

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**Financial Statements and Required Reports**

**June 30, 2020**

**Together with Independent**

**Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# MAHOPAC CENTRAL SCHOOL DISTRICT

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June 30, 2020

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# MAHOPAC CENTRAL SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

October 15, 2020

To the Board of Education of the  
Mahopac 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 the Mahopac Central School District (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## **Opinions**

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

## **Other Matters**

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's 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 other information required by the New York State Education Department has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

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

## **MAHOPAC CENTRAL SCHOOL DISTRICT**

### **Management's Discussion and Analysis (Unaudited)**

**June 30, 2020**

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The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2020. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed, as well as a comparative analysis to prior year information. 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**

Government-wide net position of the School District was \$(185,395,127). This is an approximately \$23.2 million decrease from the prior year. This was mainly due to the increase in actuarial valuations for both pensions and other postemployment benefits.

#### **Overview of the Financial Statements**

The annual record 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 entity-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 operations 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.

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)**  
**June 30, 2020**

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

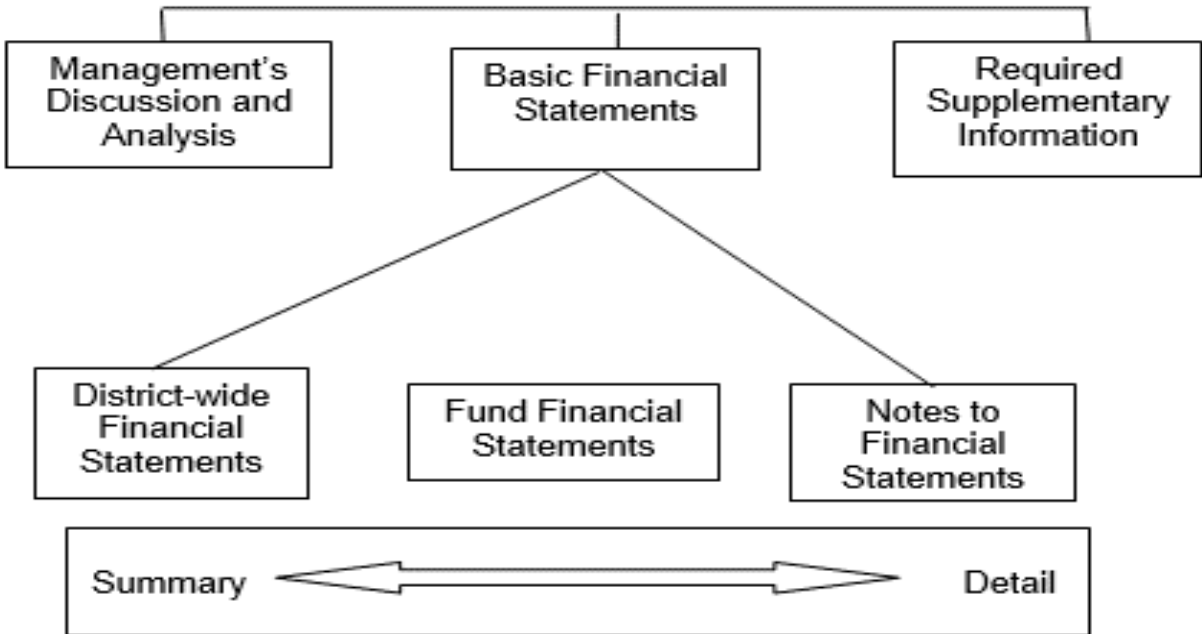


Table A-2 summarizes the major features of the School District’s financial statements, including the portion of the School District’s activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

## MAHOPAC CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

**Table A 2** Major Features of the School 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 District, such as instruction and special education.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenue, expenditures, and changes in fund balances.	Statement of fiduciary net position Statement of changes in fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of asset/deferred 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.	All assets and liabilities, both short-term and long term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

#### District-Wide Statements

The District-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets and liabilities. All of the current year's 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 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.



## **MAHOPAC CENTRAL SCHOOL DISTRICT**

### **Management's Discussion and Analysis (Unaudited)**

**June 30, 2020**

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Net position of the governmental activities differs 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 balances as follows:
  - Investment in capital assets.
  - Restricted net position are those with constraints placed on or used by external sources or imposed by
  - Unrestricted net position are net position 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.

Some funds are required by State law and by bond covenants.

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

## MAHOPAC CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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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 funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, capital project fund, and the debt service 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 extraclassroom activity 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.

## MAHOPAC CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited) June 30, 2020

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The School District's net position as of June 30, 2020 are as detailed in Tables A-3 and A-4.

**Table A-3** Condensed Statement of Net Position

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Percentage <u>Change</u>
Current Assets	\$ 40,895,685	\$ 29,816,617	37%
Noncurrent Assets	<u>57,795,672</u>	<u>53,763,796</u>	7%
Total assets	<u>98,691,357</u>	<u>83,580,413</u>	18%
Deferred Outflows of Resources	<u>78,569,753</u>	<u>57,742,586</u>	36%
Current Liabilities	17,300,487	15,250,350	13%
Noncurrent Liabilities	<u>333,893,708</u>	<u>278,938,245</u>	20%
Total liabilities	<u>351,194,195</u>	<u>294,188,595</u>	19%
Deferred Inflows of Resources	<u>11,462,042</u>	<u>9,295,084</u>	23%
Net position:			
Investment in Capital Assets (net of related debt)	24,183,113	41,406,452	-42%
Restricted	15,701,220	9,812,176	60%
Unrestricted	<u>(225,279,460)</u>	<u>(213,379,308)</u>	6%
Total net position	<u>\$ (185,395,127)</u>	<u>\$ (162,160,680)</u>	14%

During 2020, the School District's total assets increased 18%. Cash increased due to the receipt of approximately \$8.6 million in bond proceeds and another \$3.1 million in BAN proceeds in June 2020. Also, a greater amount of cash was on-hand at year-end in 2020 due to payment timing differences, as it corresponds to the increase in Current Liabilities. There was also an increase in the non-current assets due to the change in the GASB 68 valuation for TRS, resulting in a net pension asset increase in the current year of \$2.5 million.

Deferred outflows of resources increased due to other post-employment benefits recognizing deferred outflow in current year and nothing recognized in prior year.

Current liabilities increased due to the timing difference of payments, resulting in a higher Accounts Payable and Accrued Liabilities.

Long term liabilities increased from year to year due to an increase in other post-employment benefits and the issuance of bonds.

## MAHOPAC CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

Deferred inflow of resources increased due to the valuation change to School District's proportionate share of the TRS pension costs due to GASB 68 and 71.

#### Table A-4 Changes in Net Position from Operating Results

The School District's fiscal year 2020 revenue totaled \$123,507,770 (see Table A-4). Property taxes and state aid accounted for most of the School District's revenue by contributing 64% and 25%, respectively, of every dollar raised (see Table A-5). The remainder came from fees charged for services, tuition for foster students, interest earnings, Federal sources, Medicaid reimbursement, and other miscellaneous sources.

The total cost of all programs and services totaled \$146,742,217 in 2020. 89% of this amount is used predominantly 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 11% of total costs.

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Percentage <u>Change</u>
<b>Revenues</b>			
Charges for services	\$ 1,144,771	\$ 1,316,914	-13%
Operating grants	2,139,818	2,391,049	-11%
General revenue:			
Real property taxes	79,480,524	76,626,806	4%
Other tax items	7,093,741	8,199,723	-13%
Use of money and property	811,036	1,052,910	-23%
State aid	31,431,903	32,593,438	-4%
Federal aid	18,513	295,793	-94%
Miscellaneous	805,964	1,552,257	-48%
Use of property/compensation for loss	<u>581,500</u>	<u>36,411</u>	1497%
Total revenue	<u>123,507,770</u>	<u>124,065,301</u>	0%
<b>Expenses</b>			
General Support	15,370,284	13,869,316	11%
Instruction	120,438,410	103,894,999	16%
Pupil Transportation	9,786,982	9,581,895	2%
School Lunch	259,926	285,160	-9%
Debt service - interest	<u>886,615</u>	<u>1,216,697</u>	-27%
Total expenses	<u>146,742,217</u>	<u>128,848,067</u>	14%
Change in Net Position	<u><u>\$(23,234,447)</u></u>	<u><u>\$ (4,782,766)</u></u>	386%

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)**

**June 30, 2020**

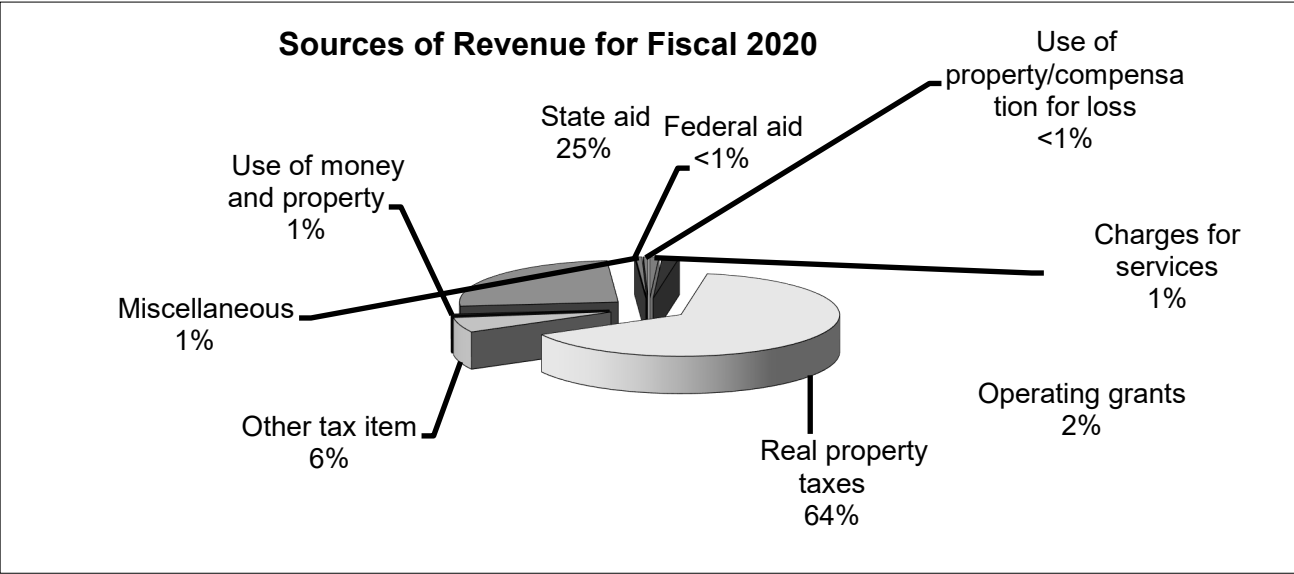
Revenues:

- As a whole, revenues held fairly steady from the previous year.

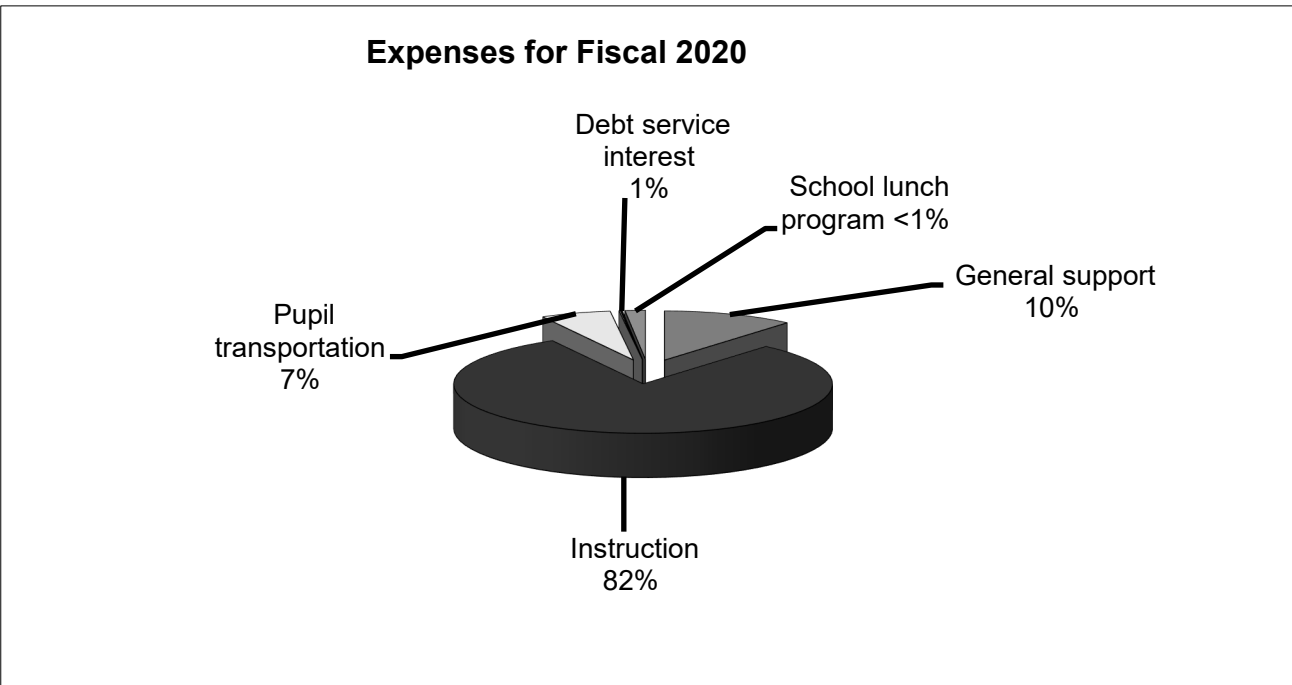
Expenditures:

- There was an increase in overall costs of providing instruction to students, including contractual salary and benefit increases for staff.
- The School District continues to demonstrate efficiency when expending the budget.

**Table A-5 Sources of Revenue for Fiscal Year 2020**



**Table A-6 Expenditures for Fiscal Year 2020**



## MAHOPAC CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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#### Governmental Activities

Revenue for the School District's governmental activities totaled \$123,507,770 or .45% less than the previous fiscal year. Total expenses equaled \$146,742,217 or 14% more than the previous fiscal year.

Table A-7 presents the cost of several major School District activities: instruction, pupil and instructional services, administration, and business, maintenance and operations, transportation, capital outlay, other, and interest. 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>2020 Total Costs</u>	<u>2020 Net Costs</u>	<u>2019 Total Cost</u>	<u>2019 Net Cost</u>
General support	\$ 15,370,284	\$ 15,370,284	\$ 13,869,316	\$ 13,869,316
Instruction	120,438,410	118,018,882	103,894,999	101,350,586
Pupil transportation	9,786,982	9,786,982	9,581,895	9,581,895
School Lunch	886,615	21,554	285,160	285,160
Debt service - interest	<u>259,926</u>	<u>259,926</u>	<u>1,216,697</u>	<u>53,147</u>
Total	<u>\$146,742,217</u>	<u>\$143,457,628</u>	<u>\$128,848,067</u>	<u>\$125,140,104</u>

- The total cost of all governmental activities this year was \$146,742,217.
- The users of the School District's programs financed \$1,144,771 of the cost.
- The federal and state governments subsidized certain programs with grants and contributions in the amount of \$2,139,818.
- Most of the School District's net costs, \$143,457,628, were financed by taxpayers and state aid.

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the School District-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. 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 - Revenues exceeded expenditures by \$3,389,343 and expenditures were under budget by approximately \$4.3 million. This was due to the COVID-19 pandemic shutting down schools in mid-March 2020.

## MAHOPAC CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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Special Aid Fund - Revenue held steady as the School District continues to seek additional grant funding. Competition amount grant recipients has become increasingly aggressive making grant opportunities more limited and difficult to obtain.

School Lunch Fund - The school lunch fund balance will be used to replace aging equipment and to offset the potential increased costs of serving meals in a unique pandemic environment of remote and hybrid.

### CAPITAL ASSETS

By the end of 2020, the School District had an investment, net of depreciation of \$49,581,372 in a broad range of capital assets. See Note 7 within the financial statements for further information.

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

<u>Category</u>	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Percentage <u>Change</u>
Land	\$ 587,330	\$ 587,330	0%
Buildings and improvements	78,724,837	78,724,837	0%
Machinery and equipment	10,741,990	9,269,662	16%
Construction in progress	7,122,389	3,962,673	80%
Less accumulated depreciation	<u>(47,595,174)</u>	<u>(44,531,643)</u>	7%
Total	<u>\$ 49,581,372</u>	<u>\$ 48,012,859</u>	3%

### Long-Term Liabilities

At year-end, the School District had \$20,824,932 of long-term liabilities outstanding. For further detailed information see Note 10 within the financial statements.

**Table A-9** Outstanding Long-Term Liabilities

<u>Category</u>	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>
Bonds payable	\$ 11,265,178	\$ 2,377,707
Energy performance contract - 2015	3,133,838	3,883,217
Compensated absences	<u>6,425,916</u>	<u>5,511,380</u>
Total	<u>\$ 20,824,932</u>	<u>\$ 11,772,304</u>

During the year, the School District paid down \$1.7 million in serial bonds and other debt. Additional other post-employment benefit payable was accrued during 2020 in the amount of approximately \$39.1 million and the net pension liability increase approximately \$6.8 million.

## **MAHOPAC CENTRAL SCHOOL DISTRICT**

### **Management's Discussion and Analysis (Unaudited)**

**June 30, 2020**

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

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 has created significant increases in expenditures for personal protective equipment (PPE), custodial cleaning and sanitizing supplies, facilities maintenance, professional development, and staff requirements.
- New York State revenue has been severely impacted by the pandemic and there is a great amount of uncertainty regarding the amount of state funding that will be available for public education.
- The global economy is in turmoil due to the pandemic, which in turn is affecting interest rates for investment earnings and debt issuances costs.
- Health insurance and other post-retirement costs are expected to increase and could potentially affect the School District's financial health.
- Continued reliance on fund balance to close the "gap" between budgeted revenues and budgeted expenditures.
- The financial impact of compliance with and potential changes to the Affordable Care Act.
- Statewide and School District trends indicate a continued decline in student enrollments.
- Restrictions imposed by the Real Property Tax Cap Legislation.

#### **CONTACTING THE DISTRICT**

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:

Sandra Clohessy  
Assistant Superintendent for Business  
Mahopac Central School District Office  
179 E Lake Blvd  
Mahopac, New York 10541  
Tel: (845) 628-3415 x 10410  
clohessys@mahopac.org



**MAHOPAC CENTRAL SCHOOL DISTRICT****Statement of Net Position****June 30, 2020****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

## CURRENT ASSETS:

Cash - Unrestricted	\$ 6,923,714
Cash - Restricted	12,714,977
Investments	15,535,872
State and federal aid receivable	4,179,369
Other receivables	970,026
Due from other funds	6,062
Due from other governments	555,000
Inventories	<u>10,665</u>

Total current assets 40,895,685

## NON CURRENT ASSETS:

Capital assets, net	49,581,372
Net pension asset - TRS	<u>8,214,300</u>

Total non current assets 57,795,672

Total assets 98,691,357

## DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources - ERS pension	6,913,545
Deferred outflows of resources - TRS pension	26,295,554
Deferred outflows of resources - OPEB	<u>45,360,654</u>

Total deferred outflows of resources 78,569,753

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES 177,261,110

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

## CURRENT LIABILITIES:

Accounts payable and accrued liabilities	4,603,274
Accrued interest	52,822
Due to Teachers' Retirement System	4,961,799
Due to Employees' Retirement System	476,121
Unearned revenue	129,741
Bond anticipation notes	5,593,960
Current portion of long term debt	<u>1,482,770</u>

Total current liabilities 17,300,487

## LONG-TERM LIABILITIES:

Bonds payable, net of current portion	10,545,177
Energy performance loan, net of current portion	2,371,068
Total other postemployment benefits	305,060,900
Compensated absences payable	6,425,916
Net pension liability - ERS	<u>9,490,647</u>

Total long-term liabilities 333,893,708

Total liabilities 351,194,195

## DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources - ERS pension	337,000
Deferred inflows of resources - TRS pension	<u>11,125,042</u>

Total deferred inflows of resources 11,462,042

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 362,656,237

**NET POSITION**

Net investment in capital assets	24,183,113
Restricted	15,701,220
Unrestricted	<u>(225,279,460)</u>

TOTAL NET POSITION \$ (185,395,127)

The accompanying notes are an integral part of these statements.

# MAHOPAC CENTRAL SCHOOL DISTRICT

## Statement of Activities

For the Year Ended June 30, 2020

		Program Revenue		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants	Changes in Net
				Position
FUNCTIONS/PROGRAMS:				
General support	\$ 15,370,284	\$ -	\$ -	\$ (15,370,284)
Instruction	120,438,410	624,365	1,795,163	(118,018,882)
Pupil transportation	9,786,982	-	-	(9,786,982)
Debt service - interest	259,926	-	-	(259,926)
School lunch	886,615	520,406	344,655	(21,554)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 146,742,217</u>	<u>\$ 1,144,771</u>	<u>\$ 2,139,818</u>	<u>(143,457,628)</u>
GENERAL REVENUE:				
Real property taxes				79,480,524
Other tax items				7,093,741
Use of money and property				811,036
Sale of property and compensation for loss				581,500
Miscellaneous				805,964
State sources				31,431,903
Medicare reimbursement				<u>18,513</u>
TOTAL GENERAL REVENUE				<u>120,223,181</u>
CHANGE IN NET POSITION				(23,234,447)
TOTAL NET POSITION - beginning of year				<u>(162,160,680)</u>
TOTAL NET POSITION - end of year				<u>\$ (185,395,127)</u>

The accompanying notes are an integral part of these statements.

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**Balance Sheet - Governmental Funds  
June 30, 2020**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
ASSETS						
Cash - Unrestricted	\$ 6,422,401	\$ -	\$ 452,266	\$ 49,047	\$ -	\$ 6,923,714
Cash - Restricted	1,010	-	-	12,713,967	-	12,714,977
Investments	15,535,872	-	-	-	-	15,535,872
Accounts receivable	475,313	488,700	-	6,013	-	970,026
Due from other funds	1,413,221	-	4,909	-	3,034,678	4,452,808
Due from other governments	555,000	-	-	-	-	555,000
State and federal aid receivable	3,353,299	817,985	8,085	-	-	4,179,369
Inventory	-	-	10,665	-	-	10,665
TOTAL ASSETS	<u>\$ 27,756,116</u>	<u>\$ 1,306,685</u>	<u>\$ 475,925</u>	<u>\$ 12,769,027</u>	<u>\$ 3,034,678</u>	<u>\$ 45,342,431</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 2,573,759	\$ 78,973	\$ 7,355	\$ 1,943,187	\$ -	\$ 4,603,274
Due to other funds	4,909	1,212,784	-	3,229,053	-	4,446,746
Due to Teachers' Retirement System	4,961,799	-	-	-	-	4,961,799
Due to Employees' Retirement System	476,121	-	-	-	-	476,121
Unearned revenue	610,688	14,928	59,125	-	-	684,741
BANS payable	-	-	-	5,593,960	-	5,593,960
TOTAL LIABILITIES	8,627,276	1,306,685	66,480	10,766,200	-	20,766,641

(Continued)

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**Balance Sheet - Governmental Funds**

**June 30, 2020**

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
<b>FUND BALANCES</b>						
Nonspendable						
Inventory	-	-	10,665	-	-	10,665
Restricted						
Employee benefit reserve	1,300,000	-	-	-	-	1,300,000
Workers compensation	50,000	-	-	-	-	50,000
Retirement reserve	2,225,000	-	-	-	-	2,225,000
Unemployment	375,000	-	-	-	-	375,000
Debt service	121,335	-	-	-	3,034,678	3,156,013
Tax certiorari	4,091,852	-	-	-	-	4,091,852
Tax reduction	546,401	-	-	-	-	546,401
Capital reserve	1,954,127	-	-	2,002,827	-	3,956,954
Total restricted fund balance	10,663,715	-	-	2,002,827	3,034,678	15,701,220
Assigned						
Assigned	534,682	-	398,780	-	-	933,462
Appropriated for subsequent years expenditures	3,000,000	-	-	-	-	3,000,000
Total assigned fund balance	3,534,682	-	398,780	-	-	3,933,462
Unassigned	4,930,443	-	-	-	-	4,930,443
TOTAL FUND BALANCES	19,128,840	-	409,445	2,002,827	3,034,678	24,575,790
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 27,756,116	\$ 1,306,685	\$ 475,925	\$ 12,769,027	\$ 3,034,678	\$ 45,342,431

The accompanying notes are an integral part of these statements.

## MAHOPAC CENTRAL SCHOOL DISTRICT

### Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position June 30, 2020

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

Fund balance - total governmental funds	\$ 24,575,790
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	49,581,372
Deferred revenue earned in the current year is recognized as revenue under full accrual.	555,000
Deferred outflows/inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows - ERS/TRS	33,209,099
Deferred inflows - ERS/TRS	(11,462,042)
Deferred outflow - OPEB	45,360,654
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension asset - TRS	8,214,300
Net pension liability - ERS	(9,490,647)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(11,265,177)
Energy performance loan	(3,133,838)
Compensated absences	(6,425,916)
Total other post employment benefit liability	(305,060,900)
Accrued interest	<u>(52,822)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (185,395,127)</u></b>

The accompanying notes are an integral part of these statements.

**MAHOPAC CENTRAL SCHOOL DISTRICT**
**Statement of Revenue, Expenditures, and Changes in Fund Balances-Governmental Funds  
For the Year Ended June 30, 2020**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
REVENUE:						
Real property taxes	\$ 79,480,524	\$ -	\$ -	\$ -	\$ -	\$ 79,480,524
Other tax items	7,093,741	-	-	-	-	7,093,741
Charges for services	624,365	-	-	-	-	624,365
Use of money and property	805,512	-	1,102	4,422	-	811,036
Sale of property and compensation for loss	581,500	-	-	-	-	581,500
Interfund revenue	-	-	-	-	-	-
Miscellaneous	1,072,808	-	13,443	-	-	1,086,251
State sources	31,431,903	659,030	12,935	-	-	32,103,868
Medicaid reimbursement	18,513	-	-	-	-	18,513
Federal sources	-	1,136,133	331,720	-	-	1,467,853
Sales - School lunch	-	-	520,406	-	-	520,406
Total revenue	<u>121,108,866</u>	<u>1,795,163</u>	<u>879,606</u>	<u>4,422</u>	<u>-</u>	<u>123,788,057</u>
EXPENDITURES:						
General support	11,007,370	-	-	-	-	11,007,370
Instruction	69,021,943	1,874,555	-	-	-	70,896,498
Pupil transportation	5,361,974	65,379	-	1,094,745	-	6,522,098
Community services	-	-	-	-	-	-
Employee benefits	28,811,328	109,365	16,454	-	-	28,937,147
Debt service - Principal	3,209,119	-	-	-	-	3,209,119
Debt service - Interest	248,028	-	-	-	-	248,028
Cost of sales	-	-	834,242	-	-	834,242
Capital outlay	-	-	-	3,159,716	-	3,159,716
Total expenditures	<u>117,659,762</u>	<u>2,049,299</u>	<u>850,696</u>	<u>4,254,461</u>	<u>-</u>	<u>124,814,218</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>3,449,104</u>	<u>(254,136)</u>	<u>28,910</u>	<u>(4,250,039)</u>	<u>-</u>	<u>(1,026,161)</u>
OTHER SOURCES AND (USES):						
Operating transfers in	194,375	254,136	-	-	-	448,511
Proceeds from the issuance of debt	-	-	-	8,565,000	-	8,565,000
Premiums on issuance of debt	-	-	-	-	1,272,183	1,272,183
BANs redeemed from appropriations	-	-	-	1,764,740	-	1,764,740
Operating transfers (out)	<u>(254,136)</u>	<u>-</u>	<u>-</u>	<u>(194,375)</u>	<u>-</u>	<u>(448,511)</u>
Total other sources and (uses)	<u>(59,761)</u>	<u>254,136</u>	<u>-</u>	<u>10,135,365</u>	<u>1,272,183</u>	<u>11,601,923</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>3,389,343</u>	<u>-</u>	<u>28,910</u>	<u>5,885,326</u>	<u>1,272,183</u>	<u>10,575,762</u>
FUND BALANCES - beginning of year	<u>15,739,497</u>	<u>-</u>	<u>380,535</u>	<u>(3,882,499)</u>	<u>1,762,495</u>	<u>14,000,028</u>
FUND BALANCES - end of year	<u>\$ 19,128,840</u>	<u>\$ -</u>	<u>\$ 409,445</u>	<u>\$ 2,002,827</u>	<u>\$ 3,034,678</u>	<u>\$ 24,575,790</u>

The accompanying notes are an integral part of these statements.

## MAHOPAC CENTRAL SCHOOL DISTRICT

### Reconciliation of the Statements of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities For the Year Ended June 30, 2020

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Net changes in fund balance - Total governmental funds	\$ 10,575,762
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	4,260,285
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(2,691,772)
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.	(7,109,604)
Amortization of premium on the issuance of long-term debt are recorded as a revenue in the statement of activities.	223,853
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.	695,000
Repayments of long-term energy performance debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.	749,379
Unearned revenue in the governmental funds are recognized as revenue in the statement of activities.	(535,000)
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds.	(926,434)
Proceeds from issuance of debt is an other financing source in the governmental it increases long-term debt in the Statement of Net Position and does not affect the Statement of Activities	(8,565,000)
Bond premium is recognized as revenue in the governmental funds, but is amortized in the government-wide financial statement.	(1,241,323)
Governmental funds report other postemployment benefit contributions as expenditures. However, in the statement of activities, the cost of other postemployment benefits earned, net of employer contributions is reported as other postemployment benefits.	<u>(18,669,593)</u>
Change in net position - Governmental activities	<u>\$ (23,234,447)</u>

The accompanying notes are an integral part of these statements.

**MAHOPAC CENTRAL SCHOOL DISTRICT****Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2020**

	Private Purpose Trusts	Agency
<b>ASSETS:</b>		
Cash	\$ -	\$ 68,463
Cash - restricted	<u>242,272</u>	<u>109,896</u>
Total assets	<u>\$ 242,272</u>	<u>\$ 178,359</u>
<b>LIABILITIES:</b>		
Extraclassroom activity balances	\$ -	\$ 109,896
Due to other funds	-	6,062
Other liabilities	<u>-</u>	<u>62,401</u>
Total liabilities	<u>-</u>	<u>\$ 178,359</u>
<b>NET POSITION:</b>		
Reserved for private purposes	<u>\$ 242,272</u>	

**MAHOPAC CENTRAL SCHOOL DISTRICT****Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended June 30, 2020**

	Private Purpose Trusts
<b>ADDITIONS:</b>	
Contributions	\$ 11,248
Interest	<u>858</u>
Total Additions	<u>12,106</u>
<b>DEDUCTIONS:</b>	
	<u>3,546</u>
NET INCREASE	8,560
NET POSITION - beginning of year	<u>233,712</u>
NET POSITION - end of year	<u>\$ 242,272</u>

The accompanying notes are an integral part of these statements.



# MAHOPAC CENTRAL SCHOOL DISTRICT

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

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### 1. NATURE OF OPERATIONS

Mahopac Central School District (the District) provides free K-12 public education to students living within its geographic borders.

#### **Reporting Entity**

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

The accompanying financial statements present the activities of the 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 Board of Education 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 an agency fund.

#### **Joint Venture**

The District is a component school district in the Wayne-Finger Lakes 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.

## **MAHOPAC CENTRAL SCHOOL DISTRICT**

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

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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.

During the year, the District was billed \$9,557,339 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,755,784.

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

## **2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES**

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

Certain significant accounting principles and policies utilized by the District are described below:

### **Basis of Presentation**

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

### **District-Wide Statements**

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental 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 District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue 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.

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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#### Fund Financial Statements

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

The District reports the following major governmental funds:

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

**Special Revenue Fund** - These fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes 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 District uses two special revenue type funds - special aid fund and school lunch fund.

- **Special Aid Fund:** This fund accounts for the proceeds of specific federal and state grants revenue sources that are legally restricted to expenditures for specified purposes (e.g. special education) and other activities whose funds are restricted as to use.
- **School Lunch Fund:** This fund accounts for the proceeds of specific federal and state grants revenue sources that are legally restricted to expenditures for school lunch operations.

**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 accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

#### Fiduciary Funds

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

There are two classes of fiduciary funds:

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

## **MAHOPAC CENTRAL SCHOOL DISTRICT**

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

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#### **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 dates of the financial statements and the reporting revenue and expenses 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**

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 District gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations.

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

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

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

#### **Restricted Cash**

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets include amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$13,698,393 within the governmental and fiduciary funds.

## **MAHOPAC CENTRAL SCHOOL DISTRICT**

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

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#### **Investments**

The District participates in NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law, whereby the District holds a portion of the investments in cooperation with other participants. The investments held by NYCLASS are valued at amortized cost, which approximates fair value. See Note 6 for further information.

#### **Property Taxes**

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

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

#### **Accounts Receivable and Due from Other Governments**

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

#### **Interfund Transactions**

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

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

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

#### **Capital Assets**

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, 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.

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 5,000	SL	20 - 50 years
Machinery and equipment	\$ 5,000	SL	5 - 20 years

#### Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The 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/expenditure) until then. The 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.

#### Vested Employee Benefits

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

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

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 recognized as expenditures on a pay-as-you-go basis.

#### Other Postemployment Benefits

In addition to providing the pension benefits described, the 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 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 District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level the District recognizes the cost of the providing health care insurance. At the fund level the 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.

## **MAHOPAC CENTRAL SCHOOL DISTRICT**

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

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#### **Unearned Revenue**

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the 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 District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

#### **Short Term Debt**

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

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

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

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

#### **Restricted Resources**

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

#### **District-wide Statements - Equity Classifications**

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

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

## MAHOPAC CENTRAL SCHOOL DISTRICT

### Notes to Financial Statements

For the Year Ended June 30, 2020

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

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

#### **Governmental Fund Financial Statements - Equity classifications**

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. Non-spendable 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 District has available the following restricted fund balances:

##### Capital reserve

According to Education Law §3651, this reserve must be 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 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. The Reserve is accounted for in the General Fund under restricted fund balance.

##### Reserve for Debt Service

According to General Municipal Law §6-l, the Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

##### Repair

Repair reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, that are of a type not recurring annually. The BOE, 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.



## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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#### Employee Benefit Accrued Liability Reserve

According to General Municipal Law §6-p, this reserve must be used for the payment of accrued employee benefits due to 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.

#### Insurance Reserve

According to General Municipal Law §6-n, this reserve must be 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 an 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 appropriation, 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.

#### Liability Claims and Property Loss Reserve

According to General Municipal Law § 1709(8)(c), this reserve must be used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and this reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater.

#### Tax Certiorari

According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the funds without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgements and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari 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. This reserve is accounted for in the General Fund.

#### 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.

#### Workers' Compensation

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

## MAHOPAC CENTRAL SCHOOL DISTRICT

### Notes to Financial Statements

For the Year Ended June 30, 2020

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#### Unemployment Insurance Reserve

This 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 District has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to the tax (contribution) basis, excess resources in the fund may be transferred to any other reserve fund. The reserve is accounted for in the General fund under restricted fund balance.

#### Reserve for Tax Reduction

This reserve (EL §1604, §1709) is used for the gradual use of the proceeds of the sale of District real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. This reserve is accounted for in the general fund.

#### Reserve for Insurance Recoveries

Reserve for Insurance Recoveries (Education Law §1718(2)) is used at the end of the fiscal year to account for unexpended proceeds of insurance recoveries. They will be held there pending action by the Board on their disposition. This reserve will not be used if the insurance recovery is expended in the same fiscal year in which it was received. The reserve is accounted for in the general fund.

#### Encumbrances

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

## MAHOPAC CENTRAL SCHOOL DISTRICT

### Notes to Financial Statements

For the Year Ended June 30, 2020

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Restricted fund balance includes the following:

General Fund:

Employee benefit reserve	\$ 1,300,000
Workers compensation	50,000
Retirement reserve	2,225,000
Unemployment	375,000
Debt service	121,335
Tax certiorari	4,091,852
Tax reduction	546,401
Capital reserve	1,954,127
Total General Fund	<u>10,663,715</u>

<u>Debt Service Fund:</u>	<u>3,034,678</u>
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<u>Capital Project fund</u>	<u>2,002,827</u>
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Total Restricted	<u><u>\$ 15,701,220</u></u>
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Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the board of education. The District has no committed fund balances as of June 30, 2020.

Assigned fund balance - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than General Fund. Assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. All encumbrances of the General fund are classified as assigned fund balance in the General fund. Encumbrances reported in the General Fund amounted to \$534,682. Appropriated fund balance in the General Fund amounted to \$3,000,000. Any remaining fund balance in other funds is considered assigned. The school lunch fund also reported assigned fund balance of \$398,780. As of June 30, 2020, the District's General Fund encumbrances were classified as follows:

Assigned fund balance:

General support	\$ 146,731
Instruction	361,367
Transportation	<u>26,584</u>
	<u><u>\$ 534,682</u></u>

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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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 District.

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

#### **Order of Fund Balance Spending Policy**

The 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 District's governmental funds differ from net position of governmental activities reported in the statement of net position. This difference 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 the following 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.

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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- **Capital Related Differences**

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

- **Long Term Debt Transaction Differences**

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

- **Pension Differences**

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

- **OPEB Differences**

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

#### 4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### **Budgets**

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.

The voters of the District approved the proposed appropriation budget.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the 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 restriction, if the board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations during the year.

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

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

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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

#### **Encumbrances**

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

#### **Fund Balance**

The District's unrestricted fund balance in its General Fund was in compliance with the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

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

#### **5. CASH**

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

At June 30, 2020, the reported amount of the District's deposits was \$20,343,779 and the bank balances of \$21,850,969. Of the bank balance \$628,728 was covered by federal depository insurance and the remaining \$21,222,241 was covered by collateral held in the District's name.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$12,714,977 within the governmental funds and \$352,168 in the fiduciary funds.

#### **6. INVESTMENT POOL**

The School District participates in NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law, whereby the District holds a portion of the investments in cooperation with other participants. At June 30, 2020, the District held \$15,535,872 in NYCLASS consisting of various investments in securities issued by the United States and its agencies. NYCLASS is rated 'AAAm' from Standard & Poor's Global Ratings. Amounts held with NYCLASS are highly liquid and the amount held represents the cost of the investment pool shares, which are considered to approximate fair value. Additional information concerning NYCLASS, including the annual report, can be found on its website [www.newyorkclass.org](http://www.newyorkclass.org)

# MAHOPAC CENTRAL SCHOOL DISTRICT

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

### 7. CAPITAL ASSETS

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

	Balance <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2020</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 587,330	\$ -	\$ -	\$ 587,330
Construction in progress	<u>3,962,673</u>	<u>3,159,716</u>	<u>-</u>	<u>7,122,389</u>
Total non-depreciable cost	<u>\$ 4,550,003</u>	<u>\$ 3,159,716</u>	<u>\$ -</u>	<u>\$ 7,709,719</u>
Capital assets that are depreciated:				
Buildings and land improvements	\$ 78,724,837	\$ -	\$ -	\$ 78,724,837
Machinery and equipment	<u>9,765,772</u>	<u>1,100,569</u>	<u>(124,351)</u>	<u>10,741,990</u>
Total depreciable historical cost	<u>88,490,609</u>	<u>1,100,569</u>	<u>(124,351)</u>	<u>89,466,827</u>
Less accumulated depreciation:				
Buildings and land improvements	(38,248,228)	(2,103,189)	-	(40,351,417)
Machinery and equipment	<u>(6,779,525)</u>	<u>(588,583)</u>	<u>124,351</u>	<u>(7,243,757)</u>
Total accumulated depreciation	<u>(45,027,753)</u>	<u>(2,691,772)</u>	<u>124,351</u>	<u>(47,595,174)</u>
Total depreciable cost - net	<u>\$ 43,462,856</u>	<u>\$ (1,591,203)</u>	<u>\$ -</u>	<u>\$ 41,871,653</u>
Total capital assets, net	<u>\$ 48,012,859</u>	<u>\$ 1,568,513</u>	<u>\$ -</u>	<u>\$ 49,581,372</u>

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

General support	\$ 204,332
Instruction	1,995,348
Pupil transportation	<u>492,092</u>
Total depreciation	<u>\$ 2,691,772</u>

# MAHOPAC CENTRAL SCHOOL DISTRICT

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

### 8. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	8/2/2019	2.00%	\$ 2,348,700	\$ -	\$ 469,740	\$ 1,878,960
BAN	8/2/2019	2.00%	975,000	-	390,000	585,000
BAN	8/3/2018	1.49%	625,000	-	625,000	-
BAN	8/3/2018	1.49%	280,000	-	280,000	-
BAN	6/9/2021	2.00%	-	2,000,000	-	2,000,000
BAN	9/27/2020	1.75%	-	1,130,000	-	1,130,000
		Total	<u>\$ 4,228,700</u>	<u>\$ 3,130,000</u>	<u>\$ 1,764,740</u>	<u>\$ 5,593,960</u>

### 9. INTERFUND BALANCES AND ACTIVITY

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General	\$ 1,413,221	\$ 4,909	\$ 194,375	\$ 254,136
Special Aid	-	1,212,784	254,136	-
School Lunch	4,909	-	-	-
Capital Projects	-	3,229,053	-	194,375
Fiduciary	-	6,062	-	-
Debt Service Fund	<u>3,034,678</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,452,808</u>	<u>\$ 4,452,808</u>	<u>\$ 448,511</u>	<u>\$ 448,511</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.



# MAHOPAC CENTRAL SCHOOL DISTRICT

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

### 10. LONG-TERM OBLIGATIONS

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

	Balance 6/30/2019	Additions {a}	Deletions	Balance 6/30/2020	Due Within One Year
Bonds:					
Serial bonds payable	\$ 1,930,000	\$ 8,565,000	\$ 695,000	\$ 9,800,000	\$ 720,000
Unamortized bond premiums	447,707	1,241,323	223,852	1,465,178	-
Total bonds and notes payable	2,377,707	9,806,323	918,852	11,265,178	720,000
Energy performance contract - 2015	3,883,217	-	749,379	3,133,838	762,770
Compensated absences	5,511,380	914,536	-	6,425,916	-
Total other liabilities	9,394,597	914,536	749,379	9,559,754	762,770
Total long-term liabilities	\$ 11,772,304	\$ 10,720,859	\$ 1,668,231	\$ 20,824,932	\$ 1,482,770

{a} Additions and deletions to compensated absences are shown net because it is impractical to determine these amounts separately

Interest on all debt for the year was composed of:

Interest paid	\$ 248,028
Less: Interest accrued in the prior year	(40,924)
Plus: Interest accrued in the current year	52,822
Total interest expense	\$ 259,926

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

Bond Issue	Issued	Maturity	Interest Rate	6/30/20 Balance
District Refunding Bond	5/31/2012	4/1/2021	3.00-5.00%	\$ 555,000
District Refunding Bond	8/15/2014	2/15/2024	3.00-4.00%	680,000
2020 Series A	9/9/2020	6/1/2036	2.00-5.00%	7,765,000
2020 Series B	9/9/2020	6/1/2036	2.50%-2.60%	800,000
Total bond issue				\$ 9,800,000

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

The following is a summary of the maturity of long-term indebtedness as of June 30, 2020:

	Total All Bonds Issued		Energy Performance Contract - 2015		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 720,000	\$ 517,917	\$ 762,770	\$ 52,373	\$ 1,482,770	\$ 570,290
2022	590,000	331,523	776,400	38,744	1,366,400	370,267
2022	605,000	304,598	790,273	24,870	1,395,273	329,468
2024	630,000	276,798	804,395	10,748	1,434,395	287,546
2025	480,000	247,735	-	-	480,000	247,735
2026-2036	6,775,000	1,144,906	-	-	6,775,000	1,144,906
Totals	<u>\$ 9,800,000</u>	<u>\$ 2,823,477</u>	<u>\$ 3,133,838</u>	<u>\$ 126,735</u>	<u>\$ 12,933,838</u>	<u>\$ 2,950,212</u>

#### Energy Performance Contract Debt Payable

The School District, in March 2015, entered into a \$6,750,475 contractual agreement to install energy savings equipment and/or to upgrade existing facilities to enhance performance. The terms of the contract provide for repayment over nine years, with semi-annual installments of \$407,572 through March 2024. Payments include interest at 1.7790%. The contract further provides that the savings in energy costs resulting from this modernization will equal or exceed the lease payment terms. The balance due at June 30, 2020 was \$3,133,838.

## 11. PENSION PLANS

#### New York State Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, and the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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#### *Contributions*

The system is noncontributory except for employees who joined the System after July 27th, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier 6 vary based on a sliding salary scale. 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:

	ERS
2020	\$ 1,920,208
2019	1,856,810
2018	1,913,567

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

At June 30, 2020, the District reported a net pension liability of \$9,490,647 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020, the District's proportionate share was .0358400% percent, which was an decrease of .00018875% from its proportionate share measured at June 30, 2019.

For the year ended June 30, 2020, the District recognized pension expense of \$3,540,409. At June 30, 2020, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 558,563	\$ -
Changes of assumptions	191,097	165,009
Net difference between projected and actual earnings on pension plan investments	4,865,367	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	822,397	171,991
Contributions subsequent to the measurement date	476,121	-
Total	<u>\$ 6,913,545</u>	<u>\$ 337,000</u>

The District recognized \$476,121 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2020 which will be recognized on a reduction of the net pension liability in the year ended June 30, 2021.

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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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	\$ 1,154,693
2022	1,572,099
2023	1,888,887
2024	1,484,745
2025	-
Thereafter	-
	<u>\$ 6,100,424</u>

#### Actuarial Assumptions

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

The actuarial valuation used the following actuarial assumptions:

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

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

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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

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

#### Discount Rate

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

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

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

	1% Decrease	Current	1% Increase
	5.8%	6.8%	7.8%
Proportionate Share of Net Pension liability (asset)	<u>\$ 17,418,016</u>	<u>\$ 9,490,647</u>	<u>\$ 2,189,506</u>

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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#### Pension Plan Fiduciary Net Position

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

Total pension liability	\$	194,596,261,000
Net position		<u>(168,115,682,000)</u>
Net pension liability (asset)	\$	<u>26,480,579,000</u>
ERS net position as a percentage of total pension liability		86.39%

#### New York State Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report and/or the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer, which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

The New York State Teachers' Retirement Board administers NYSTRS. NYSTRS 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

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

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.

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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

	<u>TRS</u>
2020	\$ 4,727,858
2019	5,076,847
2018	6,729,056

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

At June 30, 2020, the District reported net pension asset of \$8,214,300 for its proportionate share of the NYSTRS net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2018. The District's proportion of the net pension asset was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020, the District's proportionate share was 0.316177%, which was a decrease of 0.001859% from its proportionate share measured at June 30, 2019.

For the year ended June 30, 2020, the District recognized pension expense of \$10,155,579. At June 30, 2020 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,566,622	\$ 610,831
Changes of assumptions	15,517,912	3,783,706
Net difference between projected and actual earnings on pension plan investments	-	6,587,445
Changes in proportion and differences between the District's contributions and proportionate share of contributions	249,221	143,060
Contributions subsequent to the measurement date	<u>4,961,799</u>	<u>-</u>
Total	<u>\$ 26,295,554</u>	<u>\$ 11,125,042</u>

The District recognized \$4,961,799 as a deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2019 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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

Plan's Year Ended June 30:

2020	\$ 3,713,449
2021	232,989
2022	3,699,979
2023	2,477,990
2024	331,126
Thereafter	(246,820)
	<u>\$ 10,208,713</u>

#### Actuarial Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expect 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.



# MAHOPAC CENTRAL SCHOOL DISTRICT

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

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Type	Target Allocations in %	Long-Term Expected Real Rate of Return in %
Domestic Equity	33.0	6.3
International Equity	16.0	7.8
Global Equity	4.0	7.2
Real Estate Equity	11.0	4.6
Private Equity	8.0	9.9
Domestic Fixed Income	16.0	1.3
Global Bonds	2.0	0.9
Private Debt	1.0	6.5
Real Estate Debt	7.0	2.9
High-Yield Bonds	1.0	3.6
Cash Equivalents	1.0	0.3
	<u>100.0</u>	

### Discount Rate

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

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

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% lower (6.10 percent) or 1% higher (8.10 percent) than the current rate:

	1% Decrease 6.10%	Current Discount 7.10%	1% Increase 8.10%
Proportionate Share of Net Pension Liability (asset)	<u>\$ 37,078,498</u>	<u>\$ (8,214,300)</u>	<u>\$(46,209,845)</u>

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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#### Pension Plan Fiduciary Net Position

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

Total pension liability	\$	119,879,473,882
Net position		<u>(122,477,480,654)</u>
Net pension liability (asset)	\$	<u>(2,598,006,772)</u>
NYSTRS net position as a percentage of total pension liability		102.2%

## 12. OTHER POSTEMPLOYMENT BENEFITS

#### Plan Description

The District's defined benefit OPEB plan, provides OPEB for all employees who meet the NYSTRS/NYSERS eligibility requirements. Teachers and Administrators age 55 with 5 years of service who are eligible to retire and collect benefits according to the NYSTRS are eligible for retiree health care benefits for life from the District. Support staff hired before January 1, 2010 age 55 with 5 years of service are eligible to retire and collect benefits for life from the District according to NYSERS. Members after January 1, 2010 must be 55 years old with 10 years of service to qualify for NYSERS health care benefits.

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

#### Benefits Provided

The District provides 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 District offices and are available upon request

#### Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently	738
Active employees	<u>442</u>
Total participants	<u>1,180</u>

#### Total OPEB Liability

The District's total OPEB liability of \$305,060,900 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

## MAHOPAC CENTRAL SCHOOL DISTRICT

### Notes to Financial Statements

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

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##### Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	7.00 percent per year
Payroll Growth	3 percent
Discount Rate	2.44 percent as of June 30, 2020
Healthcare Cost Trend Rates	7.00 percent for 2021, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent for 2025 and later years
Cost Method	Entry Age Normal Level % of Salary method

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on RP 2014 Healthy Male and Female Tables which were based on the Employee and Healthy Annuitant Tables for both pre- & post retirements projected with mortality improvements using Project Scale AA for 3.50 years.

##### Changes in the Total OPEB Liability

Balance at June 30, 2019	<u>\$ 265,937,212</u>
Changes for the Year-	
Service cost	7,157,289
Interest	7,181,845
Changes of benefit terms	-
Changes in assumptions or other inputs	32,016,882
Differences between expected and actual experience	-
Benefit payments	<u>(7,232,328)</u>
Net changes	<u>39,123,688</u>
Balance at June 30, 2020	<u><u>\$305,060,900</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.10% in 2019 to 2.44% in 2020.

## MAHOPAC CENTRAL SCHOOL DISTRICT

### Notes to Financial Statements

For the Year Ended June 30, 2020

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.44%) or 1 percentage point higher (3.44%) than the current discount rate:

	1% Decrease 1.44%	Current Discount 2.44%	1% Increase 3.44%
Total OPEB Liability	<u>\$ 351,197,144</u>	<u>\$ 305,060,900</u>	<u>\$ 263,675,046</u>

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current healthcare cost trend rate:

	Healthcare Cost Trend Rate		
	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Total OPEB Liability	<u>\$ 250,367,265</u>	<u>\$ 305,060,900</u>	<u>\$ 377,568,257</u>

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$25,901,921. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -
Changes of assumptions	45,360,654
Benefit payments subsequent to measurement date	<u>-</u>
Total	<u>\$ 45,360,654</u>

## MAHOPAC CENTRAL SCHOOL DISTRICT

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

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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 30:</u>	<u>Amount</u>
2021	\$ 10,006,127
2022	10,006,127
2023	10,006,127
2024	10,006,126
2025	5,336,147
Thereafter	-
	<u>\$ 45,360,654</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 and other school districts have formed a reciprocal insurance company to be owned by these districts. This Company operates under an agreement effective July 1, 1989. The purpose of the Company is to provide general liability, auto liability, all risk building and contents and auto physical damage coverage. In addition, as part of the reciprocal program, excess insurance, school board legal liability, equipment floaters, boilers and machinery and crime and bond coverage's will be purchased from commercial carriers and be available to the subscriber districts. The Company retains a management company which is responsible for the overall supervision and management of the reciprocal. The reciprocal is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts. The subscribers have elected those who sit on the board and each subscriber has a single vote.

The Company is an "assessable" insurance company, in that, the subscribers are severally liable for any financial shortfall of the Company and can be assessed their proportionate share by the State Insurance Department if the funds of the Company are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimal capital contribution.

The School District purchases various insurance coverages from the Company to reduce its exposure to loss. The School District maintains a general liability insurance policy with coverage up to \$1 million. The School District maintains liability coverage for school board members up to \$1 million. The School District also maintains an umbrella policy with coverage up to \$25 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District participates in the Westchester-Putnam Cooperative Self-Insurance Plan for Workers' Compensation, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers' Compensation claims. The Plan's Actuary projects that there are sufficient assets in the workers' compensation pool to offset any potential liability.

## **MAHOPAC CENTRAL SCHOOL DISTRICT**

### **Notes to Financial Statements**

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

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The School District participates in the Northern Westchester-Putnam Cooperative Medical Expense Benefit Plan, which is responsible for the approval, processing and payment of claims, after which they bill the School Districts for reimbursement. The School District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The School District has transferred all related risk to the plan.

#### **14. CONTINGENCIES AND COMMITMENTS**

##### **General Information**

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

The School District has various commitments with contractors for the completion of capital projects.

#### **15. COVID-19 PANDEMIC**

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the District and its future results and financial position is not presently determinable.

#### **16. SUBSEQUENT EVENTS**

On July 30, 2020 the District issued bond anticipation notes in the amount of \$2,703,220 with a stated interest rate of 1.50% which renewed BANs used for the purchase of buses in the amount of \$1,294,000 with additional funding of \$1,409,220 for a roof project.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**MAHOPAC CENTRAL SCHOOL DISTRICT**
**Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)  
June 30, 2020**

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Budgetary Actual
<b>REVENUE</b>					
LOCAL SOURCES:					
Real property taxes	\$ 86,528,671	\$ 79,490,140	79,480,524	\$ -	\$ (9,616)
Other tax items	50,000	7,088,531	7,093,741	-	5,210
Charges for services	280,000	280,000	624,365	-	344,365
Use of money and property	1,025,816	1,025,816	805,512	-	(220,304)
Sale of property and compensation for loss	5,000	12,301	581,500	-	569,199
Miscellaneous	873,450	877,450	1,072,808	-	195,358
Total local sources	88,762,937	88,774,238	89,658,450	-	884,212
State sources	31,287,618	31,287,618	31,431,903	-	144,285
Medicaid reimbursement	165,000	165,000	18,513	-	(146,487)
Total revenue	120,215,555	120,226,856	121,108,866	-	882,010
<b>OTHER FINANCING SOURCES</b>					
Operating transfers in	-	-	194,375	-	194,375
Total revenue and other financing sources	120,215,555	120,226,856	121,303,241	-	1,076,385



**MAHOPAC CENTRAL SCHOOL DISTRICT**
**Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)  
June 30, 2020**

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Budgetary Actual
<b>EXPENDITURES</b>					
GENERAL SUPPORT:					
Board of education	\$ 82,370	\$ 120,084	\$ 107,609	\$ 27	\$ 12,448
Central administration	334,804	330,340	330,286	-	54
Finance	1,129,166	1,047,961	972,393	5,000	70,568
Staff	817,929	917,829	892,744	-	25,085
Central services	7,718,476	8,022,711	7,489,803	141,704	391,204
Special items	1,219,861	1,231,857	1,214,535	-	17,322
Total general support	11,302,606	11,670,782	11,007,370	146,731	516,681
INSTRUCTION:					
Instruction, administration, and imprc	3,586,128	3,547,304	3,443,398	277	103,629
Teaching - Regular school	36,737,949	37,076,402	36,025,388	192,862	858,152
Programs for children with handicapping conditions	20,086,433	19,989,182	18,297,827	55,346	1,636,009
Occupational education	1,900,914	1,910,914	1,905,914	-	5,000
Teaching - Special school	374,947	377,947	234,280	-	143,667
Instructional media	3,496,921	3,708,350	3,582,847	38,285	87,218
Pupil services	5,289,655	5,415,910	5,532,289	74,597	(190,976)
Total instruction	71,472,947	72,026,009	69,021,943	361,367	2,642,699
Pupil transportation	6,605,849	6,416,470	5,361,974	26,584	1,027,912
Employee benefits	29,581,490	29,209,049	28,811,328	-	397,721
Debt service - Principal	3,209,120	3,209,120	3,209,119	-	1
Debt service - Interest	252,961	273,779	248,028	-	25,751
Total expenditures	122,424,973	122,805,209	117,659,762	534,682	4,610,765
<b>OTHER FINANCING USES</b>					
Transfers to other funds	(212,640)	(212,640)	(254,136)	-	(41,496)
Total expenditures and other uses	122,637,613	123,017,849	117,913,898	534,682	4,569,269
NET CHANGE IN FUND BALANCES	\$ (2,422,058)	\$ (2,790,993)	\$ 3,389,343	\$ (534,682)	\$ 5,645,654
FUND BALANCE - beginning of year			15,739,497		
FUND BALANCE - end of year			\$ 19,128,840		

The accompanying notes are an integral part of these statements.

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)  
For the Year Ended June 30, 2020**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Total OPEB Liability</b>										
Service cost	\$ 7,157,289	\$ 3,073,562	\$ 2,669,668							
Interest	7,181,845	8,002,313	8,346,637							
Changes in assumptions	32,016,882	28,019,879	-							
Benefit payments	(7,232,328)	(6,555,592)	(6,408,079)							
<b>Total change in total OPEB liability</b>	<b>39,123,688</b>	<b>32,540,162</b>	<b>4,608,226</b>							
<b>Total OPEB liability - beginning</b>	<b>265,937,212</b>	<b>233,397,050</b>	<b>228,788,824</b>							
<b>Total OPEB liability - ending</b>	<b>\$ 305,060,900</b>	<b>\$ 265,937,212</b>	<b>\$ 233,397,050</b>							
<b>Covered-employee payroll</b>	<b>\$ 64,898,456</b>	<b>\$ 62,390,168</b>	<b>62,390,168</b>							
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>470.1%</b>	<b>426.2%</b>	<b>374.1%</b>							

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going

**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	2.44%	3.10%	3.70%
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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.

The actuarial cost method has been updated from Projected Unit Credit to Entry Age Normal, which caused a decrease in liabilities.

The healthcare trend cost rates have been reset to an initial rate of 7.0% decreasing by 0.5% annually to an ultimate rate of 4.0% in 2025 and beyond, which caused an increase in liabilities.

**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.

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)  
For the Year Ended June 30, 2020**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Proportion of the net pension liability (asset)	0.0358400%	0.0377275%	0.0391534%	0.0394458%	0.0425467%	0.0426980%	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)	\$ 9,490.6	\$ 2,673.1	\$ 1,263.7	\$ 3,706.4	\$ 6,828.9	\$ 1,442.4				
Covered-employee payroll	\$ 12,988.6	\$ 12,573.1	\$ 12,720.9	\$ 12,548.2	\$ 12,065.0	\$ 12,220.0				
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.1%	21.3%	9.9%	29.5%	56.6%	11.8%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.39%	96.27%	98.2%	94.7%	90.7%	97.9%				
	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Proportion of the net pension liability (asset)	0.3161770%	0.3180360%	0.3205340%	0.3195630%	0.3171570%	0.3152970%	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)	\$ (8,214.3)	\$ (5,750.9)	\$ (2,436.4)	\$ 3,422.7	\$ (32,942.5)	\$ (35,122.1)				
Covered-employee payroll	\$ 53,361.8	\$ 52,775.1	\$ 52,497.0	\$ 52,157.0	\$ 50,268.7	\$ 46,574.3				
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-15.4%	-10.9%	-4.6%	6.6%	-65.5%	-75.4%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.17%	101.53%	100.66%	99.01%	111.46%	111.50%				

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**Schedule of Contributions - Pension Plans (Unaudited)**  
**For the Year Ended June 30, 2020**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 1,904.5	\$ 1,856.8	\$ 1,913.6	\$ 2,242.1	\$ 2,194.3	\$ 2,330.2				
Contributions in relation to the contractually required contribution	<u>1,904.5</u>	<u>1,856.8</u>	<u>1,913.6</u>	<u>2,242.1</u>	<u>2,194.3</u>	<u>2,330.2</u>				
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Covered-employee payroll	\$ 12,988.6	\$ 12,573.1	\$ 12,720.9	\$ 12,548.2	\$ 12,065.0	\$ 12,220.0				
Contributions as a percentage of covered-employee payroll	14.66%	14.77%	15.04%	17.87%	18.19%	19.07%				

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)									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 4,727.9	\$ 5,076.8	\$ 5,286.1	\$ 6,729.0	\$ 7,977.5	\$ 7,568.3				
Contributions in relation to the contractually required contribution	<u>4,727.9</u>	<u>5,076.8</u>	<u>5,286.1</u>	<u>6,729.0</u>	<u>7,977.5</u>	<u>7,568.3</u>				
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Covered-employee payroll	\$ 53,361.8	\$ 52,775.1	\$ 52,497.0	\$ 52,157.0	\$ 50,268.7	\$ 46,574.3				
Contributions as a percentage of covered-employee payroll	8.86%	9.62%	10.07%	12.90%	15.87%	16.25%				

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

## MAHOPAC CENTRAL SCHOOL DISTRICT

### Schedule of Change from Adopted Budget to Revised Budget and Section 1318 of Real Property Tax Law Limit Calculation (Unaudited) June 30, 2020

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#### Change from Adopted Budget to Revised Budget

Adopted budget	\$ 122,637,613
Add: Prior year's encumbrances	<u>368,933</u>
Original budget	<u>123,006,546</u>
Budget revision	<u>11,303</u>
Final budget	<u>\$ 123,017,849</u>

#### Section 1318 of Real Property Tax Law Limit Calculation- General Fund

2020-2021 voter-approved expenditure budget	\$ 125,312,865
Maximum allowed (4% of 2020-2021 budget)	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law *:	<u>\$ 5,012,515</u>
Total fund balance:	<u>\$ 19,128,840</u>
Less:	
Restricted fund balance	10,663,715
Assigned fund balance:	
Appropriated fund balance	3,000,000
Encumbrances included in committed and assigned fund balance	<u>534,682</u>
Total adjustments	<u>\$ 14,198,397</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 4,930,443</u>
Actual percentage	<u>3.93%</u>

\*Per Office of the State Comptroller's "Fund Balance and Governmental Fund Type Definitions", updated April 2011 (Originally issued November 2010), the portion of 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 classification), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**Schedule of Project Expenditures - Capital Projects Fund (Unaudited)**  
**For the Year Ended June 30, 2020**

PROJECT NAME	PROJECT NUMBER	METHODS OF FINANCING				EXPENDITURES				
		TOTAL BUDGET	OF OBLIGATION	STATE AID	LOCAL SOURCES	TOTAL	PRIOR YEARS	CURRENT YEARS	TOTAL	TOTAL FUND BALANCE
PROJECTS PRIOR TO 2014-15		\$ -	\$ -	\$ -	\$ 194,375	\$ 194,375	\$ -	\$ 194,375	\$ 194,375	\$ -
BUS PURCHASE 2010-11		500,000	500,000	-	-	500,000	399,024	-	399,024	100,976
BUS PURCHASE 2011-12		600,000	600,000	-	-	600,000	555,452	-	555,452	44,548
BUS PURCHASE 2012-13		456,594	456,594	-	-	456,594	426,842	-	426,842	29,752
BUS PURCHASE 2013-14		500,000	500,000	-	-	500,000	492,182	-	492,182	7,818
BUS PURCHASE 2014-15		500,000	500,000	-	-	500,000	457,495	-	457,495	42,505
BUS PURCHASE 2015-16		500,000	500,000	-	-	500,000	493,703	-	493,703	6,297
BUS PURCHASE 2016-17		350,000	350,000	-	-	350,000	304,162	-	304,162	45,838
BUS PURCHASE 2017-18		975,000	390,000	-	-	390,000	1,013,344	-	1,013,344	(623,344)
BUS PURCHASE 2018-19		1,130,000	-	-	-	-	-	1,094,745	1,094,745	(1,094,745)
MHS ROOF	004-018	790,000	75,158	-	110,647	185,805	486,439	-	486,439	(300,634)
LAKEVIEW ROOF	001-015	1,015,000	140,922	-	185,436	326,358	890,046	-	890,046	(563,688)
AUSTIN ROAD ROOF	002-012	1,660,000	253,660	-	359,790	613,450	1,628,088	-	1,628,088	(1,014,638)
MIDDLE SCHOOL ROOF	006-012	2,485,000	1,967,978	-	-	1,967,978	-	498,717	498,717	1,469,261
MHS ROOF	004-019	1,560,000	1,235,431	-	-	1,235,431	-	428,182	428,182	807,249
FALLS ROOF	003-007	3,300,000	3,413,412	-	-	3,413,412	-	560,071	560,071	2,853,341
FULMAR ROOF	005-015	2,460,000	1,948,180	-	-	1,948,180	-	598,605	598,605	1,349,575
DW BOND PROJECT	N/A	-	-	-	-	-	-	1,074,140	1,074,140	(1,074,140)
LAKEVIEW WATER PROJECT	001-014	100,000	-	-	100,000	100,000	130,536	-	130,536	(30,536)
UNSPECIFIED PROJECTS	N/A	100,000	-	-	116,629	116,629	169,237	-	169,237	(52,608)
SMART SCHOOLS BOND ACTS	N/A	3,181,109	-	1,709,012	-	1,709,012	1,709,013	-	1,709,013	-
		<u>\$22,162,703</u>	<u>\$12,831,335</u>	<u>\$ 1,709,012</u>	<u>\$ 1,066,877</u>	<u>\$15,607,224</u>	<u>\$ 9,155,563</u>	<u>\$ 4,448,835</u>	<u>\$13,604,398</u>	<u>\$ 2,002,827</u>

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**Schedule of Net Investment in Capital Assets**  
**June 30, 2020**

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Capital assets, net		\$	49,581,372
Deduct:			
Bond anticipation notes	\$	5,593,960	
Short-term portion of bonds payable		1,482,770	
Long-term portion of bonds payable		12,916,245	
Less: unspent bond proceeds		<u>5,405,284</u>	
			<u>25,398,259</u>
Net investment in capital assets		\$	<u>24,183,113</u>

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

October 15, 2020

To the Board of Education of the  
Mahopac 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 Mahopac Central School District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 15, 2020.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control 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.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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.