Construction in progress | 1 | n/a |
| Buildings and improvements | 50,000 | 20-40 |
| Furniture and equipment | 5,000 | 10 |

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new school bus included as part of *expenditures—pupil transportation*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial 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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2020, the District has two items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements. This represents the effect of the net change in the District’s proportion of the collective net pension asset or liability, and the difference during the measurement period between the District’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the District’s proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2020, the District has three items that qualify for reporting in this category. The first item represents the effect of the net change in the District’s proportion of the collective net pension liability and the difference during the measurement periods between the District’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements. The second item represents the effects of the change in the District’s proportion of the collective net OPEB liability and difference during the measurement

period between certain of the employer's contributions and its proportionate share of the total of certain contributions from the employers included in the collective net OPEB liability and is reported in the government-wide financial statements. The final item is the deferred gain on refunding reported in the government-wide financial statements. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Net Position Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned 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. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Assistant Superintendent for Administration and Finance to assign fund balance. The Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied annually as of July 1st by the Board of Education and attached as an enforceable lien. Uncollected real property taxes are subsequently enforced by the County of Erie. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the District no later than April 1st.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2020, the District reported \$23,582 of unearned revenue in the Special Aid Fund for grant funding received in advance. The cash received is classified as restricted.

Compensated Absences—The District labor agreements and District rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Pensions—The District is mandated by New York State law to participate in the New York State Teachers' Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Other Postemployment Benefits—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees as disclosed in Note 7.

Other

Estimates—The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2020, the District early implemented GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. Additionally, the District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of certain provisions in Statements. The implementation of GASB Statements No. 90 and 95 did not have a material impact on the District's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The District has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 84, *Fiduciary Activities*; No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; No. 93, *Replacement of Interbank Offered Rates*; and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB*

Statement No. 32, effective for the year ending June 30, 2021, No. 87, *Leases*; and No. 92, *Omnibus 2020*, effective for the year ending June 30, 2022, No. 91, *Conduit Debt Obligations*; No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 84, 87, 89, 91, 92, 93, 94, 96, and 97 will have on its financial position and results of operations when such statements are adopted.

Deficit Fund Balances—The Capital Projects Fund has a deficit fund balance at June 30, 2020 totaling \$13,406,271. The primary reason for the deficit in this case is that the District issued notes payable, which do not qualify for treatment as a long-term liability. Accordingly, the notes payable are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When cash from the notes payable is spent, expenditures are reported and fund balance is reduced. Because the notes payable are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the notes payable.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District's investment policies are governed by State statutes. District monies must be deposited in FDIC-Insured commercial banks or trust companies located within New York State. The District's Assistant Superintendent for Administration and Finance is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100 percent of all deposits not covered by Federal deposit insurance. The District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents at June 30, 2020 are shown below:

| | Governmental Funds | Fiduciary Funds | Total |
|----------|-----------------------|---------------------|----------------------|
| Deposits | <u>\$ 22,335,116</u> | <u>\$ 1,446,483</u> | <u>\$ 23,781,599</u> |

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2020 as shown below:

| | Bank Balance | Carrying Amount |
|--|----------------------|----------------------|
| FDIC insured | \$ 500,000 | \$ 500,000 |
| Uninsured: | | |
| Collateral held by pledging bank's agent in the District's name | <u>24,698,093</u> | <u>23,281,599</u> |
| Total | <u>\$ 25,198,093</u> | <u>\$ 23,781,599</u> |

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2020, the District’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the District’s name.

Restricted Cash and Cash Equivalents—The District reports unspent proceeds of debt, amounts to support restricted fund balances, unearned revenues, and amounts held on behalf of others as restricted cash and cash equivalents. At June 30, 2020, the District reported \$18,499,440 of restricted cash within its governmental funds and \$1,446,483 within its fiduciary funds.

Investments—The District had no investments at June 30, 2020.

Interest Rate Risk—In accordance with its investment policy, the District manages exposures by limiting investments to low risk type investments governed by New York State statutes.

3. RECEIVABLES

Major revenues accrued by the District at June 30, 2020 consisted of the following:

Receivables—Represents amounts due from various sources for out-of-District tuition, reimbursements, other services provided, insurance recoveries, and health insurance reimbursements. The District reports amounts of \$208,388 and \$39 in the General Fund and School Lunch Fund, respectively.

Short-term Notes Receivable—Represents the value of a note purchased by the Capital Projects Fund from the General Fund’s debt service reserve in accordance with General Municipal Law Section 11 in the amount of \$108,029. Refer to Note 9 for additional information.

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2020 are shown below:

| | | | |
|---|--|----------------|---------------------|
| General Fund: | | | |
| New York State—Native American tuition | | \$ 1,468,420 | |
| New York State—Excess Cost Aid | | 1,028,561 | |
| New York State—BOCES Aid | | 1,202,887 | |
| Erie County—sales tax | | <u>740,707</u> | \$ 4,440,575 |
| Special Aid Fund: | | | |
| New York State—Summer Handicapped Program | | 683,965 | |
| New York State—Title I | | 125,850 | |
| New York State—Universal Pre-k | | 71,364 | |
| New York State—Section 611 IDEA | | 109,652 | |
| New York State—Other | | 35,749 | |
| Federal Government—Native American tuition | | <u>90,000</u> | 1,116,580 |
| School Lunch Fund: | | | |
| New York State—Breakfast and lunch programs | | | 49,486 |
| Capital Projects Fund: | | | |
| Building aid | | | <u>402,291</u> |
| Total governmental funds | | | <u>\$ 6,008,932</u> |

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2020 was as follows:

| | Balance 7/1/2019 | Increases | Decreases | Balance 6/30/2020 |
|---|----------------------|----------------------|---------------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 170,000 | \$ - | \$ - | \$ 170,000 |
| Construction in progress | <u>8,427,257</u> | <u>9,250,085</u> | <u>6,286,789</u> | <u>11,390,553</u> |
| Total capital assets, not being depreciated | <u>8,597,257</u> | <u>9,250,085</u> | <u>6,286,789</u> | <u>11,560,553</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 87,240,685 | 6,286,789 | - | 93,527,474 |
| Furniture and equipment | <u>13,085,417</u> | <u>678,595</u> | <u>282,084</u> | <u>13,481,928</u> |
| Total capital assets, being depreciated | <u>100,326,102</u> | <u>6,965,384</u> | <u>282,084</u> | <u>107,009,402</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 62,574,472 | 2,375,338 | - | 64,949,810 |
| Furniture and equipment | <u>9,822,702</u> | <u>600,955</u> | <u>274,411</u> | <u>10,149,246</u> |
| Total accumulated depreciation | <u>72,397,174</u> | <u>2,976,293</u> | <u>274,411</u> | <u>75,099,056</u> |
| Total capital assets being depreciated, net | <u>27,928,928</u> | <u>3,989,091</u> | <u>7,673</u> | <u>31,910,346</u> |
| Governmental activities capital assets, net | <u>\$ 36,526,185</u> | <u>\$ 13,239,176</u> | <u>\$ 6,294,462</u> | <u>\$ 43,470,899</u> |

Depreciation expense was charged to the functions and programs of governmental activities as follows:

| | |
|----------------------|---------------------|
| General support | \$ 2,415,992 |
| Instruction | 128,209 |
| Pupil transportation | <u>432,092</u> |
| Total | <u>\$ 2,976,293</u> |

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2020, were as follows:

| | General Fund | Special Aid Fund | School Lunch Fund | Total Governmental Funds |
|------------------------------|-------------------|---------------------|----------------------|--------------------------------|
| Salary and employee benefits | <u>\$ 513,545</u> | <u>\$ 11,175</u> | <u>\$ 1,863</u> | <u>\$ 526,583</u> |

6. PENSION PLANS

The District participates in the New York State Teachers' Retirement System ("TRS") and the New York State and Local Employees' Retirement System ("ERS") (the "Systems"). These cost-sharing multiple-employer public employee retirement systems compute contribution retirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

Plan Descriptions and Benefits Provided

Teachers' Retirement System—TRS provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and NYSRSSL. TRS is governed by a 10 member Board of Trustees. TRS 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 TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial Report which can be found on the TRS's website at www.nystrs.org.

Employees' Retirement System—ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS 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 ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. ERS benefits are established under the provisions of the NYSRSSL. Once a public employer elects to participate in the ERS, 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 ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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

Pension Liability/(Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2020, the District reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of June 30, 2019 for TRS and March 31, 2020 for ERS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by actuarial valuations as of June 30, 2018 and April 1, 2019, respectively, with update

procedures used to rollforward the total pension liability/(asset) to the measurement dates. The District's proportion of the net pension liability/(asset) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

| | <u>TRS</u> | <u>ERS</u> |
|--|----------------|----------------|
| Measurement date | June 30, 2019 | March 31, 2020 |
| Net pension liability/(asset) | \$ (3,182,896) | \$ 6,569,320 |
| District's portion of the Plan's total net pension liability/(asset) | 0.122513% | 0.0248081% |

For the year ended June 30, 2020, the District recognized pension expenses of \$1,282,901 and \$2,166,545 for TRS and ERS, respectively. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|---|---------------------------------------|---------------------|--------------------------------------|-------------------|
| | <u>TRS</u> | <u>ERS</u> | <u>TRS</u> | <u>ERS</u> |
| Differences between expected and actual experiences | \$ 2,156,967 | \$ 386,631 | \$ 236,686 | \$ - |
| Changes in assumptions | 6,012,915 | 132,275 | 1,466,119 | 114,217 |
| Net difference between projected and actual earnings on pension plan investments | - | 3,367,753 | 2,552,518 | - |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 297,495 | 417,721 | - | 45,761 |
| District contributions subsequent to the measurement date | <u>1,825,430</u> | <u>289,566</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 10,292,807</u> | <u>\$ 4,593,946</u> | <u>\$ 4,255,323</u> | <u>\$ 159,978</u> |

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

| <u>Year Ending June 30,</u> | <u>TRS</u> | <u>ERS</u> |
|-----------------------------|--------------|------------|
| 2021 | \$ 1,505,825 | \$ 783,222 |
| 2022 | 157,209 | 1,061,990 |
| 2023 | 1,500,606 | 1,280,694 |
| 2024 | 996,634 | 1,018,496 |
| 2025 | 142,732 | - |
| Thereafter | (90,952) | - |

Actuarial Assumptions—The total pension liability/(asset) as of the measurement dates were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liability/(asset) to the respective measurement dates. The actuarial valuations used are shown on the following page.

| | TRS | ERS |
|----------------------------|--------------------------------|----------------------------------|
| Measurement date | June 30, 2019 | March 31, 2020 |
| Actuarial valuation date | June 30, 2018 | April 1, 2019 |
| Interest rate | 7.10% | 6.80% |
| Salary scale | 1.90-4.72% | 4.20% |
| Decrement tables | July 1, 2009- June 30, 2014 | April 1, 2010- March 31, 2015 |
| Inflation rate | 2.20% | 2.50% |
| Cost-of-living adjustments | 1.30% | 1.30% |

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014.

For TRS, 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. 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.

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

| | TRS | ERS | TRS | ERS |
|------------------------------------|-------------------|----------------|---|----------------|
| | Target Allocation | | Long-Term Expected Real Rate of Return | |
| Measurement date | | | June 30, 2019 | March 31, 2020 |
| Asset class: | | | | |
| Domestic equities | 33.0 % | 36.0 % | 6.3 % | 4.1 % |
| International equities | 16.0 | 14.0 | 7.8 | 6.2 |
| Global equities | 4.0 | 0.0 | 7.2 | 0.0 |
| Private equity | 8.0 | 10.0 | 9.9 | 6.8 |
| Real estate | 11.0 | 10.0 | 4.6 | 5.0 |
| Absolute return strategies | 0.0 | 2.0 | 0.0 | 3.3 |
| Domestic fixed income securities | 16.0 | 0.0 | 1.3 | 0.0 |
| Global fixed income securities | 2.0 | 0.0 | 0.9 | 0.0 |
| High-yield fixed income securities | 1.0 | 0.0 | 3.5 | 0.0 |
| Opportunistic portfolio | 0.0 | 3.0 | 0.0 | 4.7 |
| Real assets | 0.0 | 3.0 | 0.0 | 6.0 |
| Bonds and mortgages | 7.0 | 17.0 | 2.9 | 0.8 |
| Cash | 1.0 | 1.0 | 0.3 | 0.0 |
| Private debt | 1.0 | 0.0 | 6.5 | 0.0 |
| Inflation-indexed bonds | 0.0 | 4.0 | 0.0 | 0.5 |
| Total | <u>100.0 %</u> | <u>100.0 %</u> | | |

Discount Rate—The discount rate used to calculate the total pension liability/(asset) was 7.10% for TRS and 6.80% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the District’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.10% for TRS and 6.80% for ERS, as well as what the District’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.10% for TRS and 5.80% for ERS) or one percentage-point higher (8.10% for TRS and 7.80% for ERS) than the current assumption.

| | 1% Decrease (6.10%) | Current Assumption (7.10%) | 1% Increase (8.10%) |
|--|---------------------------|----------------------------------|---------------------------|
| <u>TRS</u> | | | |
| Employer's proportionate share of the net pension liability/(asset) | \$ 14,367,258 | \$ (3,182,896) | \$ (17,905,494) |
| <u>ERS</u> | | | |
| Employer's proportionate share of the net pension liability | \$ 12,056,557 | \$ 6,569,320 | \$ 1,515,551 |

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability/(asset) of the employers as of the respective valuation dates, were as follows:

| | (Dollars in Thousands) | |
|---|------------------------|----------------------|
| | TRS | ERS |
| Valuation date | June 30, 2018 | April 1, 2019 |
| Employers' total pension liability | \$ 119,879,474 | \$ 194,596,261 |
| Plan fiduciary net position | <u>122,477,481</u> | <u>168,115,682</u> |
| Employers' net pension liability/(asset) | <u>\$ (2,598,007)</u> | <u>\$ 26,480,579</u> |
| System fiduciary net position as a percentage of total pension liability/(asset) | 102.2% | 86.4% |

Payables to the Pension Plan—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 \$1,878,835.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 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 \$289,566.

7. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") OBLIGATION

Plan Description and Benefits Provided—The District may pay for a portion of eligible retirees' health insurance dependent upon such factors as age, years of service, accumulated sick leave and associated group or union. While benefits change over time as union contracts are renegotiated, current benefits are as follows:

- (1) *Lake Shore Central Administrators and Supervisors Association* – To be eligible, an employee must have attained the age of 55 and have at least fifteen years of service with the District. For employees hired before July 1, 2005, the District pays 100% single or family coverage of base plan Blue Cross medical insurance premiums for a maximum of ten (10) years to age 67. Once the benefit period has expired, retirees are eligible to remain in the plan by paying 100% of premiums for coverage. Employees hired on or after July 1, 2005, the District pays 75% of single or family coverage for a maximum of ten years. Once the benefit period has expired, retirees and their spouses are eligible to continue coverage under the plan by paying 100% of premiums for coverage. For employees hired on or after July 1, 2018, retirees and their spouses are eligible to continue coverage under the plan by paying 100% of premiums for coverage.
- (2) *Lake Shore Central Teachers' Association* – To be eligible, an employee must have attained the age of 55 and have at least twenty years of service with the District. For retired employees hired before June 30, 2006, the District pays the same percentage as for active employees at the time of retirement towards medical insurance premiums and will remain the same throughout retirement. For employees hired before July 1, 2006 and retire after June 30, 2005, the District pays the same percentage as for active employees at the time of retirement towards medical insurance premiums and will remain the same throughout retirement. Currently, the District pays 90% single or family coverage of medical insurance premiums until age 65. Once the benefit period has expired, retirees are eligible to remain in the plan by paying 100% of premiums for coverage. For employees hired between July 1, 2006 and July 1, 2011, the District pays 75% single or family coverage of medical insurance premiums until age 65. Once the benefit period has expired, retirees are eligible to remain in the plan by paying 100% of premiums for coverage. For employees hired on or after July 1, 2011, retirees and their spouses are eligible to continue coverage under the plan by paying 100% of premiums for coverage.
- (3) *Teamsters Local 264* – To be eligible, an employee must have attained the age of 55, have at least twenty years of service, and be a full-time employee at the time of retirement. Upon retirement, employees covered under the contract with 250 or more days of accumulated sick leave shall receive 3.5 years of paid health insurance or a one-time cash payment. Employees who retire with 225 days or more of accumulated leave shall receive 2.5 years of paid health insurance or a one-time cash payment. Employees with 200 days or more of accumulated leave shall receive 1.5 years of paid health insurance or a one-time cash payment. Once eligible employees have exhausted the above benefits, they, along with employees who are not eligible for sick leave benefits, will have a portion of their coverage paid for by the School District for a maximum of five years or to age 65, whichever comes first. The maximum amount paid each year will be the average of the total hours worked and or paid in

the 3 years prior to retirement times \$5. Once the coverage period expires, retirees are eligible to remain in the plan by paying 100% of premiums for coverage.

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

| | |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 115 |
| Active employees | <u>347</u> |
| Total | <u><u>462</u></u> |

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments, which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

The District’s total OPEB liability of \$18,013,857 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 2, 2020.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the June 2, 2020 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 3.44% to 2.48% effective June 30, 2020. The salary scale changed from 3.36% to 3.22% effective June 30, 2020. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 5.20%, while the ultimate healthcare cost trend rate is 4.18%.

Mortality rates were updated to Pub-2010 Public Retirement Plans Mortality Tables, headcount-weighted, distinct for teachers, general, and safety, without separate contingent survivor mortality, fully generational using scale MP-2019.

The actuarial assumptions used in the June 2, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2019.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

| | <u>Total OPEB Liability</u> |
|--|---------------------------------|
| Balance at June 30, 2019 | <u>\$ 19,299,152</u> |
| Changes for the year: | |
| Service cost | 604,774 |
| Interest | 657,536 |
| Changes of assumptions | 1,778,632 |
| Differences between expected and actual experience | (3,536,743) |
| Benefit payments | <u>(789,494)</u> |
| Net changes | <u>(1,285,295)</u> |
| Balance at June 30, 2020 | <u><u>\$ 18,013,857</u></u> |

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have a profound impact on total liabilities. The table below presents the effect of a 1% change in the discount rate assumption would have on the net OPEB liability.

| | 1% Decrease (1.48%) | Current Discount Rate (2.48%) | 1% Increase (3.48%) |
|--------------------|---------------------------|-------------------------------------|---------------------------|
| Net OPEB liability | \$ 19,441,517 | \$ 18,013,857 | \$ 16,662,977 |

Additionally, healthcare costs can be subject to considerable volatility over time. The table presented on the following page presents the effect on the net OPEB liability of a 1% change in the initial (5.20%)/ultimate (4.32%) healthcare cost trend rates.

| | 1% Decrease (4.20%/3.18%) | Healthcare Cost Trend Rates (5.20%/4.18%) | 1% Increase (6.20%/5.18%) |
|--------------------|---------------------------------|--|---------------------------------|
| Net OPEB liability | \$ 15,945,746 | \$ 18,013,857 | \$ 20,436,152 |

Funding Policy—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the District’s Board of Education. The District recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. District governmental activities contributed \$789,494 for the fiscal year ended June 30, 2020. The District’s contributions to the OPEB plan are based on negotiated contracts with three bargaining units, as discussed in Note 14. Any amendments to the employer’s contributions are subject to the collective bargaining agreements.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The District reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The following table presents the District’s deferred outflows and inflows of resources at June 30, 2020:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 672,188 |
| Changes of assumptions | 980,585 | - |
| Total | <u>\$ 980,585</u> | <u>\$ 672,188</u> |

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

| | Year ending June 30, |
|------------|----------------------|
| 2021 | \$ (76,309) |
| 2022 | (76,309) |
| 2023 | (126,420) |
| 2024 | (113,334) |
| 2025 | 179,685 |
| Thereafter | 521,084 |

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to damage and destruction of assets, vehicle liability, injuries to employees, health insurance, and unemployment insurance. The District purchases commercial insurance to cover such potential risks. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three years.

9. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted in the Capital Projects Fund as notes payable. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date.

In addition to BANs, the District has also authorized and issued short-term notes payable between the General Fund and the Capital Projects Fund for use in capital projects. These notes are issued in accordance with General Municipal Law Section 11, which permits moneys held by a school district in a mandatory reserve fund established under section 6-1 of General Municipal Law may be invested in such school district. These notes are eliminated for reporting on the government-wide statement of net position.

A summary of the District's short-term debt for the fiscal year ended June 30, 2020 is presented below:

| Description | Maturity Date | Interest Rate | Balance 7/1/2019 | Increases | Decreases | Balance 6/30/2020 |
|---------------------------------|---------------|---------------|----------------------|----------------------|----------------------|----------------------|
| Bond anticipation notes: | | | | | | |
| Capital projects | 6/26/2020 | 2.25% | \$ 17,590,000 | \$ - | \$ 17,590,000 | \$ - |
| Capital projects | 4/9/2020 | 1.88% | 1,290,000 | - | 1,290,000 | - |
| Capital projects | 6/25/2021 | 1.25% | - | 25,425,000 | - | 25,425,000 |
| Capital projects | 4/8/2021 | 1.55% | - | 1,463,000 | - | 1,463,000 |
| Total bond anticipation notes | | | <u>18,880,000</u> | <u>26,888,000</u> | <u>18,880,000</u> | <u>26,888,000</u> |
| Notes payable: | | | | | | |
| Capital projects | 4/9/2020 | 1.88% | 216,058 | - | 216,058 | - |
| Capital projects | 4/9/2021 | 1.55% | - | 108,029 | - | 108,029 |
| Total notes payable | | | <u>216,058</u> | <u>108,029</u> | <u>216,058</u> | <u>108,029</u> |
| Total | | | <u>\$ 19,096,058</u> | <u>\$ 26,996,029</u> | <u>\$ 19,096,058</u> | <u>\$ 26,996,029</u> |

10. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

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

The District's outstanding long-term liabilities include bonds payable, compensated absences, OPEB obligation, and net pension liability. The bonds payable of the District are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the District's long-term liabilities at June 30, 2020 follows:

| | Balance 7/1/2019 | Additions | Reductions | Balance 6/30/2020 | Due Within One Year |
|-------------------------|----------------------|---------------------|---------------------|----------------------|---------------------|
| Serial bonds | \$ 12,125,000 | \$ - | \$ 2,625,000 | \$ 9,500,000 | \$ 2,725,000 |
| Premium on serial bonds | 229,660 | - | 114,830 | 114,830 | 114,830 |
| Bonds payable, net | 12,354,660 | - | 2,739,830 | 9,614,830 | 2,839,830 |
| Compensated absences* | 1,539,083 | 268,286 | - | 1,807,369 | 90,368 |
| OPEB obligation | 19,299,152 | 3,040,942 | 4,326,237 | 18,013,857 | - |
| Net pension liability* | 1,701,670 | 4,867,650 | - | 6,569,320 | - |
| Total | <u>\$ 34,894,565</u> | <u>\$ 8,176,878</u> | <u>\$ 7,066,067</u> | <u>\$ 36,005,376</u> | <u>\$ 2,930,198</u> |

(*Additions to compensated absences and the net pension liability are shown net of reductions.)

Serial Bonds—The District issues general obligation bonds to provide funds for the acquisition, construction and renovations of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with original maturities that range from 8 to 13 years.

| Description | Year of Issue/ Maturity | Amount of Original Issue | Interest Rate (%) | Balance 7/1/2019 | Additions | Payments | Balance 6/30/2020 |
|----------------|----------------------------|--------------------------|-------------------|----------------------|-------------|---------------------|---------------------|
| 2012 Issue | 2012/2025 | \$ 4,935,000 | 2.00-4.00 | \$ 2,430,000 | \$ - | \$ 380,000 | \$ 2,050,000 |
| 2013 Refunding | 2013/2021 | 10,260,000 | 2.00-5.00 | 2,835,000 | - | 1,380,000 | 1,455,000 |
| 2014 Issue | 2014/2027 | 11,010,000 | 1.00-5.00 | 6,860,000 | - | 865,000 | 5,995,000 |
| Total | | | | <u>\$ 12,125,000</u> | <u>\$ -</u> | <u>\$ 2,625,000</u> | <u>\$ 9,500,000</u> |

Premium on Serial Bonds—Premium on bond issuances are being amortized on a straight-line basis over the life of their related bonds. The unamortized premium as of June 30, 2020 was \$114,830.

Compensated Absences—As explained in Note 1, the District records the value of compensated absences in the government-wide financial statements. The liability for compensated absences consists of unpaid accumulated annual sick and vacation time. The value recorded in the government-wide financial statements at June 30, 2020 for governmental activities is \$1,807,369. Management estimates that \$90,368 is due within one year. The annual budgets of the operating funds provide for these benefits as they become due.

OPEB Obligation—As explained in Note 7, the District provides health insurance coverage for certain retirees. The District’s annual postemployment benefit (“OPEB”) cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. The long-term OPEB obligation is estimated to be \$18,013,857 at June 30, 2020.

Net Pension Liability—The District reported a liability totaling \$6,569,320 for its proportionate share of the net pension liability for the Employees’ Retirement System. Refer to Note 6 for additional information related to the District’s net pension liability.

The following is a maturity schedule of the District’s indebtedness:

| Year Ending June 30, | Serial Bonds | Premium on Serial Bonds | Compensated Absences | OPEB Obligation | Net Pension Liability | Total |
|----------------------|---------------------|-------------------------|----------------------|----------------------|-----------------------|----------------------|
| 2021 | \$ 2,725,000 | \$ 114,830 | \$ 90,368 | \$ - | \$ - | \$ 2,930,198 |
| 2022 | 1,300,000 | - | - | - | - | 1,300,000 |
| 2023 | 1,330,000 | - | - | - | - | 1,330,000 |
| 2024 | 1,365,000 | - | - | - | - | 1,365,000 |
| 2025 | 1,400,000 | - | - | - | - | 1,400,000 |
| 2026-thereafter | 1,380,000 | - | 1,717,001 | 18,013,857 | 6,569,320 | 27,680,178 |
| Total | <u>\$ 9,500,000</u> | <u>\$ 114,830</u> | <u>\$ 1,807,369</u> | <u>\$ 18,013,857</u> | <u>\$ 6,569,320</u> | <u>\$ 36,005,376</u> |

Interest requirements on serial bonds are as follows:

| Year Ending June 30, | Interest |
|-------------------------|---------------------|
| 2020 | \$ 354,175 |
| 2021 | 225,725 |
| 2022 | 168,725 |
| 2023 | 119,625 |
| 2024 | 83,400 |
| 2025-thereafter | 52,800 |
| Total | <u>\$ 1,004,450</u> |

11. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ***Net Investment in Capital Assets***—This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construct or improvement of these assets reduce the balance in this category.
- ***Restricted Net Position***—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Position***—This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2020 includes:

- ***Prepaid Items***—Representing the portion of fund balance, \$41,783 composed of prepaid expenditures. This balance is nonspendable as the balance does not represent an available resource.
- ***Inventories***—Representing the portion of fund balance, \$24,457 composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grants, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. At June 30, 2020, the District had restricted funds as follows:

| | General Fund |
|------------------------------------|---------------------|
| Employee benefit accrued liability | \$ 777,019 |
| Retirement contributions | 721,599 |
| Tax certiorari | 85,609 |
| Debt service | <u>5,317,627</u> |
| Total | <u>\$ 6,901,854</u> |

- **Employee Benefit Accrued Liability**—According to General Municipal Law Section 6-p, this restriction must be used for the payment of accrued employee benefit due an employee upon termination of the employee’s service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.
- **Retirement Contribution**—According to General Municipal Law Section 6-r, this restriction must be used for the payment of any portion of the amount payable to the New York State and Local Employees’ Retirement System, pursuant to Sections 17 or 317 of the Retirement and Social Security Law. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.
- **Tax Certiorari**—According to Education Law Section 3651.1-a, this restriction must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the restriction shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgements and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari purposes in the year must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.
- **Debt Service**—According to General Municipal Law Section 6-1, the mandatory reserve for debt service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. Proceeds from District property or capital improvement sales fund this reserve. As discussed in Note 9, \$108,029 of this restriction has been invested in a short-term note receivable from the Capital Projects Fund. Additionally, a portion of the reserve represents unspent proceeds of debt and amounts restricted by Board resolution for debt service payments.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the District’s highest level of decision-making authority. As of June 30, 2020, the District has no committed fund balances.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the District at June 30, 2020 and include:

| | General Fund | School Lunch Fund | Total |
|--------------------------------|---------------------|----------------------|---------------------|
| Subsequent year's expenditures | \$ 1,750,000 | \$ - | \$ 1,750,000 |
| Encumbrances | 75,806 | - | 75,806 |
| School lunch | - | 249,703 | 249,703 |
| Total | <u>\$ 1,825,806</u> | <u>\$ 249,703</u> | <u>\$ 2,075,509</u> |

- **Assigned to Subsequent Year's Expenditures**—Representing available fund balance being appropriated to meet expenditure requirements in the 2020-21 fiscal year.
- **Assigned to Encumbrances**—Representing amounts related to unperformed (executory) contracts for goods and services.
- **Assigned to School Lunch**—Representing remaining fund balance of \$249,703 within the special revenue fund used to maintain school lunch operations.

If the District must use funds for emergency expenditures, the Board of Education shall authorize the Assistant Superintendent for Administration and Finance to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the District will use unassigned fund balance.

12. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2020 is presented below:

| Fund | Interfund | |
|--------------------------|---------------------|---------------------|
| | Receivable | Payable |
| Governmental Funds: | | |
| General Fund | \$ 1,302,073 | \$ 2,010,134 |
| Special Aid Fund | - | 1,104,823 |
| School Lunch Fund | 118,639 | - |
| Capital Projects Fund | 1,691,854 | - |
| Total governmental funds | <u>3,112,566</u> | <u>3,114,957</u> |
| Fiduciary Funds: | | |
| Agency Fund | 2,391 | - |
| Total | <u>\$ 3,114,957</u> | <u>\$ 3,114,957</u> |

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The District made the following transfers during the year ended June 30, 2020:

| Transfers out: | Transfers in: | | | Total |
|----------------|------------------|-------------------|-----------------------|--------------|
| | Special Aid Fund | School Lunch Fund | Capital Projects Fund | |
| General Fund | \$ 88,824 | \$ 7,427 | \$ 2,185,202 | \$ 2,281,453 |

Transfers are used primarily to finance certain special aid programs and to support capital project expenditures.

13. AGENCY FUND

An agency fund exists for temporary deposit funds. A summary of changes in assets and liabilities for the fiscal year ended June 30, 2020 is presented below:

| | Balance 7/1/2018 | Increases | Decreases | Balance 6/30/2019 |
|--------------------------------------|---------------------|----------------------|----------------------|----------------------|
| ASSETS: | | | | |
| Restricted cash and cash equivalents | \$ 1,097,180 | \$ 41,078,114 | \$ 41,112,427 | \$ 1,062,867 |
| Accounts receivable | - | 213,177 | 213,177 | - |
| Due from other funds | - | 34,882,533 | 34,880,142 | 2,391 |
| Total assets | <u>\$ 1,097,180</u> | <u>\$ 76,173,824</u> | <u>\$ 76,205,746</u> | <u>\$ 1,065,258</u> |
| LIABILITIES: | | | | |
| Agency liabilities | \$ 851,805 | \$ 40,655,831 | \$ 40,585,776 | \$ 921,860 |
| Due to other funds | 120,172 | 1,856,099 | 1,976,271 | - |
| Due to retirement system | 12,592 | 177,863 | 178,097 | 12,358 |
| Extraclassroom activity funds | 112,611 | 178,979 | 160,550 | 131,040 |
| Total liabilities | <u>\$ 1,097,180</u> | <u>\$ 42,868,772</u> | <u>\$ 42,900,694</u> | <u>\$ 1,065,258</u> |

14. LABOR RELATIONS

District employees are represented by three bargaining units with the balance governed by Board of Education rules and regulations. The Lake Shore Central Administrators and Supervisors Association and the Teamsters Local #264 contracts are in place through June 30, 2023; The Lake Shore Teachers' Association contract is in place through June 30, 2021.

15. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. The District considers encumbrances significant if they are in excess of \$50,000. As of June 30, 2020, the District did not have any encumbrances that qualified as significant.

16. CONTINGENCIES

Litigation—Various legal actions are pending against the District. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the District.

Grants—In the normal course of business, the District receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Other—The District is involved in litigation in the ordinary course of its operations. The District believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the District’s financial condition or results of operation.

17. TAX ABATEMENTS

The District is subject tax abatements granted by the Erie County Industrial Development Agency (“ECIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the ECIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the District, the abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by ECIDA, the District collected \$70,755 during the 2019-2020 fiscal year in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$186,784 in property taxes.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2020, which is the date the financial statements are available for issuance, except as noted below, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

The Budget Balance Amendment passed in Spring 2020 permits the Governor to make changes to the New York State 2020-21 budget during the fiscal year. As of June 30, 2020 the District was authorized to receive State Aid for Excess Cost, BOCES Aid, Summer Handicapped Program and Universal Pre-K. Subsequent to year-end the District was alerted that the State is withholding 20% of the amount recorded as receivable as of June 30, 2020. Since there has been no indication that this was a permanent withholding, the District did not reduce its receivable as of June 30, 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

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EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)—
Teachers' Retirement System
Last Seven Fiscal Years*

| | Year Ended June 30, | | | | | | |
|--|-----------------------|-----------------------|---------------------|---------------------|------------------------|------------------------|------------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Measurement date | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 |
| District's proportion of the net pension liability/(asset) | 0.122513% | 0.123596% | 0.125197% | 0.125843% | 0.128927% | 0.131898% | 0.130521% |
| District's proportionate share of the net pension liability/(asset) | <u>\$ (3,182,896)</u> | <u>\$ (2,234,942)</u> | <u>\$ (951,620)</u> | <u>\$ 1,347,826</u> | <u>\$ (13,391,456)</u> | <u>\$ (14,539,270)</u> | <u>\$ (14,539,270)</u> |
| District's covered payroll | \$ 20,488,617 | \$ 20,191,063 | \$ 19,927,491 | \$ 19,841,837 | \$ 19,517,396 | \$ 19,280,043 | \$ 19,490,907 |
| District's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll | (15.5)% | (10.9)% | (4.8)% | 6.8% | (67.5)% | (74.5)% | (74.6)% |
| Plan fiduciary net position as a percentage of the total pension liability | 102.2% | 101.5% | 100.7% | 99.0% | 110.5% | 111.5% | 100.7% |

*Information prior to the year ended June 30, 2014 is not available.

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District's Contributions—
Teachers' Retirement System
Last Seven Fiscal Years*

| | Year Ended June 30, | | | | | | |
|---|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually required contribution | \$ 1,878,835 | \$ 2,164,111 | \$ 1,972,976 | \$ 2,325,198 | \$ 2,508,414 | \$ 3,394,975 | \$ 3,133,007 |
| Contribution in relation to the contractually required contribution | <u>(1,878,835)</u> | <u>(2,164,111)</u> | <u>(1,972,976)</u> | <u>(2,325,198)</u> | <u>(2,508,414)</u> | <u>(3,394,975)</u> | <u>(3,133,007)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 20,645,116 | \$ 20,488,617 | \$ 20,191,063 | \$ 19,927,491 | \$ 19,841,837 | \$ 19,517,396 | \$ 19,280,043 |
| Contributions as a percentage of covered payroll | 9.1% | 10.6% | 9.8% | 11.7% | 12.6% | 17.4% | 16.3% |

*Information prior to the year ended June 30, 2014 is not available.

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability—
Employees' Retirement System
Last Seven Fiscal Years*

| | Year Ended June 30, | | | | | | |
|--|---------------------|---------------------|-------------------|---------------------|---------------------|-------------------|---------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Measurement date | March 31, 2020 | March 31, 2019 | March 31, 2018 | March 31, 2017 | March 31, 2016 | March 31, 2015 | March 31, 2014 |
| District's proportion of the net pension liability | 0.0248081% | 0.0240169% | 0.0253313% | 0.0240766% | 0.0244155% | 0.0256077% | 0.0256077% |
| District's proportionate share of the net pension liability | <u>\$ 6,569,320</u> | <u>\$ 1,701,670</u> | <u>\$ 817,554</u> | <u>\$ 2,262,292</u> | <u>\$ 3,918,760</u> | <u>\$ 865,090</u> | <u>\$ 1,157,176</u> |
| District's covered payroll | \$ 8,042,131 | \$ 8,009,519 | \$ 7,946,985 | \$ 7,924,970 | \$ 6,967,177 | \$ 7,282,629 | \$ 7,289,243 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 81.7% | 21.2% | 10.3% | 28.5% | 56.2% | 11.9% | 15.9% |
| Plan fiduciary net position as a percentage of the total pension liability | 86.4% | 96.3% | 98.2% | 94.7% | 90.7% | 97.9% | 97.2% |

*Information prior to the year ended June 30, 2014 is not available.

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District's Contributions—
Employees' Retirement System
Last Seven Fiscal Years*

| | Year Ended June 30, | | | | | | |
|---|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually required contribution | \$ 1,158,251 | \$ 1,147,878 | \$ 1,133,619 | \$ 1,390,029 | \$ 1,141,232 | \$ 1,437,591 | \$ 1,405,366 |
| Contribution in relation to the contractually required contribution | <u>(1,158,251)</u> | <u>(1,147,878)</u> | <u>(1,133,619)</u> | <u>(1,390,029)</u> | <u>(1,141,232)</u> | <u>(1,437,591)</u> | <u>(1,405,366)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 7,914,264 | \$ 8,111,005 | \$ 8,113,994 | \$ 7,752,880 | \$ 7,509,462 | \$ 7,219,446 | \$ 7,289,243 |
| Contributions as a percentage of covered payroll | 14.6% | 14.2% | 14.0% | 17.9% | 15.2% | 19.9% | 19.3% |

*Information prior to the year ended June 30, 2014 is not available.

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Four Fiscal Years*

| | 2020 | 2019 | 2018 | 2017 |
|--|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 604,774 | \$ 532,816 | \$ 519,223 | \$ 469,203 |
| Interest | 657,536 | 658,652 | 672,624 | 521,367 |
| Changes of benefit terms | - | 94,334 | - | - |
| Changes in assumptions | 1,778,632 | (265,035) | (45,731) | 2,728,843 |
| Differences between expected and actual experience | (3,536,743) | 566,003 | 294,904 | (590,594) |
| Benefit payments | (789,494) | (910,053) | (1,041,384) | (933,947) |
| Net changes in total OPEB liability | <u>(1,285,295)</u> | <u>676,717</u> | <u>399,636</u> | <u>2,194,872</u> |
| Total OPEB liability—beginning | <u>19,299,152</u> | <u>18,622,435</u> | <u>18,222,799</u> | <u>16,027,927</u> |
| Total OPEB liability—ending | <u>\$ 18,013,857</u> | <u>\$ 19,299,152</u> | <u>\$ 18,622,435</u> | <u>\$ 18,222,799</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions—employer | \$ 789,494 | \$ 910,053 | \$ 1,041,384 | \$ 933,947 |
| Benefit payments | (789,494) | (910,053) | (1,041,384) | (933,947) |
| Net change in plan fiduciary net position | - | - | - | - |
| Plan fiduciary net position—beginning | - | - | - | - |
| Plan fiduciary net position—ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's net OPEB liability—ending | <u>\$ 18,013,857</u> | <u>\$ 19,299,152</u> | <u>\$ 18,622,435</u> | <u>\$ 18,222,799</u> |
| Plan's fiduciary net position as a percentage of the total OPEB liability | 0.0% | 0.0% | 0.0% | 0.0% |
| Covered-employee payroll | \$ 29,210,000 | \$ 29,210,000 | \$ 21,150,326 | \$ 21,150,326 |
| District's net OPEB liability as a percentage of covered-employee payroll | 61.7% | 66.1% | 88.0% | 86.2% |

*Information prior to the year ended June 30, 2017 is not available.

The notes to the required supplementary information are an integral part of this schedule.

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EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|----------------------|----------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local sources: | | | | |
| Real property taxes | \$ 17,847,896 | \$ 17,847,896 | \$ 15,208,278 | \$ (2,639,618) |
| Real property tax items | 99,950 | 99,950 | 2,742,049 | 2,642,099 |
| Non-property tax items | 2,825,000 | 2,825,000 | 2,558,337 | (266,663) |
| Charges for services | 3,274,295 | 3,274,295 | 3,302,126 | 27,831 |
| Use of money and property | 166,600 | 166,600 | 196,940 | 30,340 |
| Sale of property and compensation for loss | 36,750 | 36,750 | 64,892 | 28,142 |
| Miscellaneous | 224,500 | 224,500 | 237,089 | 12,589 |
| State sources: | | | | |
| Basic formula - general aid | 24,876,535 | 24,876,535 | 19,060,834 | (5,815,701) |
| Basic formula - excess cost aid | 1,176,679 | 1,176,679 | 5,618,675 | 4,441,996 |
| Lottery aid | 4,150,000 | 4,150,000 | 4,348,638 | 198,638 |
| Commercial gaming aid | 100,000 | 100,000 | 124,469 | 24,469 |
| BOCES aid | 2,277,899 | 2,277,899 | 2,070,071 | (207,828) |
| Textbook aid | 127,956 | 127,956 | 138,169 | 10,213 |
| Computer software/hardware | 39,644 | 39,644 | 72,857 | 33,213 |
| Library loan program | 59,083 | 59,083 | 14,031 | (45,052) |
| Other | - | - | 1,758 | 1,758 |
| Federal sources: | | | | |
| Impact aid | 825,000 | 825,000 | 878,498 | 53,498 |
| Medicaid assistance | 125,000 | 125,000 | 59,794 | (65,206) |
| Total revenues | <u>\$ 58,232,787</u> | <u>\$ 58,232,787</u> | <u>\$ 56,697,505</u> | <u>\$ (1,535,282)</u> |

(continued)

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2020

(concluded)

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Encumbrances</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|---------------------|----------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | | |
| EXPENDITURES | | | | | |
| General support: | | | | | |
| Board of education | \$ 34,775 | \$ 44,055 | \$ 25,681 | \$ - | \$ 18,374 |
| Central administration | 452,075 | 437,795 | 421,757 | - | 16,038 |
| Finance | 590,411 | 601,726 | 574,406 | - | 27,320 |
| Staff | 297,331 | 305,010 | 292,481 | - | 12,529 |
| Central services | 4,687,692 | 4,676,145 | 3,990,411 | 3,688 | 682,046 |
| Special items | 783,075 | 830,075 | 778,153 | - | 51,922 |
| Instruction: | | | | | |
| Instruction, administration and improvement | 1,959,701 | 1,964,551 | 1,758,115 | 17,464 | 188,972 |
| Teaching—regular school | 24,273,109 | 24,186,799 | 22,443,606 | 47,580 | 1,695,613 |
| Instructional media | 1,491,298 | 1,456,728 | 1,351,572 | 1,160 | 103,996 |
| Pupil services | 2,206,942 | 2,208,462 | 1,902,686 | 5,914 | 299,862 |
| Pupil transportation | 3,061,879 | 3,061,942 | 2,605,168 | - | 456,774 |
| Employee benefits | 15,384,510 | 14,410,735 | 14,387,560 | - | 23,175 |
| Debt service: | | | | | |
| Principal | 2,625,000 | 2,625,634 | 2,625,000 | - | 634 |
| Interest | 588,875 | 919,650 | 900,251 | - | 19,399 |
| Total expenditures/encumbrances | <u>58,436,673</u> | <u>57,729,307</u> | <u>54,056,847</u> | <u>75,806</u> | <u>3,596,654</u> |
| OTHER FINANCING USES | | | | | |
| Transfers out | <u>1,637,399</u> | <u>2,344,765</u> | <u>2,281,453</u> | <u>-</u> | <u>63,312</u> |
| Total expenditures/encumbrances and other financing uses | <u>60,074,072</u> | <u>60,074,072</u> | <u>56,338,300</u> | <u>75,806</u> | <u>3,659,966</u> |
| Net change in fund balance* | (1,841,285) | (1,841,285) | 359,205 | | |
| Fund balance—beginning | <u>10,812,491</u> | <u>10,812,491</u> | <u>10,812,491</u> | | |
| Fund balance—ending | <u>\$ 8,971,206</u> | <u>\$ 8,971,206</u> | <u>\$ 11,171,696</u> | | |

*The net change in fund balance was included as appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The notes to the required supplementary information are an integral part of this schedule.

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EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Required Supplementary Information
Year Ended June 30, 2020

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the discount rate and salary scale. The discount rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date, which decreased from 3.44% to 2.48% at June 30, 2020. The salary scale reflects the rate at which payroll amounts are expected to change over time and decreased from 3.36% to 3.22% at June 30, 2020.

2. BUDGETARY INFORMATION

Budgetary Basis of Accounting—An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Special Aid, and School Lunch. Appropriation limits, where applicable, for the Special Aid Fund and Special Purpose Fund are maintained based on debt schedules, individual grants and donations or fundraising revenues accepted by the Board of Education. The periods of such grants may vary from the District's fiscal year. A budget is maintained for the School Lunch Fund as a management tool for internal control purposes.

The appropriated budget is prepared by fund, function, and department. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations exceeding \$100,000 between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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SUPPLEMENTARY INFORMATION

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit—General Fund
Year Ended June 30, 2020

Change from Adopted Budget to Final Budget

| | |
|--------------------------------|-----------------------------|
| Adopted budget 2019-2020 | \$ 59,982,787 |
| Add: Prior year's encumbrances | <u>91,285</u> |
| Final budget 2019-2020 | <u><u>\$ 60,074,072</u></u> |

Section 1318 of Real Property Tax Law Limit Calculation

| | | |
|---|----------------------|----------------------------|
| 2020-2021 voter approved expenditure budget | <u>\$ 60,057,225</u> | <u>\$ 2,402,289</u> |
| Maximum allowed (4% of 2020-2021 budget) | | <u><u>\$ 2,402,289</u></u> |

General Fund fund balance subject to Section 1318 of Real Property Tax Law*:

| | | |
|---------------------------------|------------------|--------------|
| Unrestricted fund balance: | | |
| Assigned fund balance | \$ 1,825,806 | |
| Unassigned fund balance | <u>2,402,253</u> | |
| Total unrestricted fund balance | | \$ 4,228,059 |

Less:

| | | |
|--|---------------|-------------------------|
| Appropriated fund balance | \$ 1,750,000 | |
| Encumbrances included in assigned fund balance | <u>75,806</u> | |
| Total adjustments | | <u><u>1,825,806</u></u> |

| | |
|---|----------------------------|
| General Fund fund balance subject to Section 1318 of Real Property Tax Law | <u><u>\$ 2,402,253</u></u> |
|---|----------------------------|

Actual percentage 4.00%

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

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Capital Project Expenditures
Year Ended June 30, 2020

| <u>Description</u> | <u>Original Appropriation</u> | <u>Revised Appropriation</u> | <u>Expenditures to Date</u> | | | <u>Unexpended Balance</u> |
|---|-----------------------------------|----------------------------------|-----------------------------|-------------------------|----------------------|-------------------------------|
| | | | <u>Prior Years</u> | <u>Current Year</u> | <u>Total</u> | |
| Vehicles financed through the issuance of loans and insurance proceeds | \$ 361,654 | \$ 3,024,807 | \$ 2,454,759 | \$ 558,589 | \$ 3,013,348 | \$ 11,459 |
| Lake Shore High School - Phase 1 Alterations & Additions | 7,806,422 | 7,806,422 | 3,978,596 | 1,249,624 | 5,228,220 | 2,578,202 |
| Lake Shore High School - Phase 2 Alterations & Additions | 7,730,353 | 7,730,353 | 390,377 | 1,459,311 | 1,849,688 | 5,880,665 |
| John T. Waugh Elementary School - Phase 3 Alterations | 267,180 | 594,747 | 20,148 | 283,680 | 303,828 | 290,919 |
| Lake Shore Middle School - Phase 2 Alterations | 574,932 | 4,214,848 | 466,665 | 3,349,308 | 3,815,973 | 398,875 |
| Bus Garage - Phase 1 Alterations | 302,564 | 6,496,164 | 2,500,407 | 2,673,511 | 5,173,918 | 1,322,246 |
| William T. Hoag Educational Center - Phase 4 Alterations | 19,990 | 189,188 | 10,802 | 24,138 | 34,940 | 154,248 |
| Highland Elementary School - Phase 4 Alterations | 267,767 | 267,767 | 11,238 | 29,115 | 40,353 | 227,414 |
| Anthony J. Schmidt Elementary School - Phase 4 Alterations | 282,974 | 282,974 | 15,246 | 23,070 | 38,316 | 244,658 |
| Smart Schools Bond Act | 1,375,574 | 1,375,547 | 432,591 | 158,328 | 590,919 | 784,628 |
| | <u>\$ 18,989,410</u> | <u>\$ 31,982,817</u> | <u>\$ 10,280,829</u> | <u>\$ 9,808,674</u> | <u>\$ 20,089,503</u> | <u>\$ 11,893,314</u> |

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
June 30, 2020

| | | |
|---|---------------------|----------------------|
| Capital assets, net of accumulated depreciation | | \$ 43,470,899 |
| Add: | | |
| Unspent debt proceeds | | 11,682,033 |
| Deduct: | | |
| Serial bonds | \$ (9,500,000) | |
| Premium on bonds payable | (114,830) | |
| Deferred gain on refunding | (83,375) | |
| Notes payable | <u>(26,888,000)</u> | <u>(36,586,205)</u> |
| Net investment in capital assets | | <u>\$ 18,566,727</u> |

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FEDERAL AWARDS INFORMATION

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

| Federal Grantor/Pass-through Grantor Program or Cluster Title (1a) | Federal CFDA Number (1b) | Pass-through Entity's Identifying Number (1c) | Passed- Through to Subrecipients | Total Federal Expenditures (1d) |
|---|---|--|---|--|
| U.S. DEPARTMENT OF AGRICULTURE: | | | | |
| <i>Passed through New York State Department of Agriculture:</i> | | | | |
| Child Nutrition Cluster: | | | | |
| School Breakfast Program | 10.553 | n/a | \$ - | \$ 176,254 |
| National School Lunch Program | 10.555 | n/a | - | 506,550 |
| Total Child Nutrition Cluster | | | - | 682,804 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | - | 682,804 |
| U.S. DEPARTMENT OF EDUCATION: | | | | |
| <i>Passed through New York State Department of Education:</i> | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 0011-19-2524 | - | 18,788 |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-20-0790 | - | 480,586 |
| Total Title I Grants to Local Educational Agencies | | | - | 499,374 |
| Special Education Cluster: | | | | |
| Special Education - Grants to States | 84.027 | 0032-20-0226 | - | 594,255 |
| Special Education - Preschool Grants | 84.173 | 0033-20-0226 | - | 28,117 |
| Total Special Education Cluster | | | - | 622,372 |
| Supporting Effective Instruction State Grant | 84.367 | 0147-19-0790 | - | 13,954 |
| Supporting Effective Instruction State Grant | 84.367 | 0147-20-0790 | - | 119,499 |
| Total Supporting Effective Instruction State Grants | | | - | 133,453 |
| Impact Aid (Title VII of ESEA) | 84.041 | n/a | - | 878,498 |
| Indian Education - Grants to Local Education Institutions | 84.060 | n/a | - | 262,252 |
| 21st Century Community Learning Centers | 84.287C | n/a | - | 58,036 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | - | 2,453,985 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS (1e) | | | \$ - | \$ 3,136,789 |

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

1. BASIS OF PRESENTATION

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

- a) Includes all federal award programs of the Evans-Brant Central School District, New York.
- b) Source: Catalog of Federal Domestic Assistance.
- c) Pass-through entity identifying numbers are presented where available.
- d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- e) Total federal expenditures for the District’s 2019-2020 fiscal year are reconciled to Federal sources as reported in the basic financial statements as follows:

| | |
|--|----------------------------|
| Balance per schedule of expenditures of federal awards | \$ 3,136,789 |
| Medicaid reimbursement | <u>59,794</u> |
| Total Federal sources per financial statements | <u><u>\$ 3,196,583</u></u> |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a “non-monetary program.” During the year ended June 30, 2020, the District used \$68,217 worth of commodities.

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Certified Public Accountants

**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**

The Board of Education
Evans-Brant Central School District, 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 the Evans-Brant Central School District, New York (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 15, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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.

Drescher & Malecki LLP

September 15, 2020

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The Board of Education
Evans-Brant Central School District, New York:

Report on Compliance for Each Major Federal Program

We have audited the Evans-Brant Central School District, New York's (the "District") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The District's management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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



September 15, 2020

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

Noncompliance material to the financial statements noted? _____ Yes ✓ No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes ✓ No

Identification of major federal programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 10.553 & 10.555 | Child Nutrition Cluster |
| 84.027 & 84.173 | Special Education Cluster (IDEA) |

Dollar threshold used to distinguish between Type A and Type B programs? \$ 750,000

Auditee qualified as low-risk auditee? ✓ Yes No

Section II. FINANCIAL STATEMENT FINDINGS SECTION

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings noted.

EVANS-BRANT CENTRAL SCHOOL DISTRICT, NEW YORK
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020
(Follow-up on June 30, 2019 Findings)

No findings were reported.