

SAUGERTIES CENTRAL SCHOOL DISTRICT

**Financial Statements and Required Reports
June 30, 2021
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

November 9, 2021

The Board of Education of
Saugerties Central School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Saugerties Central School District (the School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Saugerties Central School District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 17 to the financial statements, during 2021 the School District adopted Governmental Accounting Standards Board Statement 84 – *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Correction of Error

As described in Note 18 to the financial statements, the School District adjusted the 2021 beginning capital assets balance for assets omitted from the capital asset balance and accumulated depreciation improperly calculated. The School District has restated the 2021 beginning net position for the correction of this misstatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of contributions, proportionate share of the net pension liability (asset) and changes in total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information described in the table of contents, as required by the New York State Education Department, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Bonadio & Co., LLP

SAUGERTIES CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2021

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2021. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District's 2020-2021 actual general fund revenue came in \$506,601 over projected revenue. Transfers from other funds constituted much of this increase. The revenue was relatively consistent with the prior years.
- The 2020-2021 approved budget was \$66,471,574. The actual expenditures for the fiscal year were \$62,400,112, equating to a favorable difference of \$5,414,570 after encumbrances and final budget transfers. Costs associated with pupil and central services, transportation as well as employee benefits costs came in more favorable than expected.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

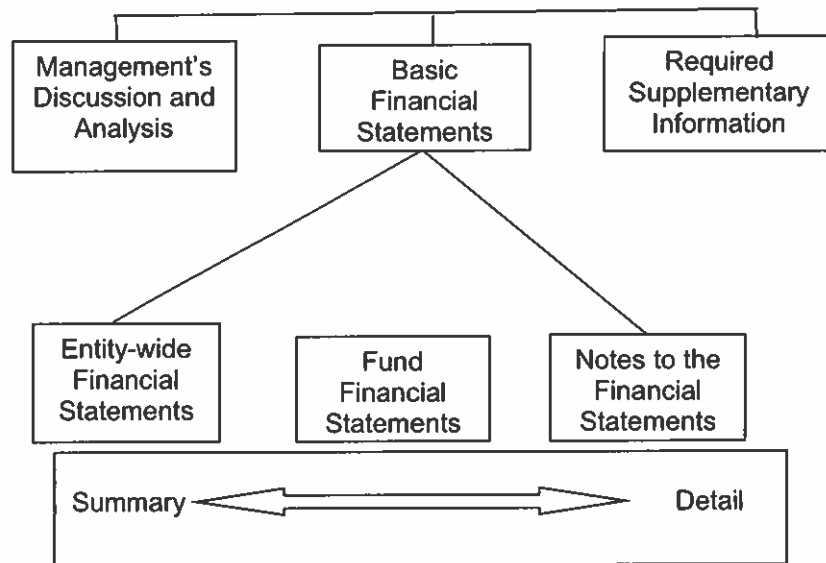
- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the operation in more detail than the entity-wide statements.

The governmental fund statements tell how basic services such as instruction and support functions were financed in the short-term, as well as what remains for future spending.

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

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

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



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

Table A-2: Major Features of the District-Wide and Fund Financial Statements

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

District-Wide Statements

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

District-Wide Statements (Continued)

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid.

Depreciation is not calculated in the governmental fund financial statements. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

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

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

Fund Financial Statements

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

The School District has two kinds of funds:

- *Governmental Funds:* Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, debt service fund, and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- *Fiduciary Funds:* The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's net position as of June 30, 2021 are detailed in Tables A-3 and A-4.

Table A-3 Condensed Statement of Net Position – Governmental Activities

	Fiscal Year 2021	Fiscal Year 2020 (Restated)	Percent Change
Current assets	\$ 15,727,188	\$ 13,036,855	20.6%
Non current assets	31,318,480	35,375,095	-11.5%
Total assets	47,045,668	48,411,950	-2.8%
Deferred outflows of resources	83,433,176	86,184,759	-3.2%
Current liabilities	5,718,402	2,956,140	93.4%
Long-term liabilities	232,450,085	216,758,422	7.2%
Total liabilities	238,168,487	219,714,562	8.4%
Deferred inflows of resources	9,163,140	9,259,943	-1.0%
Net position:			
Investment in capital assets	28,938,503	25,990,625	11.3%
Restricted	7,922,159	2,808,368	182.1%
Unrestricted	(153,713,445)	(123,176,789)	-24.8%
Total net position	\$ (116,852,783)	\$ (94,377,796)	23.8%

Changes in Net Position

The School District's fiscal year 2021 revenue totaled \$67,668,117 (see Table A-4). Property taxes and state aid accounted for most of the School District's revenue by contributing 55% and 33%, respectively, of every dollar raised (see Table A-5). The remainder came from fees charged for services, operating grants, tuition, interest earnings, insurance recovery, refunds (BOCES), Medicaid reimbursement, and other miscellaneous sources.

The total cost of all programs and services totaled \$89,599,506 in 2021. 87% of this amount is used to support general instruction, the provision of services to students with disabilities, and student transportation (see Table A-6). The School District's Board of Education, administrative, and business activities accounted for 13% of total costs.

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

Table A-4 Changes in Net Position from Operating Results - Governmental Activities Only:

	Fiscal Year <u>2021</u>	Fiscal Year <u>2020</u>	Percent <u>Change</u>
<u>Revenue</u>			
Charges for services	\$ 393,796	\$ 560,962	-29.8%
Operating grants	2,597,590	2,962,589	-12.3%
Capital grants	155,310	-	N/A
General revenue:			
Real property taxes	37,047,502	35,985,689	3.0%
Other tax items	3,911,459	4,137,061	-5.5%
Use of money and property	43,177	160,897	-73.2%
Miscellaneous	985,428	1,003,591	-1.8%
State sources	21,944,099	24,743,545	-11.3%
Federal sources	512,457	-	N/A
Medicaid reimbursement	74,031	131,572	-43.7%
Sale of property/compensation for loss	<u>3,268</u>	<u>2,207</u>	<u>48.1%</u>
Total revenue	<u>67,668,117</u>	<u>69,688,113</u>	<u>-2.9%</u>
<u>Expenses</u>			
General support	11,927,721	9,000,709	32.5%
Instruction	72,123,724	74,160,501	-2.7%
Pupil transportation	3,815,436	3,367,500	13.3%
Debt service	137,895	196,951	-30.0%
School lunch program	<u>1,594,730</u>	<u>1,198,289</u>	<u>33.1%</u>
Total expenses	<u>89,599,506</u>	<u>87,923,950</u>	<u>1.9%</u>
Change in net position	<u>\$(21,931,389)</u>	<u>\$(18,235,837)</u>	<u>-20.3%</u>

Total operating revenue increased over the prior year. Property taxes and state aid which are the main sources of revenue. Property taxes increased 3.0% and state aid decreased 11.3%, respectively. Additionally, the School District received \$155,310 in Smart bond funds. The overall expenses increased by 1.9%, primarily due to the recording of net pension liabilities. Additionally, the other postemployment benefit liability recorded in accordance with GASB 75 increased causing an increase in expense.

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

Table A-5 Sources of Revenue for Fiscal Year 2021:

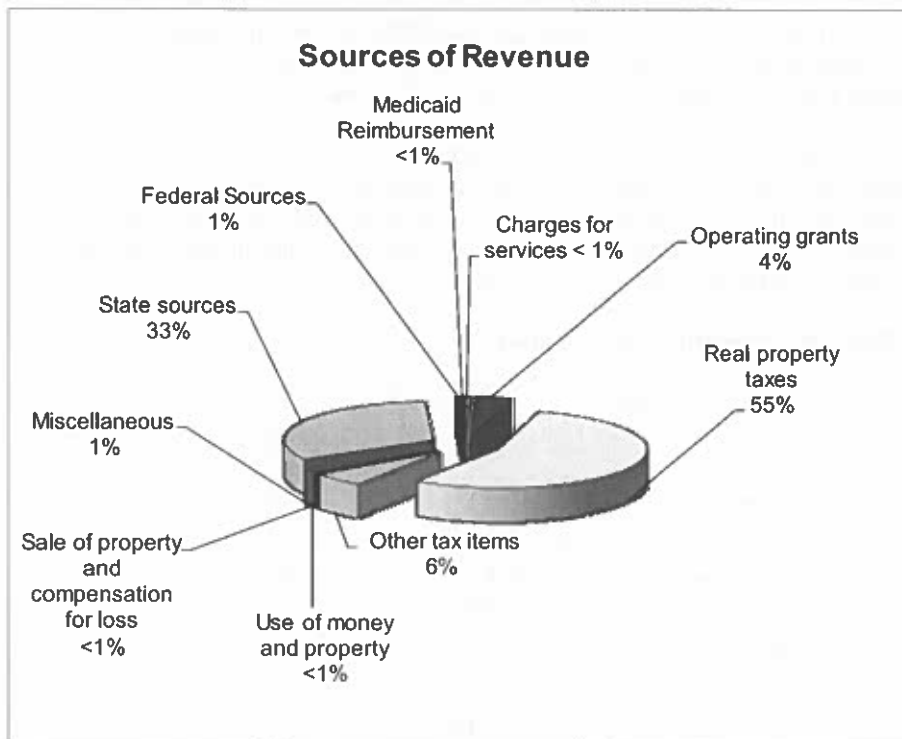
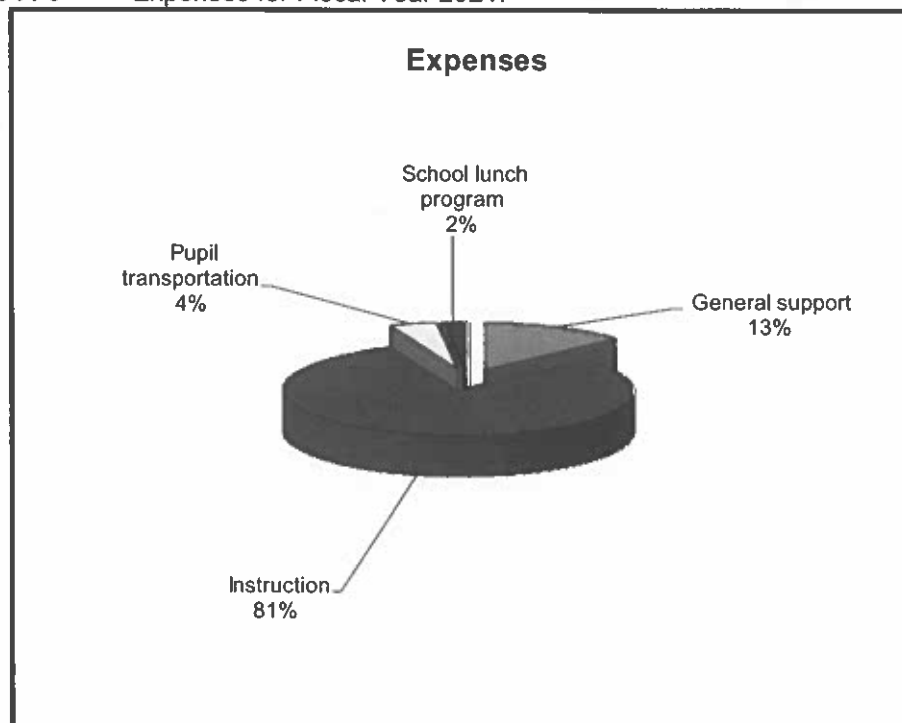


Table A-6 Expenses for Fiscal Year 2021:



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

Governmental Activities

Revenue for the School District's governmental activities totaled \$67,668,117 a 2.9% decrease from the previous fiscal year. Total expenses equaled \$89,599,506, a 1.9% increase from the previous fiscal year. The net result of the change in the School District's financial condition can be mainly attributed to the pension and other postemployment benefits liabilities.

Table A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, capital outlay, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

Table A-7 Net Cost of Governmental Activities:

<u>Category</u>	<u>2021</u>		<u>2020</u>	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
General support	\$ 11,927,721	\$ 11,927,721	\$ 9,000,709	\$ 9,000,709
Instruction	72,123,724	69,578,141	74,160,501	71,679,068
Pupil transportation	3,815,436	3,815,436	3,367,500	3,250,797
Debt service	137,895	137,895	196,951	196,951
School lunch	<u>1,594,730</u>	<u>993,617</u>	<u>1,198,289</u>	<u>272,874</u>
Total	<u>\$ 89,599,506</u>	<u>\$ 86,452,810</u>	<u>\$ 87,923,950</u>	<u>\$ 84,400,399</u>

- The total cost of all governmental activities this year was \$89,599,506.
- The users of the School District's programs financed \$393,796 of the cost.
- The federal and state governments subsidized certain programs with grants and contributions in the amount of \$2,752,900.
- Most of the School District's net costs of \$86,452,810 were financed by property taxes and state aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

Governmental Funds Highlights

General Fund – Total revenue increased .9% overall in comparison to the prior year. Real property taxes increased 3.00% and state aid decreased 4.5%. Total expenditures decreased .9% from the prior year. \$1.8 million of fund balance was appropriated to balance the 2020-21 school year budget.

Special Aid Fund – Title I, Title IIA, Title IV, SE611, SE619 and the Summer Handicap Program Aid were the main sources of grant funding.

School Lunch Fund – During the fiscal year ended June 30, 2021, the federal subsidy for the elementary and middle schools helped to mitigate the cost increases. However, the challenge to be self-sustaining remains.

Capital Projects Fund – During the fiscal year ended June 30, 2021 final cost reports were filed for the Greenhouse, Cahill Gutters, and Morse Sewer projects. The Riccardi Roof project and SMART Schools projects were completed and final cost reports filed. The 2020-21 Capital Outlay project was completed at Riccardi Elementary. Both Riccardi projects came in under budget by a total of over \$424,000.

Capital Assets

At the end of 2021, the School District had an investment of \$31,318,480 in a broad range of capital assets.

Table A-8: Capital Assets (net of accumulated depreciation)

<u>Category</u>	<u>Fiscal Year 2021</u>	<u>2020 (Restated)</u>	<u>Percent Change</u>
Land	\$ 584,081	\$ 584,081	-
Construction in progress	333,812	2,683,316	-87.6%
Buildings and improvements	51,604,841	47,867,233	7.8%
Machinery and equipment	2,036,613	2,020,246	0.8%
Vehicles	345,770	345,770	0.0%
Total	54,905,117	53,500,646	2.6%
Less: Accumulated depreciation	23,586,637	22,771,534	3.6%
Total capital assets, net	<u>\$ 31,318,480</u>	<u>\$ 30,729,112</u>	<u>1.9%</u>

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

Long-Term Liabilities

At year-end, the School District had \$234,830,0626 of long-term liabilities outstanding. More detailed information about the School District's long-term liabilities is presented in the notes to the financial statements.

Table A-9 Outstanding Long-Term Liabilities

<u>Category</u>	<u>Fiscal Year</u> <u>2021</u>	<u>Fiscal Year</u> <u>2020</u>
General obligation bonds	\$ 2,379,977	\$ 4,699,954
Other postemployment benefits	226,563,596	206,733,054
Net pension liability - TRS	4,011,512	-
Net pension liability - ERS	14,098	3,632,679
Compensated absences	<u>1,860,879</u>	<u>1,762,689</u>
Total	<u>\$234,830,062</u>	<u>\$216,828,376</u>

FACTORS BEARING ON THE FUTURE OF THE SCHOOL DISTRICT

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

The COVID-19 Pandemic continues as we reopen our schools to all students five days a week. The District has been allocated over \$6.5 million in Federal grants to use in addressing student learning loss and expenditures related to the safe opening of school over the next three years.

The nationwide shortage of bus drivers is affecting the district on a daily basis. Transportation is consolidating routes and rescheduling sporting events due to the shortage. The District is seeking out other transportation companies to fulfill some athletic and other events at an increase in cost. It's uncertain as to how high the hourly wage has to increase to attract and maintain an adequate number of drivers to meet the school district needs.

The approval of the 2021-22 NYS budget came with an increase to Foundation Aid for the district. We are set to receive \$563,983 more than 2020-21 with a promise to fully fund Foundation Aid over the next three years. The district is expecting to receive over \$16 million in Foundation Aid; the biggest increase in over 10 years. The full phase-in amount is \$17,529,950.

NYS Employees' Retirement System has announced a decrease in the employer contribution from 16.2% to 11.6% of salaries. This will be a savings for the district of approximately \$200,000.

The District is currently studying various building reconfiguration ideas for the district's four elementary schools. There is an underutilization of the buildings' capacities, therefore an inefficient use of resources. District Administration is considering three different models and will make a recommendation to the Board of Education this winter for a new elementary configuration to begin in the Fall of 2022.

With new Governor Kathy Hochul in office, next budget season will be interesting as she releases her first state budget in January and the negotiations that follow with both houses throughout the budget process.

The District voters approved a \$22 million Capital Project Referendum and \$3.1 million Energy Performance Contract this past December. The EPC is currently awaiting approval in the Facilities Planning Department at SED. The \$22 million Capital Project plans will be sent to Facilities Planning this October for review and approval.

At this time, District Administration is still in negotiations with the Administrative and Supervisory Personnel Association. The contract expired on June 30, 2021.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

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Business Manager
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310 Washington Avenue Extension
Call Box A
Saugerties, New York 12477

SAUGERTIES CENTRAL SCHOOL DISTRICT**STATEMENT OF NET POSITION
JUNE 30, 2021****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES****CURRENT ASSETS:**

Cash and cash equivalents - unrestricted	\$ 8,227,060
Cash and cash equivalents - restricted	297,482
Accounts receivable	83,962
State and federal aid receivable	6,100,649
Prepaid expenditures	976,717
Inventories	41,318
Total current assets	<u>15,727,188</u>

NON CURRENT ASSETS:

Capital assets, net	<u>31,318,480</u>
Total non current assets	<u>31,318,480</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - OPEB	66,428,067
Deferred outflows of resources - ERS pension	3,160,198
Deferred outflows of resources - TRS pension	13,767,370
Deferred outflows of resources - refunding	<u>77,541</u>
Total deferred outflows of resources	<u>83,433,176</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES130,478,844**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES****CURRENT LIABILITIES:**

Accounts payable and accrued liabilities	680,642
Due to Teachers' Retirement System	2,430,258
Due to Employees' Retirement System	184,913
Unearned revenue	42,612
Bonds payable, due within one year	<u>2,379,977</u>
Total current liabilities	<u>5,718,402</u>

LONG-TERM LIABILITIES:

Total other postemployment benefits	226,563,596
Compensated absences	1,860,879
Net pension liability - TRS	4,011,512
Net pension liability - ERS	<u>14,098</u>
Total long-term liabilities	<u>232,450,085</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - OPEB	2,984,983
Deferred inflows of resources - ERS pension	4,108,754
Deferred inflows of resources - TRS pension	<u>2,069,403</u>
Total deferred inflows of resources	<u>9,163,140</u>

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES247,331,627**NET POSITION**

Net investment in capital assets	28,938,503
Restricted	7,922,159
Unrestricted	<u>(153,713,445)</u>

TOTAL NET POSITION\$ (116,852,783)

The accompanying notes are an integral part of these statements.

SAUGERTIES CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	Program Revenue				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Capital Grants	
FUNCTIONS/PROGRAMS:					
General support	\$ 11,927,721	\$ -	\$ -	\$ -	\$ (11,927,721)
Instruction	72,123,724	386,854	2,003,419	155,310	(69,578,141)
Pupil transportation	3,815,436	-	-	-	(3,815,436)
Debt service - interest	137,895	-	-	-	(137,895)
School lunch program	1,594,730	6,942	594,171	-	(993,617)
TOTAL FUNCTIONS AND PROGRAMS	\$ 89,599,506	\$ 393,796	\$ 2,597,590	\$ 155,310	(86,452,810)
GENERAL REVENUE:					
Real property taxes					37,047,502
Other tax items					3,911,459
Use of money and property					43,177
Sale of property and compensation for loss					3,268
Miscellaneous					985,428
Medicaid Reimbursement					74,031
Federal sources					512,457
State sources					21,944,099
TOTAL GENERAL REVENUE					64,521,421
CHANGE IN NET POSITION					(21,931,389)
NET POSITION - beginning of year, as previously reported					(95,500,752)
RESTATEMENT - change in accounting principle (Note 17)					315,789
RESTATEMENT - correction of an error (Note 18)					263,569
NET POSITION - beginning of year, as restated					(94,921,394)
TOTAL NET POSITION - end of year					\$ (116,852,783)

The accompanying notes are an integral part of these statements.

SAUGERTIES CENTRAL SCHOOL DISTRICT
**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Governmental Fund Types						Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	Misc. Special Revenue	
ASSETS							
Cash and cash equivalents - unrestricted	\$ 7,369,537	\$ 6,990	\$ 413,270	\$ 437,263	\$ -	\$ -	\$ 8,227,060
Cash and cash equivalents - restricted	-	-	-	-	2,176	295,306	297,482
Accounts receivable	83,962	-	-	-	-	-	83,962
Due from other funds	4,406,414	-	-	-	222,138	-	4,628,552
State and federal aid receivable	2,182,239	1,842,164	161,219	1,915,027	-	-	6,100,649
Prepaid expenditures	976,717	-	-	-	-	-	976,717
Inventory	-	-	41,318	-	-	-	41,318
TOTAL ASSETS	\$ 15,018,869	\$ 1,849,154	\$ 615,807	\$ 2,352,290	\$ 224,314	\$ 295,306	\$ 20,355,740
LIABILITIES							
Accounts payable and accrued liabilities	\$ 589,867	\$ 8,280	\$ 3,756	\$ 78,737	\$ -	\$ -	\$ 680,640
Due to other funds	80,176	1,805,411	530,990	2,211,975	-	-	4,628,552
Due to other governments	-	-	2	-	-	-	2
Due to Teachers' Retirement System	2,430,258	-	-	-	-	-	2,430,258
Due to Employees' Retirement System	184,913	-	-	-	-	-	184,913
Unearned revenue	8,000	6,990	27,622	-	-	-	42,612
TOTAL LIABILITIES	3,293,214	1,820,681	562,370	2,290,712	-	-	7,966,977
FUND BALANCE							
Nonspendable							
Prepaid expenditures	976,717	-	-	-	-	-	976,717
Inventory	-	-	41,318	-	-	-	41,318
Total nonspendable fund balance	976,717	-	41,318	-	-	-	1,018,035
Restricted							
Retirement contribution	4,592,870	-	-	-	-	-	4,592,870
Employee benefits	1,678,028	-	-	-	-	-	1,678,028
Capital	1,022,482	-	-	-	-	-	1,022,482
Unemployment	90,000	-	-	-	-	-	90,000
Tax certiorari	19,159	-	-	-	-	-	19,159
Debt service	-	-	-	-	224,314	-	224,314
Other	-	-	-	-	-	295,306	295,306
Total restricted fund balance	7,402,539	-	-	-	224,314	295,306	7,922,159
Assigned							
Unappropriated	614,441	-	-	-	-	-	614,441
Appropriated for subsequent year expenditures	70,477	-	-	-	-	-	70,477
Total assigned fund balance	684,918	-	-	-	-	-	684,918
Unassigned	2,661,481	28,473	12,119	61,578	-	-	2,763,651
TOTAL FUND BALANCE	11,725,655	28,473	53,437	61,578	224,314	295,306	12,388,763
TOTAL LIABILITIES AND FUND BALANCE	\$ 15,018,869	\$ 1,849,154	\$ 615,807	\$ 2,352,290	\$ 224,314	\$ 295,306	\$ 20,355,740

The accompanying notes are an integral part of these statements.

SAUGERTIES CENTRAL SCHOOL DISTRICT**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Total governmental fund balances per Balance Sheet - Governmental Funds	\$ 12,388,763
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	31,318,480
Pension related government wide activity	
Deferred outflows of resources - ERS	3,160,198
Deferred outflows of resources - TRS	13,767,370
Net pension liability - ERS	(14,098)
Net pension liability - TRS	(4,011,512)
Deferred inflows of resources - ERS	(4,108,754)
Deferred inflows of resources - TRS	(2,069,403)
OPEB related government wide activity	
Deferred outflows of resources	66,428,067
Total OPEB liability	(226,563,596)
Deferred inflows of resources	(2,984,983)
Deferred loss on bond refunding is recognized in the government-wide statements and amortized over the life of the bond but is not recognized in the governmental funds	77,541
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(4,240,856)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (116,852,783)</u>

The accompanying notes are an integral part of these statements.

SAUGERTIES CENTRAL SCHOOL DISTRICT

STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Fund Types							Total
	General	Special Aid	School Lunch	Capital Projects	Debt Service	Misc. Special Revenue	Governmental Funds	
REVENUE:								
Real property taxes	\$ 37,047,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,047,502	
Other tax items	3,911,459	-	-	-	-	-	3,911,459	
Charges for services	386,854	-	-	-	-	-	386,854	
Use of money and property	43,005	-	-	-	172	-	43,177	
Sale of property and compensation for loss	3,268	-	-	-	-	-	3,268	
Miscellaneous	851,900	-	5,319	-	-	128,209	985,428	
State sources	21,944,099	736,133	25,980	155,310	-	-	22,861,522	
Medicaid reimbursement	74,031	-	-	-	-	-	74,031	
Federal sources	512,457	1,267,286	568,191	-	-	-	2,347,934	
Sales - School lunch	-	-	6,942	-	-	-	6,942	
Total revenue	64,774,575	2,003,419	606,432	155,310	172	128,209	67,668,117	
EXPENDITURES:								
General support	5,550,669	-	-	-	-	-	5,550,669	
Instruction	33,467,578	2,041,833	-	-	-	-	35,509,411	
Pupil transportation	3,605,130	16,026	-	-	-	-	3,621,156	
Employee benefits	16,079,017	32,959	194,929	-	-	-	16,306,905	
Debt service - Principal	2,285,000	-	-	-	-	-	2,285,000	
Debt service - Interest	99,475	-	-	-	-	-	99,475	
Cost of sales	-	-	770,590	-	-	-	770,590	
Other	-	-	-	-	-	148,692	148,692	
Capital outlay	-	-	-	1,388,104	-	-	1,388,104	
Total expenditures	61,086,869	2,090,818	965,519	1,388,104	-	148,692	65,680,002	
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	3,687,706	(87,399)	(359,087)	(1,232,794)	172	(20,483)	1,988,115	
OTHER SOURCES AND (USES):								
BANKS redeemed from appropriations	-	-	-	-	-	-	-	
Premiums on issuance of debt	425,948	87,399	700,000	525,844	-	-	1,739,191	
Operating transfers in	(1,313,243)	-	-	(425,948)	-	-	(1,739,191)	
Operating transfers (out)	(887,295)	87,399	700,000	99,896	-	-	-	
Total other sources (uses)	2,800,411	-	340,913	(1,132,898)	172	(20,483)	1,988,115	
CHANGE IN FUND BALANCE	8,925,244	28,473	(287,476)	1,194,476	224,142	-	10,084,859	
FUND BALANCE - beginning of year, as previously reported	-	-	-	-	-	-	-	
RESTATEMENT (Note 17)	-	-	-	-	-	-	-	
FUND BALANCE - beginning of year, as restated	8,925,244	28,473	(287,476)	1,194,476	224,142	-	10,084,859	
FUND BALANCE - end of year	\$ 11,725,655	\$ 28,473	\$ 53,437	\$ 61,578	\$ 224,314	\$ 295,306	\$ 12,388,763	

The accompanying notes are an integral part of these statements.

SAUGERTIES CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

Net changes in fund balance - Total governmental funds	\$ 1,988,115
Capital outlays, net of disposals are expenditures in governmental funds, but are capitalized in the statement of net position.	1,405,666
Depreciation and loss on disposal is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(816,298)
Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(2,725,473)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.	2,285,000
Other post employment expense resulting from GASB 75 related OPEB actuary reporting is not recorded as an expenditure in the governmental funds but is recorded as expenditures in the governmental funds.	(23,931,789)
Compensated absences do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds.	(98,190)
Accrued interest expense does not require the expenditure of current resources and is, therefore, is not recorded as an expenditure in the governmental funds	4,144
Amortization of bond premium and deferred loss on refunding is not recorded governmental funds, but is recorded in statement of activities.	<u>(42,564)</u>
Change in net position - Governmental activities	<u>\$ (21,931,389)</u>

SAUGERTIES CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2021

	Private Purpose <u>Trusts</u>	Custodial <u>Funds</u>	<u>Total</u>
ASSETS:			
Cash - restricted	\$ 100,000	\$ 79,350	\$ 179,350
Total assets	<u>100,000</u>	<u>79,350</u>	<u>179,350</u>
LIABILITIES:			
Other liabilities	-	-	-
Total liabilities	-	-	-
NET POSITION:			
Restricted for individuals	<u>\$ 100,000</u>	<u>\$ 79,350</u>	<u>\$ 179,350</u>

The accompanying notes are an integral part of these statements.

SAUGERTIES CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	Private Purpose Trusts	Custodial Funds	Total
ADDITIONS:			
Gifts and donations	\$ -	\$ 33,753	\$ 33,753
Interest	<u>253</u>	<u>123</u>	<u>376</u>
Total additions	<u>253</u>	<u>33,876</u>	<u>34,129</u>
DEDUCTIONS:			
Scholarships and other private purposes	<u>253</u>	<u>7,250</u>	<u>7,503</u>
CHANGE IN NET POSITION	<u>-</u>	<u>26,626</u>	<u>26,626</u>
NET POSITION - beginning of year, as previously reported	152,724	-	152,724
RESTATEMENT (Note 17)	<u>(52,724)</u>	<u>52,724</u>	<u>-</u>
NET POSITION - beginning of year, as restated	<u>100,000</u>	<u>52,724</u>	<u>152,724</u>
NET POSITION - end of year	<u>\$ 100,000</u>	<u>\$ 79,350</u>	<u>\$ 179,350</u>

The accompanying notes are an integral part of these statements.

SAUGERTIES CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021

1. NATURE OF OPERATIONS

Saugerties Central School District (School District) provides K-12 public education to eligible students living within its geographic borders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Significant accounting principles and policies utilized by the School District are described below:

Reporting Entity

The Saugerties Central School District is governed by the Laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The BOE has authority to make decisions, power to appoint management and accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by (GAAP). The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Extraclassroom Activity Funds

The extraclassroom activity funds of the School District represent funds of the students of the School District. The BOE exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the School District's business office. The School District accounts for assets held as an agent for various student organizations in the Miscellaneous Special Revenue Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

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

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

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

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

Basis of Presentation

The School District's financial statements consist of district-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund level financial statements which provide more detailed information.

Government-Wide Statements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

The fund financial statements provide information about the School District's funds, including fiduciary funds.

Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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

Governmental Fund Types

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

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. The School District uses three special revenue type funds – special aid, school lunch, and miscellaneous special revenue.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District as an agency for individuals, private organizations, other governmental units, and/or other funds.

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

There are two classes of fiduciary funds:

- *Private purpose trust funds* are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the School District or representatives of the donors may serve on committees to determine who benefits.
- *Custodial funds* are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the School District as agent for various groups.

Use of Estimates

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

Measurement Focus and Basis of Accounting

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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

Cash and Cash Equivalents

Cash consists of funds deposited in demand deposit accounts. The School District's deposit and investment policies are governed by State statutes. The School District has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies and obligations of New York State or its political subdivisions.

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

Accounts Receivable

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

Inventories

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

Interfund Transactions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions (Continued)

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

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

Capital Assets

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

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 1,000	N/A	N/A
Buildings and improvements	\$20,000	SL	30-50
Equipment, furniture and vehicles	\$ 1,000	SL	5-8

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

The government has the following items that qualify for reporting in this category:

Deferred amounts on refunding.

Deferred charges result from pension contributions made subsequent to the measurement date of the plan.

Deferred charges result from differences between expected and actual experience of the pension plans.

Deferred charges result from net differences between projected and actual earnings on pension plan investments of the plan.

These amounts are deferred and amortized and expensed against pension expense in future periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The government has the following items that qualify for reporting in this category:

The net amount of the School District's balances of deferred inflows of resources related to pensions is reported in the government-wide Statement of Net Position as deferred inflows of resources. This represents the effect of the net change in the School District's proportion of the collective net pension asset or liability and the difference during the measurement period between the School District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

The net amount of the School District's balances of deferred inflows of resources related to the School District's total OPEB liability.

Property Taxes

Real property taxes are levied annually by the board of education no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1 to November 6.

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

Vested Employee Benefits

Compensated Absences

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

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

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

The liability for compensated absences has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates and negotiated rates in effect at year-end.

In the fund statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Other Benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Other Postemployment Benefits

In addition to providing the pension benefits described, the School District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The School District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level the School District recognizes the cost of providing health care insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the general fund in the year paid.

Unearned Revenue

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

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year rather than when measurable and available.

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

Accrued Liabilities and Long-Term Obligations

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

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

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

Restricted Resources

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications

District-Wide Statements

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

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

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

Restricted net position consist of the following:

Retirement contribution	\$ 4,592,870
Employee benefits	1,678,028
Capital	1,022,482
Unemployment	90,000
Tax certiorari	19,159
Debt service	224,314
Other	<u>295,306</u>
Total restricted net position	<u>\$ 7,922,159</u>

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

Governmental Fund Statements

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

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

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

Capital

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Fund Statements (Continued)

Repair

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

Workers' Compensation

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

Unemployment Insurance

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

Debt Service

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Fund Statements (Continued)

Insurance

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

Liability Claims and Property Loss

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

Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Fund Statements (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2021.

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$614,441. As of June 30, 2021, the School District's encumbrances were classified as follows:

General support	\$ 163,854
Instruction	398,934
Pupil Transportation	15,100
Employee Benefits	<u>36,553</u>
 Total encumbrances	 <u>\$ 614,441</u>

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

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

Order of Fund Balance Spending Policy

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

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT WIDE STATEMENTS

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net assets.

Pension Differences

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

OPEB Differences

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

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

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by (BOE) as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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

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

5. CASH AND CASH EQUIVALENTS

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

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including fiduciary funds	<u>\$ 8,741,014</u>	<u>\$ 8,703,892</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name	\$ 8,241,014	
Covered by FDIC insurance	<u>500,000</u>	
Total	<u>\$ 8,741,014</u>	

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

Debt Service Fund	<u>\$ 2,176</u>
Miscellaneous Special Revenue Fund:	
Extraclassroom activity funds	<u>\$ 295,306</u>
Fiduciary Fund:	
Cash on deposit for private purpose trust funds,	100,000
Cash on deposit for scholarships	<u>79,350</u>
Total fiduciary fund restricted cash	<u>\$ 179,350</u>

6. PARTICIPATION IN BOCES

During the year, the School District was billed \$6,010,566 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$1,665,937.

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

7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2021, were as follows:

	July 1, 2020 Balance (Restated)	Additions	Deletions	June 30, 2021 Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 584,081	\$ -	\$ -	\$ 584,081
Construction in progress	<u>2,683,316</u>	<u>1,388,104</u>	<u>3,737,608</u>	<u>333,812</u>
Total nondepreciable cost	<u>3,267,397</u>	<u>1,388,104</u>	<u>3,737,608</u>	<u>917,893</u>
Capital assets that are depreciated:				
Buildings and improvements	47,867,233	3,737,608	-	51,604,841
Machinery and equipment	2,020,246	17,562	1,195	2,036,613
Vehicles	<u>345,770</u>	<u>-</u>	<u>-</u>	<u>345,770</u>
Total depreciable historical cost	<u>50,233,249</u>	<u>3,755,170</u>	<u>1,195</u>	<u>53,987,224</u>
Less accumulated depreciation:				
Buildings and improvements	21,121,171	684,009	-	21,805,180
Machinery and equipment	1,396,108	108,739	1,195	1,503,652
Vehicles	<u>254,255</u>	<u>23,550</u>	<u>-</u>	<u>277,805</u>
Total accumulated depreciation	<u>22,771,534</u>	<u>816,298</u>	<u>1,195</u>	<u>23,586,637</u>
Total capital assets, net	<u>\$ 30,729,112</u>	<u>\$ 4,326,976</u>	<u>\$ 3,737,608</u>	<u>\$ 31,318,480</u>

Depreciation expense of \$816,298 for the year ended June 30, 2021, was allocated to specific functions as follows:

General support	\$ 103,549
Instruction	674,585
Transportation	17,329
School lunch	<u>20,835</u>
Total depreciation	<u>\$ 816,298</u>

8. SHORT-TERM DEBT

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

8. SHORT-TERM DEBT (Continued)

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

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

The School District had no short-term debt activity during the current year.

9. LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Long-term Portion</u>
Government activities						
Bonds and notes payable:						
General obligation debt:						
Serial bonds	\$ 4,630,000	\$ -	\$ 2,285,000	\$ 2,345,000	\$ 2,345,000	\$ -
Unamortized bond premium	<u>69,954</u>	<u>-</u>	<u>34,977</u>	<u>34,977</u>	<u>34,977</u>	<u>-</u>
Total bonds and notes payable	<u>4,699,954</u>	<u>-</u>	<u>2,319,977</u>	<u>2,379,977</u>	<u>2,379,977</u>	<u>-</u>
Other liabilities:						
Total other postemployment benefits	206,733,054	23,428,577	3,598,035	226,563,596	-	226,563,596
Net pension liability - TRS	-	4,011,512 (A)	-	4,011,512	-	4,011,512
Net pension liability - ERS	3,632,679	- (A)	3,618,581	14,098	-	14,098
Compensated absences	<u>1,762,689</u>	<u>98,190 (A)</u>	<u>-</u>	<u>1,860,879</u>	<u>-</u>	<u>1,860,879</u>
Total other liabilities	<u>212,128,422</u>	<u>27,538,279</u>	<u>7,216,616</u>	<u>232,450,085</u>	<u>-</u>	<u>232,450,085</u>
Total long-term liabilities	<u>\$216,828,376</u>	<u>\$ 27,538,279</u>	<u>\$ 9,536,593</u>	<u>\$234,830,062</u>	<u>\$ 2,379,977</u>	<u>\$232,450,085</u>

(A) Additions and deletions to net pension liabilities and compensated absences are shown net because it is impractical to determine these amounts separately.

9. LONG-TERM DEBT (Continued)

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

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2021 Balance</u>
2015 Refunding Bond	2015	2022	2.00-5.00%	\$ 1,645,000
2017 Refunding Bond	2017	2022	3.00-4.00%	700,000
Total				<u>\$ 2,345,000</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$ 2,345,000</u>	<u>\$ 50,400</u>	<u>\$ 2,395,400</u>

Interest on all debt for the year was composed of:

Interest paid - bonds	\$ 99,475
Amortization of bond premium	(34,977)
Amortization of loss on refunding	77,541
Less: interest accrued in prior year	<u>(4,144)</u>
Total expense	<u>\$ 137,895</u>

10. INTERFUND BALANCES AND ACTIVITY

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

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

The following is a summary of interfund activity:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 4,406,414	\$ 80,176	\$ 425,948	\$ 1,313,243
Special aid fund	-	1,805,411	87,399	-
School lunch fund	-	530,990	700,000	-
Capital projects fund	-	2,211,975	525,844	425,948
Debt service fund	<u>222,138</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 4,628,552</u>	<u>\$ 4,628,552</u>	<u>\$ 1,739,191</u>	<u>\$ 1,739,191</u>

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

11. PENSION PLANS

New York State Employee Retirement System

The School District participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (NYSRSSL). Once an employer elects to participate in the System, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System (ERS) after July 27th, 1976, who contribute 3 percent of their salary for the first ten years of membership, employees who joined on or after January 1, 2010 who generally contribute 3 percent of their salary for their entire length of service, and employees who joined on or after April 1, 2012, who contribute 3 to 6 percent of their salary depending on salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2021	\$	658,275
2020	\$	623,919
2019	\$	616,031

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

At June 30, 2021, the School District reported a liability of \$14,098 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2020. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2021, the School District's proportion was 0.0141583%, which was an increase of 0.0004400% from its proportion measured June 30, 2020.

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

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

For the year ended June 30, 2021, the School District recognized pension expense of \$412,976. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 172,174	\$ -
Changes of assumptions	2,592,163	48,889
Net difference between projected and actual earnings on pension plan investments	-	4,049,769
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	210,947	10,096
Contributions subsequent to the measurement date	184,914	-
	<u>\$ 3,160,198</u>	<u>\$ 4,108,754</u>

\$184,914 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date of March 31, 2021 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2022	\$ (167,586)
2023	(29,045)
2024	(181,809)
2025	(755,030)
2026	-
Thereafter	-
	<u>\$ (1,133,470)</u>

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.70%
Salary scale	4.4% indexed by service
Projected COLAs	1.4% compounded annually
Decrement	Developed from the Plan's 2020 experience study of the period April 1, 2015 through March 31, 2020
Mortality improvement	Society of Actuaries Scale MP-2020
Investment Rate of Return	5.9% compounded annually, net of investment expenses

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate or return</u>
Domestic Equity	32.0%	4.05%
International Equity	15.0%	6.30%
Private Equity	10.0%	6.75%
Real Estate	9.0%	4.95%
Opportunistic Portfolio/ARS Portfolio	3.0%	4.50%
Credit	4.0%	3.63%
Real Assets	3.0%	5.95%
Fixed Income	23.0%	0.00%
Cash	1.0%	0.50%
	<u>100.0%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 5.90%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (4.90%) or 1 percent higher (6.90%) than the current rate:

	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Proportionate Share of Net Pension liability (asset)	\$ 3,913,055	\$ 14,098	\$ (3,581,653)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2021, were as follows:

	Pension Plan's Fiduciary Net Position
Total pension liability	\$ 220,680,157,000
Net position	(220,580,583,000)
Net pension liability (asset)	\$ 99,574,000

Fiduciary net position as a percentage of total pension liability 99.95%

New York State Teacher Retirement System

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

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

Contributions

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

11. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

Contributions (Continued)

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

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

2021	\$ 2,183,139
2020	\$ 2,672,592
2019	\$ 2,425,409

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

At June 30, 2021, the School District reported an liability of \$4,011,512 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of June 30, 2019. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2021 the School District's proportion was 0.1451730%, which was a decrease of 0.0005770% of its proportion measured June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$5,232,665. At June 30, 2021 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,514,888	\$ 205,582
Changes of Assumptions	5,073,629	1,808,483
Net difference between projected and actual earnings on pension plan investments	2,619,869	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	128,727	55,338
Contributions subsequent to the measurement date	2,430,257	-
	<u>\$ 13,767,370</u>	<u>\$ 2,069,403</u>

11. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

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

\$2,430,257 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date of June 30, 2019 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2021	\$ 1,588,279
2022	3,180,147
2023	2,602,602
2024	1,621,876
2025	83,018
Thereafter	191,788
	<u>\$ 9,267,710</u>

Actuarial Assumptions

The total pension liability at the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. These actuarial valuations used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.20%
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.3% compounded annually
Investment Rate of Return	7.10% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on the Society of Actuaries Scale MP2019, applied on a generational basis. Active mortality rates are based on the plan member experience.

The actuarial assumptions were based on the results of the actuarial experience study for the period July 1, 2009 to June 30, 2014.

11. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

Actuarial Assumptions (Continued)

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

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

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate or return</u>
Domestic Equity	33.0%	7.1%
International Equity	16.0%	7.7%
Global Equity	4.0%	7.4%
Real Estate Equity	11.0%	6.8%
Private Equity	8.0%	10.4%
Domestic Fixed Income	16.0%	1.8%
Global Bonds	2.0%	1.0%
Private Debt	1.0%	3.9%
Real Estate Debt	7.0%	5.2%
High-Yield Bonds	1.0%	3.6%
Cash Equivalents	1.0%	0.7%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2020 was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease (6.10%)</u>	<u>Current Assumption (7.10%)</u>	<u>1% Increase (8.10%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 25,339,342	\$ 4,011,512	\$ (13,887,941)

11. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the plan as of June 30, 2020, were as follows:

	Pension Plan's Fiduciary Net Position
Total pension liability	\$ 123,242,776,215
Net position	(120,479,505,380)
Net pension liability (asset)	<u>\$ 2,763,270,835</u>
Fiduciary net position as a percentage of total pension liability	97.8%

12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	301
Inactive employees or beneficiaries	
entitled to but not yet receiving benefits	-
Active employees	<u>355</u>
Total participants	<u>656</u>

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The School District's total OPEB liability of \$226,563,596 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs

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

Method	Entry age normal cost method
Inflation	2.50%
Salary increases, including wage inflation	Varied by years of service and retirement system
Discount Rate	2.16%
Healthcare Cost Trend Rates	5.70% for 2021, decreasing annually to an ultimate rate of 4.04% by 2075.
Medicare Part B Trend Rates	2.70% for 2020, followed by projected Part B premium increase shown in the 2020 Medicare Trustees report, decreasing gradually to an ultimate rate of 4.04% by 2075.

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

Mortality rates were based on Pub-2010 Headcount-Weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2019.

Changes in the Total OPEB Liability

Balance at June 30, 2020	\$ 206,733,054
Changes for the Year	
Service cost	7,730,047
Interest	4,700,094
Changes of benefit terms	(57,339)
Changes in assumptions or other inputs	5,295,285
Differences between expected and actual experience	5,760,490
Benefit payments	<u>(3,598,035)</u>
Net changes	<u>19,830,542</u>
Balance at June 30, 2020	<u>\$ 226,563,596</u>

The discount rate was 2.21% at the prior measurement date compared to 2.16% at the current measurement date.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

	1% Decrease (1.16%)	Current Discount (2.16%)	1% Increase (3.16%)
Total OPEB Liability	<u>\$183,340,594</u>	<u>\$226,563,596</u>	<u>\$284,185,250</u>

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

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

	Healthcare		
	1% Decrease (4.70%)	Current Discount (5.70%)	1% Increase (6.70%)
Total OPEB Liability	<u>\$274,715,849</u>	<u>\$226,563,596</u>	<u>\$189,095,266</u>

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

For the year ended June 30, 2021, the School District recognized OPEB expense of \$27,529,824. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,975,665	\$ 835,496
Changes of assumptions	<u>47,452,402</u>	<u>2,149,487</u>
	<u>\$ 66,428,067</u>	<u>\$ 2,984,983</u>

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

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2021	\$ 15,157,022
2022	15,157,022
2023	15,348,924
2024	15,937,491
2025	1,842,625
Thereafter	<u>-</u>
	<u>\$ 63,443,084</u>

13. RISK MANAGEMENT

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

The School District does not purchase insurance for the risk of losses for unemployment and workers' compensation claims. Instead, the School District manages its risks for these losses internally and accounts for these in the School District's general fund, including provisions for unexpected and unusual claims.

Claims are recognized as expenditures when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. At June 30, 2021, management estimates there are no outstanding claims liabilities.

14. TAX ABATEMENTS

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

The District has four real property tax abatement agreements that are entered into by the Ulster County Industrial Development Agency (IDA) and one agreement entered into by the District for a Solar Energy System. These agreements provide for abatement of real property taxes in exchange for payment in lieu of taxes (PILOT) in accordance with the IDA's Tax Exemption Policy. PILOT's are granted in accordance with various activities such as new affordable housing construction, purchase of an existing facility, or the improvement or expansion of an existing facility. There are also policies for recapture of PILOTS should the applicant not meet certain criteria.

The following are the PILOT agreements and the amount of real property tax that has been abated for the year ended June 30, 2021:

Agreement With	Purpose	Assessment	Tax Rate	Tax Value	Received	Abatement
Central Hudson	Utility	\$ 8,830,335	20.053214	\$ 177,077	\$ 220,529	\$ (43,452)
Partition Street Project, LLC	Hospitality	\$ 4,280,500	20.053214	\$ 85,838	48,343	37,495
PSH Development	Medical Facility	\$ 1,472,500	20.053214	\$ 29,528	18,098	11,430
Saugerties NY Hospitality, LLC	Hospitality	\$ 4,250,000	20.053214	\$ 85,226	9,024	76,202
East Light Partners	Solar	\$ 300,000	20.053214	\$ 6,016	11,400	(5,384)
					<u>\$ 307,394</u>	<u>\$ 76,291</u>

15. CONTINGENCIES AND COMMITMENTS

Litigation

The School District has been named as a defendant in several tax certiorari cases. A review by management and the School District's attorneys indicate these actions are not substantial enough to materially affect the financial position of the School District.

Other Contingencies

The School District has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School Districts administration believes disallowances, if any will be immaterial.

Commitments

The School District has various commitments with vendors for the on-going work of the \$22 million capital project and energy performance project.

16. COVID-19 PANDEMIC

As of the date of this report, the United States continues to be affected by a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). During 2020, the NYS Governor put the economy "on pause" in an effort to combat the spread of COVID. As a result, many businesses were closed, or their operations were severely curtailed. The School District acted proactively as well in an effort to protect its employees as well as the School District population.

In response to the economic impact, the COVID-19 pandemic, the United States government passed several stimulus bills (Coronavirus Aid, Relief, and Economic Security Act; Coronavirus Response and Relief Supplemental Appropriations Act; and American Rescue Plan Act) in an effort to provide relief to businesses, families and governments that have been devastated by the closure of large segments of the economy.

The School District's remaining allocations for each of the stimulus plans are:

CARES	Entirely spent in fiscal 2021
CRRSA	\$2,299,905
ARPA	\$4,206,481

17. CHANGE IN ACCOUNTING PRINCIPLE

The School District adopted GASB Statement No. 84, Fiduciary Activities, during the year ended June 30, 2021. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

17. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

This Statement clarified the criteria for reporting certain activities as governmental or fiduciary activities. As a result, beginning cash, liabilities, fund balance, and net position were adjusted as noted below for the following opinion units:

Governmental Activities			
	Cash	Accrued Liabilities	Net Position
Balance at June 30, 2020, as previously reported	\$ 7,818,108	\$ 242,430	\$ (95,500,752)
Restatement of beginning balance - Adoption of GASB Statement No. 84	695,114	379,325	315,789
Balance at July 1, 2020, as restated	<u>\$ 8,513,222</u>	<u>\$ 621,755</u>	<u>\$ (95,184,963)</u>
General Fund			
	Cash	Accrued Liabilities	
Balance at June 30, 2020, as previously reported	\$ 6,592,104	\$ 238,286	
Restatement of beginning balance - Adoption of GASB Statement No. 84	379,325	379,325	
Balance at July 1, 2020, as restated	<u>\$ 6,971,429</u>	<u>\$ 617,611</u>	
Miscellaneous Special Revenue Fund			
	Cash	Accrued Liabilities	Fund Balance
Balance at June 30, 2020, as previously reported	\$ -	\$ -	\$ -
Restatement of beginning balance - Adoption of GASB Statement No. 84	315,789	-	315,789
Balance at July 1, 2020, as restated	<u>\$ 315,789</u>	<u>\$ -</u>	<u>\$ 315,789</u>
Agency Fund			
	Cash	Accrued/Other Liabilities	
Balance at June 30, 2020, as previously reported	\$ 695,114	\$ 695,114	
Restatement of beginning balance - Adoption of GASB Statement No. 84	(695,114)	(695,114)	
Balance at July 1, 2020, as restated	<u>\$ -</u>	<u>\$ -</u>	
Private Purpose Trust Fund			
	Cash	Accrued/Other Liabilities	Net Position
Balance at June 30, 2020, as previously reported	\$ 152,724	\$ -	\$ 152,724
Restatement of beginning balance - Adoption of GASB Statement No. 84	(52,724)	-	(52,724)
Balance at July 1, 2020, as restated	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>
Custodial Fund			
	Cash	Accrued/Other Liabilities	Net Position
Balance at June 30, 2020, as previously reported	\$ -	\$ -	\$ -
Restatement of beginning balance - Adoption of GASB Statement No. 84	52,724	-	52,724
Balance at July 1, 2020, as restated	<u>\$ 52,724</u>	<u>\$ -</u>	<u>\$ 52,724</u>

18. CORRECTION OF AN ERROR

The School District corrected the capital asset balance as of June 30, 2020 to reflect assets not included in the capital asset report and accumulated depreciation through June 30, 2020. According, the capital asset balances and beginning net position were adjusted as follow:

	Capital Assets	Net Position
Balance at June 30, 2020 - After restatement for GASB 84	\$ 30,465,543	\$ (95,184,963)
Restatemnet of beginning balance, correction of an error	<u>263,569</u>	<u>263,569</u>
Balance at July 1, 2020, as restated	<u>\$ 30,729,112</u>	<u>\$ (94,921,394)</u>

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SAUGERTIES CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021

REVENUE	Original	Final	Actual	Encumbrances	Final Budget
	Budget	Budget	(Budgetary Basis)		Variance with Budgetary Actual
LOCAL SOURCES:					
Real property taxes	\$ 37,131,060	\$ 37,131,060	\$ 37,047,502	\$ -	\$ (83,558)
Other tax items	3,912,993	3,912,993	3,911,459	-	(1,534)
Charges for services	260,000	260,000	386,854	-	126,854
Use of money and property	73,000	73,000	43,005	-	(29,995)
Sale of property and compensation for loss	-	-	3,268	-	3,268
Miscellaneous	570,000	577,651	851,900	-	274,249
Total local sources	41,947,053	41,954,704	42,243,988	-	289,284
Federal sources	-	520,662	512,457	-	(8,205)
State sources	22,639,218	22,118,556	21,944,099	-	(174,457)
Medicaid reimbursement	100,000	100,000	74,031	-	(25,969)
Total revenue	22,739,218	22,739,218	22,530,587	-	(208,631)
OTHER FINANCING SOURCES					
Transfers from other funds	-	-	425,948	-	425,948
Total revenue and other financing sources	64,686,271	64,693,922	65,200,523	-	506,601

(Continued)

See independent auditors report.

SAUGERTIES CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED) (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

EXPENDITURES	Original	Final	Actual	Encumbrances	Final Budget
	Budget	Budget	(Budgetary Basis)		Variance with Budgetary Actual
GENERAL SUPPORT:					
Board of education	53,148	47,886	41,613	-	6,073
Central administration	254,341	251,591	247,941	-	3,650
Finance	521,918	536,980	510,053	14,280	12,647
Staff	497,974	565,990	534,086	21,061	10,843
Central services	3,235,824	3,460,486	3,000,285	128,513	331,688
Special items	1,212,431	1,220,431	1,216,691	-	3,740
Total general support	5,775,636	6,083,164	5,550,669	163,854	368,641
INSTRUCTION:					
Instruction, administration, and improvement	1,677,682	1,730,195	1,646,843	-	83,352
Teaching - Regular school	17,872,922	17,066,579	16,056,479	113,508	896,592
Programs for children with handicapping conditions	9,972,850	10,760,087	10,010,859	281,926	467,302
Occupational education	1,320,066	1,320,066	1,320,066	-	-
Teaching - Special school	178,687	176,587	158,392	-	18,195
Instructional media	1,630,443	2,069,993	1,942,912	3,500	123,581
Pupil services	2,381,673	2,586,398	2,332,027	-	254,371
Total instruction	35,034,323	35,709,905	33,467,578	398,934	1,843,393
Pupil transportation	4,630,721	5,062,890	3,605,130	15,100	1,442,660
Community services	-	-	-	-	-
Employee benefits	18,279,951	17,872,943	16,079,017	36,553	1,757,373
Debt service - Principal	2,285,000	2,285,000	2,285,000	-	-
Debt service - Interest	99,475	99,475	99,475	-	-
Total expenditures	66,105,106	67,113,377	61,086,869	614,441	5,412,067
OTHER FINANCING USES					
Transfers to other funds	(366,468)	(1,315,746)	(1,313,243)	-	2,503
Total expenditures and other financing uses	66,471,574	68,429,123	62,400,112	614,441	5,414,570
NET CHANGE IN FUND BALANCES	(1,785,303)	(3,735,201)	2,800,411	(614,441)	5,921,171
FUND BALANCE - beginning of year	8,925,244	8,925,244	8,925,244		
FUND BALANCE - end of year	\$ 7,139,941	\$ 5,190,043	\$ 11,725,655		

SAUGERTIES CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0141583%	0.0137183%	0.0139591%	0.0136182%	0.0137211%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.				
Proportionate share of the net pension liability (asset)	\$ 14.1	\$ 3,632.7	\$ 989.0	\$ 439.5	\$ 1,289.3					
Covered-employee payroll	\$ 4,670.0	\$ 3,894.4	\$ 4,418.6	\$ 4,318.3	\$ 4,197.6					
Proportionate share of the net pension liability (asset)	0.30%	93.28%	22.38%	10.18%	30.71%					
as a percentage of its covered-employee payroll	99.95%	86.39%	96.27%	98.24%	94.70%					
Plan fiduciary net position as a percentage of the total pension liability (asset)										

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.1451730%	0.1457500%	0.1464890%	0.1474050%	0.1460590%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.				
Proportionate share of the net pension liability (asset)	\$ 4,011.5	\$ (3,786.6)	\$ (2,648.9)	\$ (1,120.4)	\$ 1,564.3					
Covered-employee payroll	\$ 24,426.4	\$ 25,397.7	\$ 24,328.1	\$ 24,494.9	\$ 24,040.7					
Proportionate share of the net pension liability (asset)	16.42%	-14.91%	-10.89%	-4.57%	6.51%					
as a percentage of its covered-employee payroll	97.76%	102.20%	101.53%	100.66%	99.01%					
Plan fiduciary net position as a percentage of the total pension liability (asset)										

SAUGERTIES CENTRAL SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	656.3	623.9	616.0	619.6	611.9					
Contributions in relation to the contractually required contribution	658.3	623.9	616.0	619.6	611.9					
Contribution deficiency (excess)	-	-	-	-	-					
Covered-employee payroll	\$ 4,670.0	\$ 3,894.4	\$ 4,418.6	\$ 4,318.3	\$ 4,197.6					
Contributions as a percentage of covered-employee payroll	14.10%	16.02%	13.94%	14.35%	14.58%					

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

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	2,183.1	2,183.1	2,583.6	2,426.4	2,816.0					
Contributions in relation to the contractually required contribution	2,183.1	2,183.1	2,583.6	2,426.4	2,816.0					
Contribution deficiency (excess)	-	-	-	-	-					
Covered-employee payroll	\$ 24,426.4	\$ 25,397.7	\$ 24,328.1	\$ 24,494.9	\$ 24,040.7					
Contributions as a percentage of covered-employee payroll	8.94%	8.60%	10.62%	9.90%	11.71%					

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

SAUGERTIES CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB Liability										
Service cost	\$ 7,730,047	\$ 4,993,657	\$ 2,569,722	\$ 2,696,221						
Interest	4,700,094	5,642,553	4,078,251	3,735,568						
Changes of benefit terms	(57,339)	-	-	-						
Differences between expected and actual experience	5,760,490	(1,253,244)	24,806,699	(5,271,339)						
Changes in assumptions	5,295,285	43,294,736	24,808,885	(2,162,612)						
Benefit payments	(3,598,035)	(3,385,751)	(3,237,066)	(1,012,162)						
Total change in total OPEB liability	19,830,542	49,291,951	53,026,491	(1,012,162)						
Total OPEB liability - beginning	206,733,054	157,441,103	104,414,612	105,426,774						
Total OPEB liability - ending	\$ 226,563,596	\$ 206,733,054	\$ 157,441,103	\$ 104,414,612						
Covered-employee payroll	\$ 28,688,478	\$ 28,012,536	\$ 25,415,590	\$ 25,951,640						
Total OPEB liability as a percentage of covered-employee payroll	789.74%	738.00%	619.47%	402.34%						

Notes to schedule:

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

Discount rate	2.16%	2.21%	3.87%	3.58%
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Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

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

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

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

OTHER INFORMATION (UNAUDITED)

SAUGERTIES CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET - GENERAL FUND AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021 (UNAUDITED)

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 66,471,574
Add: Prior year's encumbrances	<u>851,847</u>
Original budget	67,323,421
Budget revision	<u>1,105,702</u>
Final budget	<u>\$ 68,429,123</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-2022 voter approved expenditure budget	<u>\$ 66,536,965</u>
Maximum allowed (4% of 2021-2022 budget)	<u>\$ 2,661,479</u>
General Fund fund balance subject to Section 1318 of real Property Tax Law*:	
Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	684,918
Unassigned fund balance	<u>2,661,481</u>
Total fund balance	<u>3,346,399</u>
Less:	
Appropriated fund balance	70,477
Encumbrances included in assigned fund balance	<u>614,441</u>
Total adjustments	<u>684,918</u>
General Fund fund balance subject to Section 1318 of Real Property Tax Law	<u>\$ 2,661,481</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.

SAUGERTIES CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021

Project Title	Expenditures					Methods of Financing					
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Sources	Local Sources	Total	Fund Balance June 30, 2021
Riccardo - Roof	1,360,075	1,360,075	136,745	810,397	947,142	412,933	-	-	1,431,117	1,431,117	483,975
Riccardi - Interior Doors	100,000	100,000	-	88,585	88,585	11,415	-	-	-	-	(88,585)
\$22M Capital Project	22,000,000	22,000,000	-	333,812	333,812	21,666,188	-	-	-	-	(333,812)
Smart Schools Bond Act #2	1,021,060	1,021,060	977,504	5,100	982,604	38,456	-	982,604	-	982,604	-
Smart Schools Bond Act #1	825,787	825,787	782,213	150,210	932,423	(106,636)	-	932,423	-	932,423	-
	\$ 25,306,922	\$ 25,306,922	\$ 1,896,462	\$ 1,388,104	\$ 3,284,566	\$ 22,022,356	\$ -	\$ 1,915,027	\$ 1,431,117	\$ 3,346,144	\$ 61,578

See independent auditors report.

SAUGERTIES CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2021

Capital assets, net		\$ 31,318,480
Deduct:		
Short-term portion of bonds payable	\$ 2,379,977	<u>2,379,977</u>
Add: Unspent bond proceeds		<u>-</u>
Net investment in capital assets		<u>\$ 28,938,503</u>

See independent auditor's report.

REQUIRED REPORTS UNDER *GOVERNMENT AUDITING STANDARDS*

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

November 9, 2021

To the Board of Education
Saugerties Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Saugerties Central School District (the School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 9, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

(Continued)

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Bonadio & Co., LLP