

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**Financial Statements and Required Reports  
June 30, 2019  
Together with  
Independent Auditor's Report**

# MAHOPAC CENTRAL SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

October 28, 2019

The Board of Education of  
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, 2019, 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 School District, as of June 30, 2019, 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.

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### ***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 28, 2019 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) FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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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, 2019. 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 \$(162,160,680). This is an approximately \$4.8 million decrease from the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

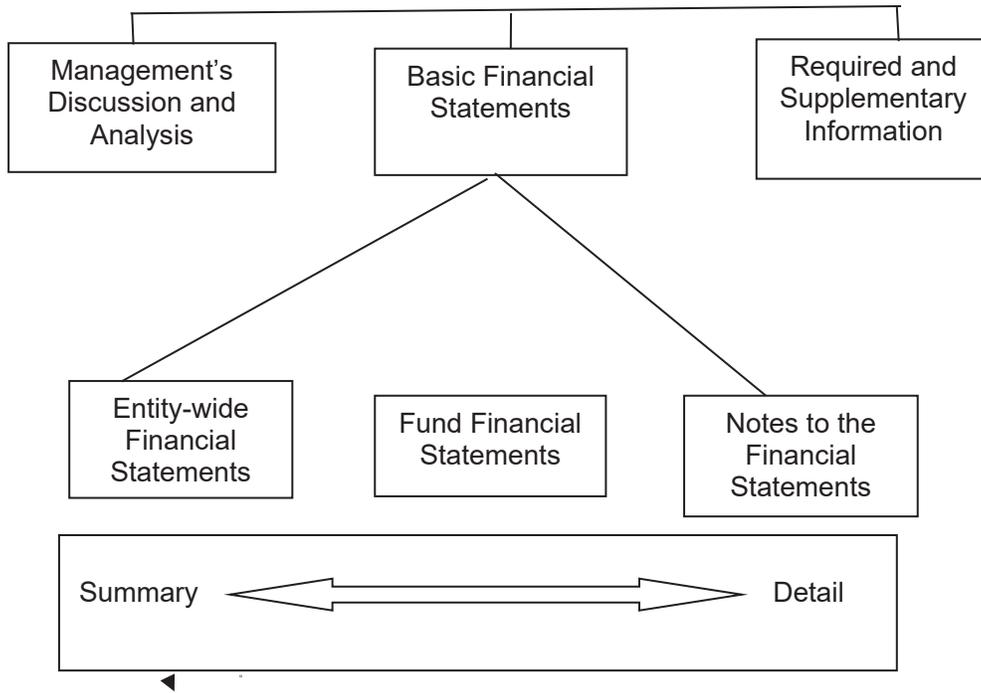
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are School District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the operation in more detail than the entity-wide statements.
- The governmental fund statements tell how basic services such as instruction and support functions were financed in the short-term, as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others, including the employees of the School District.

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

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

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



**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

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

**Table A-2** Major Features of the 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/out flow 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.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### 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.

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 law.
  - 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).

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Fund Financial Statements (Continued)

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.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The School District's net position as of June 30, 2019 are as detailed in Tables A-3 and A-4.

Table A-3 Condensed Statement of Net position

	Fiscal Year <u>2019</u>	Fiscal Year <u>2018</u>	Percent <u>Change</u>
Current and other assets	\$ 29,816,617	\$ 29,362,927	1.5%
Non current assets	<u>53,763,796</u>	<u>49,720,450</u>	<u>8.1%</u>
Total assets	<u>83,580,413</u>	<u>79,083,377</u>	<u>5.7%</u>
Deferred outflows of resources	<u>57,742,586</u>	<u>36,540,822</u>	<u>58.0%</u>
Current liabilities	15,250,350	14,503,637	5.1%
Long-term liabilities	<u>278,938,245</u>	<u>246,541,356</u>	<u>13.1%</u>
Total liabilities	<u>294,188,595</u>	<u>261,044,993</u>	<u>12.7%</u>
Deferred inflows of resources	<u>9,295,084</u>	<u>11,957,120</u>	<u>-22.3%</u>
Net position:			
Investment in capital assets	41,406,452	39,976,698	3.6%
Restricted	9,812,176	10,442,233	-6.0%
Unrestricted	<u>(213,379,308)</u>	<u>(207,796,845)</u>	<u>-2.7%</u>
Total net position	<u><u>\$(162,160,680)</u></u>	<u><u>\$(157,377,914)</u></u>	<u><u>3.0%</u></u>

During 2019, the School District's total assets increased 5.7%. This is consistent with the prior year, however there was an increase in the non-current assets due to the change in the GASB 68 valuation for TRS recording a net pension asset again in the current year with an increase of \$3.3 million. Cash increased due to normal daily cash flows.

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 an increase in both accounts' payables and accrued liabilities. Additionally, the amount due to NYS Teachers' Retirement System increased.

Long term liabilities increased from year to year due to an increase in other post-employment benefits.

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

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

**Table A-4** Changes in Net position from Operating Results

### Changes in Net Position

The School District's fiscal year 2019 revenue totaled \$124,065,301 (see Table A-4). Property taxes and state aid accounted for most of the School District's revenue by contributing 62% and 26%, 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 \$128,848,067 in 2019. 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>2019</u>	Fiscal Year <u>2018</u>	Percent <u>Change</u>
<u>Revenue</u>			
Charges for services	\$ 1,316,914	\$ 909,412	44.8%
Operating grants	2,391,049	2,311,428	3.4%
Capital grants	-	1,095,801	-100.0%
General revenue:			
Real property taxes	76,626,806	75,263,532	1.8%
Other tax items	8,199,723	8,770,518	-6.5%
Use of money and property	1,052,910	318,254	230.8%
State aid	32,593,438	32,229,062	1.1%
Federal aid	295,793	181,154	63.3%
Miscellaneous	1,552,257	954,766	62.6%
Use of property/compensation for loss	<u>36,411</u>	<u>21,929</u>	<u>66.0%</u>
Total revenue	<u>124,065,301</u>	<u>122,055,856</u>	<u>1.6%</u>
<u>Expenses</u>			
General support	13,869,316	14,742,819	-5.9%
Instruction	103,894,999	100,729,317	3.1%
Pupil transportation	9,581,895	8,488,514	12.9%
Cost of food sales	285,160	478,168	-40.4%
Interest	<u>1,216,697</u>	<u>1,137,778</u>	<u>6.9%</u>
Total expenses	<u>128,848,067</u>	<u>125,576,596</u>	<u>2.6%</u>
Increase in net position	<u>\$ (4,782,766)</u>	<u>\$ (3,520,740)</u>	<u>35.8%</u>

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

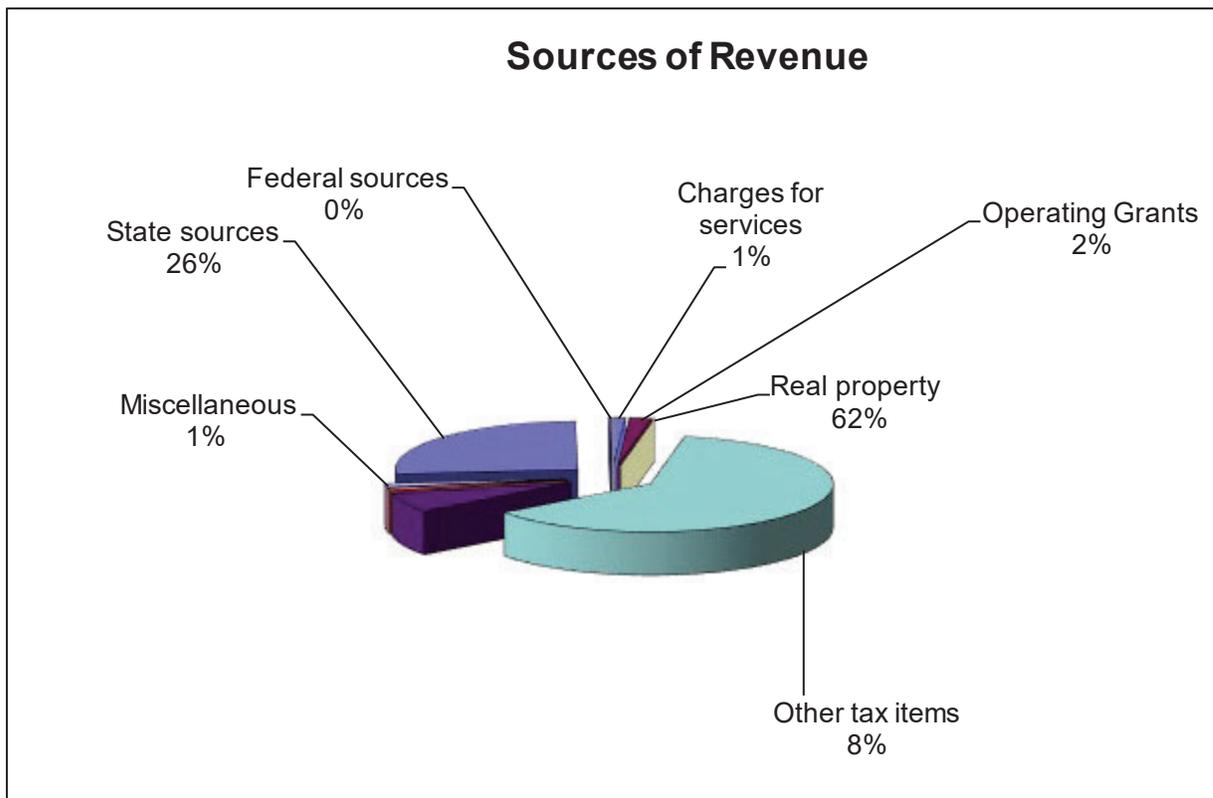
### Revenues:

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

### Expenditures:

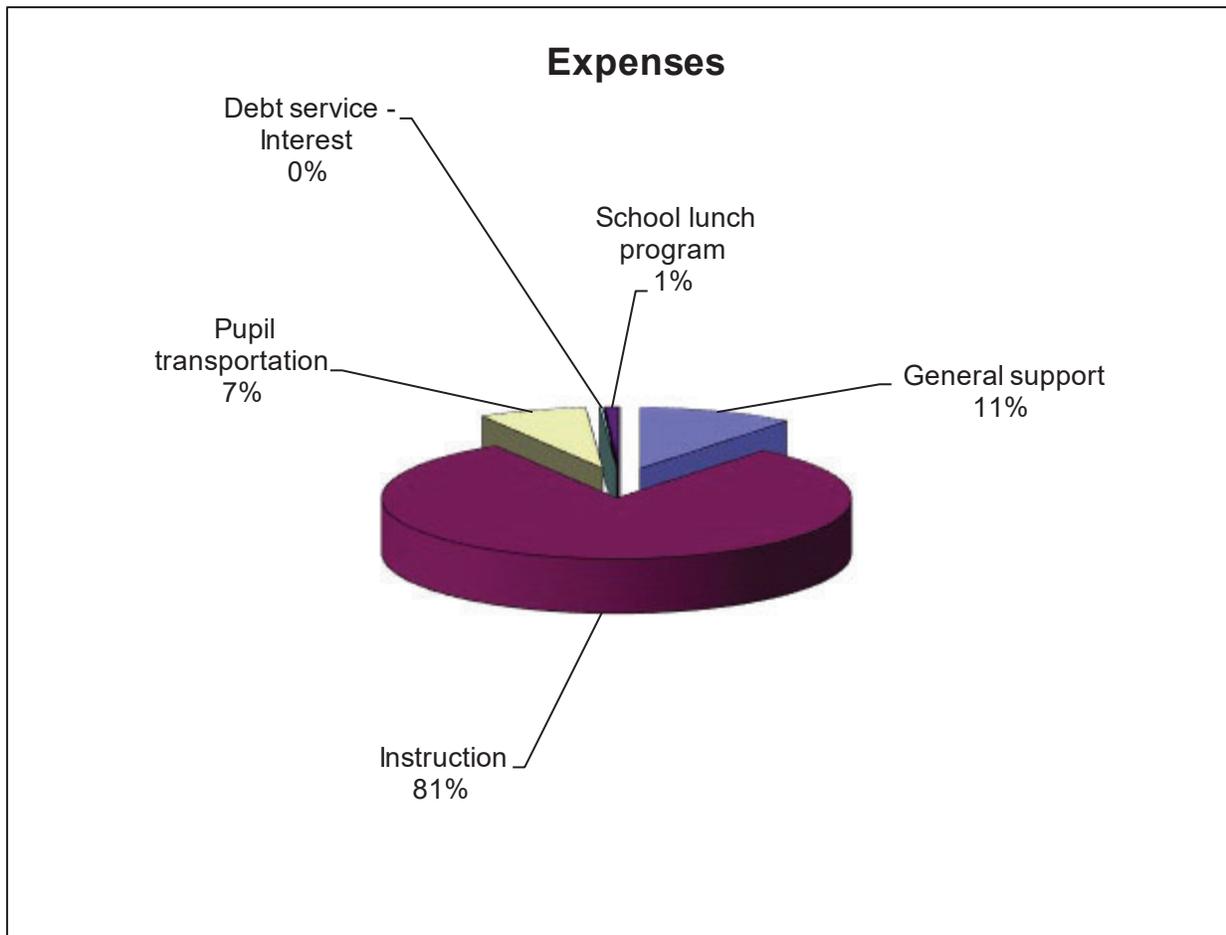
- There was an increase in the overall costs of providing instruction to students.
- The School District continues to demonstrate efficiency when expending the budget.
- The school lunch fund has seen a decrease in the program overall due to the new healthy food standards set by NYSED. Corresponding school lunch sales are affected negatively by this, as well as the drop-in student enrollments.

**Table A-5** Sources of Revenue for Fiscal Year 2019:



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

**Table A-6** Expenditures for Fiscal Year 2019:



### Governmental Activities

Revenue for the School District's governmental activities totaled \$124,065,301 or 1.6% more than the previous fiscal year. Total expenses equaled \$128,848,067 or 2.6% 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.

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

**Table A-7** Net Cost of Governmental Activities

<u>Category</u>	<u>2019</u>		<u>2018</u>	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
General support	\$ 13,869,316	\$ 13,869,316	\$ 14,742,819	\$ 13,647,018
Instruction	103,894,999	101,350,586	100,729,317	98,634,139
Pupil transportation	9,581,895	9,581,895	8,488,514	8,488,514
Cost of food sales	285,160	285,160	478,168	478,168
Interest	<u>1,216,697</u>	<u>53,147</u>	<u>1,137,778</u>	<u>12,116</u>
<b>Total</b>	<b><u>\$128,848,067</u></b>	<b><u>\$125,140,104</u></b>	<b><u>\$125,576,596</u></b>	<b><u>\$121,259,955</u></b>

- The total cost of all governmental activities this year was \$128,848,067.
- The users of the School District's programs financed \$1,316,914 of the cost.
- The federal and state governments subsidized certain programs with grants and contributions in the amount of \$2,391,049.
- Most of the School District's net costs, \$125,174,576, were financed by taxpayers and state aid.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

### Governmental Funds Highlights

General Fund – Expenditures exceeded revenue by \$126,889, which was less than the planned use of fund balance of \$3.5 million. This was due to continued increased efficiencies and strong internal controls over expenditures.

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

School Lunch Fund – The school lunch fund balance is planned to help replace aging equipment and will be used to offset the increased costs of complying with new nutritional standards.

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

### Capital Assets

By the end of 2019, the School District had an investment, net of depreciation of \$48,012,859 in a broad range of capital assets.

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

<u>Category</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>	<u>Percent Change</u>
Land	\$ 587,330	\$ 587,330	0.0%
Buildings and improvements	78,724,837	78,718,628	0.0%
Machinery and equipment	9,269,662	8,799,166	5.3%
Construction in progress	3,962,673	1,608,983	146.3%
Less accumulated depreciation	<u>(44,531,643)</u>	<u>(42,430,332)</u>	<u>5.0%</u>
Total	<u>\$ 48,012,859</u>	<u>\$ 47,283,775</u>	<u>1.5%</u>

### Long-Term Liabilities

At year-end, the School District had \$280,382,624 of long-term liabilities outstanding, of which \$1,444,380 will be due within the 2019/20 year. More detailed information about the School District's long-term liabilities is presented in the notes to the financial statements. See Note 10 for further information.

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

<u>Category</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>
Bonds payable	\$ 2,377,707	\$ 5,936,559
Energy performance contract - 2015	3,883,217	4,619,440
Compensated absences	<u>5,511,380</u>	<u>5,395,877</u>
Total	<u>\$ 11,772,304</u>	<u>\$ 15,951,876</u>

During the year, the School District paid down \$4.3 million in serial bonds and other debt. Additional other post-employment benefit payable was accrued during 2019 in the amount of approximately \$32.5 million and the net pension liability increase approximately \$1.4 million.

## **FACTORS BEARING ON THE FUTURE OF THE DISTRICT**

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

- Health insurance and other post-retirement costs are expected to increase and could potentially affect the School District's financial health.
- Continued uncertainty in New York State government finances that will further impact state revenue could affect the School District's financial health through the amount of state funding available for public education.
- 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'S FINANCIAL MANAGEMENT**

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

Brian Wolfson  
Interim Assistant Superintendent for Business  
Mahopac Central School District Office  
179 E Lake Blvd  
Mahopac, New York 10541  
Tel: (845) 628-3415 x 10410  
sotlandh@mahopac.k12.ny.us

**MAHOPAC CENTRAL SCHOOL DISTRICT****STATEMENT OF NET POSITION  
JUNE 30, 2019****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

CURRENT ASSETS:	
Cash - Unrestricted	3,495,930
Cash - Restricted	1,386,058
Investments	18,318,423
State and federal aid receivable	4,786,248
Other receivables	676,422
Due from other funds	60,824
Due from other governments	1,090,000
Inventories	<u>2,712</u>
Total current assets	<u>29,816,617</u>
NON CURRENT ASSETS:	
Capital assets, net	48,012,859
Net pension asset - TRS	<u>5,750,937</u>
Total non current assets	<u>53,763,796</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources - ERS pension	2,405,331
Deferred outflows of resources - TRS pension	30,430,696
Deferred outflows of resources - OPEB	<u>24,906,559</u>
Total deferred outflows of resources	<u>57,742,586</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>141,322,999</u>

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	3,096,345
Accrued interest	40,924
Due to Teachers' Retirement System	5,869,173
Due to Employees' Retirement System	464,203
Unearned revenue	106,625
Bond anticipation notes	4,228,700
Current portion of long term debt	<u>1,444,380</u>
Total current liabilities	<u>15,250,350</u>
LONG-TERM LIABILITIES:	
Bonds payable, net of current portion	1,682,707
Energy performance loan, net of current portion	3,133,837
Total other post-employment benefits	265,937,212
Compensated absences payable	5,511,380
Net pension liability - ERS	<u>2,673,109</u>
Total long-term liabilities	<u>278,938,245</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources - state aid	961,543
Deferred inflows of resources - ERS pension	988,650
Deferred inflows of resources - TRS pension	<u>7,344,891</u>
Total deferred inflows of resources	<u>9,295,084</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>303,483,679</u>

**NET POSITION**

Net investment in capital assets	41,406,452
Restricted	9,812,176
Unrestricted	<u>(213,379,308)</u>
TOTAL NET POSITION	<u>\$ (162,160,680)</u>

The accompanying notes are an integral part of these statements.

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR YEAR ENDED JUNE 30, 2019**

	<u>Expenses</u>	<u>Program Revenue</u>			Net (Expense) Revenue and Changes in <u>Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
FUNCTIONS/PROGRAMS:					
General support	\$ 13,869,316	\$ -	\$ -	\$ -	\$ (13,869,316)
Instruction	103,894,999	559,465	1,984,948	-	(101,350,586)
Pupil transportation	9,581,895	-	-	-	(9,581,895)
Debt service - Interest	285,160	-	-	-	(285,160)
School lunch program	1,216,697	757,449	406,101	-	(53,147)
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<b>\$ 128,848,067</b>	<b>\$ 1,316,914</b>	<b>\$ 2,391,049</b>	<b>\$ -</b>	<b>(125,140,104)</b>
GENERAL REVENUE:					
Real property taxes					76,626,806
Other tax Items					8,199,723
Use of money and property					1,052,910
Sale of property and compensation for loss					36,411
Miscellaneous					1,552,257
State sources					32,593,438
Medicaid reimbursement					295,793
<b>TOTAL GENERAL REVENUE</b>					<b>120,357,338</b>
CHANGE IN NET POSITION					(4,782,766)
TOTAL NET POSITION - beginning of year					(157,377,914)
TOTAL NET POSITION - end of year					<b>\$ (162,160,680)</b>

The accompanying notes are an integral part of these statements.

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**BALANCE SHEETS - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO GOVERNMENT-WIDE NET POSITION  
JUNE 30, 2019**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
<b>ASSETS</b>						
Cash - Unrestricted	\$ 3,133,885	\$ -	\$ 362,045	\$ -	\$ -	\$ 3,495,930
Cash - Restricted	1,006	-	-	1,385,052	-	1,386,058
Investments	18,318,423	-	-	-	-	18,318,423
Accounts receivable	315,276	345,905	9,228	6,013	-	676,422
Due from other funds	549,644	13,354	52,648	732,450	1,762,495	3,110,591
Due from other governments	1,090,000	-	-	-	-	1,090,000
State and federal aid receivable	4,550,528	172,737	62,983	-	-	4,786,248
Inventory	-	-	2,712	-	-	2,712
<b>TOTAL ASSETS</b>	<b>\$ 27,958,762</b>	<b>\$ 531,996</b>	<b>\$ 489,616</b>	<b>\$ 2,123,515</b>	<b>\$ 1,762,495</b>	<b>\$ 32,866,384</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 2,993,560	\$ 16,467	\$ 71,499	\$ 14,819	\$ -	\$ 3,096,345
Due to other funds	785,098	502,174	-	1,762,495	-	3,049,767
Due to Teachers' Retirement System	5,869,173	-	-	-	-	5,869,173
Due to Employees' Retirement System	464,203	-	-	-	-	464,203
Unearned revenue	1,145,688	13,355	37,582	-	-	1,196,625
BANS payable	-	-	-	4,228,700	-	4,228,700
<b>TOTAL LIABILITIES</b>	<b>11,257,722</b>	<b>531,996</b>	<b>109,081</b>	<b>6,006,014</b>	<b>-</b>	<b>17,904,813</b>
<b>DEFERRED INFLOW OF RESOURCES</b>						
Deferred revenue - State aid	961,543	-	-	-	-	961,543

(Continued)

The accompanying notes are an integral part of these statements.

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**BALANCE SHEETS - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO GOVERNMENT-WIDE NET POSITION  
JUNE 30, 2019**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Governmental Funds</u>
<b>FUND BALANCES</b>						
Nonspendable						
Inventory	-	-	2,712	-	-	2,712
Restricted						
Employee benefit reserve	100,000	-	-	-	-	100,000
Workers compensation	50,000	-	-	-	-	50,000
Retirement reserve	100,000	-	-	-	-	100,000
Unemployment	25,000	-	-	-	-	25,000
Debt service	121,335	-	-	-	1,762,495	1,883,830
Tax certiorari	4,091,852	-	-	-	-	4,091,852
Capital reserve	1,954,127	-	-	-	-	1,954,127
Property loss and liability claims	1,607,367	-	-	-	-	1,607,367
Total restricted fund balance	<u>8,049,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,762,495</u>	<u>9,812,176</u>
Assigned						
Assigned	368,933	-	377,823	-	-	746,756
Appropriated for subsequent years expenditures	2,422,058	-	-	-	-	2,422,058
Total assigned fund balance	<u>2,790,991</u>	<u>-</u>	<u>377,823</u>	<u>-</u>	<u>-</u>	<u>3,168,814</u>
Unassigned	<u>4,898,825</u>	<u>-</u>	<u>-</u>	<u>(3,882,499)</u>	<u>-</u>	<u>1,016,326</u>
<b>TOTAL FUND BALANCES</b>	<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>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 27,958,762</u>	<u>\$ 531,996</u>	<u>\$ 489,616</u>	<u>\$ 2,123,515</u>	<u>\$ 1,762,495</u>	<u>\$ 32,866,384</u>

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balances per above.	\$ 14,000,028
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	48,012,859
GASB 68 related government wide activity	
Deferred outflows of resources	57,742,586
Net pension asset	5,750,937
Net pension liability	(2,673,109)
Deferred inflows of resources	(8,333,541)
Deferred revenue earned in the current year is recognized as revenue under full accrual	1,090,000
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	(11,772,304)
Total other postemployment benefits liability	(265,937,212)
Interest payable at year end in the District-wide statements under full accrual accounting	<u>(40,924)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ (162,160,680)</u>

The accompanying notes are an integral part of these statements.

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR YEAR ENDED JUNE 30, 2019**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
<b>REVENUE:</b>						
Real property taxes	\$ 76,626,806	\$ -	\$ -	\$ -	\$ -	\$ 76,626,806
Other tax items	8,199,723	-	-	-	-	8,199,723
Charges for services	559,465	-	-	-	-	559,465
Use of money and property	1,043,523	-	1,632	7,755	-	1,052,910
Sale of property and compensation for loss	36,411	-	-	-	-	36,411
Miscellaneous	1,812,971	-	30,434	-	-	1,843,405
State sources	32,593,438	722,366	17,025	-	-	33,332,829
Medicaid reimbursement	295,793	-	-	-	-	295,793
Federal sources	-	1,262,582	389,076	-	-	1,651,658
Sales - School lunch	-	-	757,449	-	-	757,449
<b>Total revenue</b>	<b>121,168,130</b>	<b>1,984,948</b>	<b>1,195,616</b>	<b>7,755</b>	<b>-</b>	<b>124,356,449</b>
<b>EXPENDITURES:</b>						
General support	10,723,650	1,500	-	-	-	10,725,150
Instruction	70,026,684	2,031,875	-	-	-	72,058,559
Pupil transportation	6,352,490	-	-	1,013,344	-	7,365,834
Employee benefits	28,590,289	131,664	-	-	-	28,721,953
Debt service - Principal	4,536,742	-	-	-	-	4,536,742
Debt service - Interest	329,200	-	-	-	-	329,200
Cost of sales	-	-	1,179,747	-	-	1,179,747
Capital outlay	-	-	-	2,353,690	-	2,353,690
<b>Total expenditures</b>	<b>120,559,055</b>	<b>2,165,039</b>	<b>1,179,747</b>	<b>3,367,034</b>	<b>-</b>	<b>127,270,875</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>609,075</b>	<b>(180,091)</b>	<b>15,869</b>	<b>(3,359,279)</b>	<b>-</b>	<b>(2,914,426)</b>
<b>OTHER SOURCES AND (USES):</b>						
Operating transfers in	100,000	180,091	-	655,873	-	935,964
BANs redeemed from appropriations	-	-	-	465,519	-	465,519
Operating transfers (out)	(835,964)	-	-	(100,000)	-	(935,964)
<b>Total other sources (uses)</b>	<b>(735,964)</b>	<b>180,091</b>	<b>-</b>	<b>1,021,392</b>	<b>-</b>	<b>465,519</b>
<b>EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</b>	<b>(126,889)</b>	<b>-</b>	<b>15,869</b>	<b>(2,337,887)</b>	<b>-</b>	<b>(2,448,907)</b>
<b>FUND BALANCES - beginning of year</b>	<b>15,866,386</b>	<b>-</b>	<b>364,666</b>	<b>(1,544,612)</b>	<b>1,762,495</b>	<b>16,448,935</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 15,739,497</b>	<b>\$ -</b>	<b>\$ 380,535</b>	<b>\$ (3,882,499)</b>	<b>\$ 1,762,495</b>	<b>\$ 14,000,028</b>

The accompanying notes are an integral part of these statements.

## MAHOPAC CENTRAL SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR YEAR ENDED JUNE 30, 2019

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Net changes in fund balance - Total governmental funds	\$ (2,448,907)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	3,356,828
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(2,627,744)
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.	862,048
Amortization of premium on the issuance of long-term debt are recorded as a revenue in the statement of activities.	223,852
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.	3,335,000
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.	736,223
Unearned revenue in the governmental funds are recognized as revenue in the statement of activities.	(515,000)
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.	(71,463)
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>(7,633,603)</u>
Change in net position - Governmental activities	<u>\$ (4,782,766)</u>

The accompanying notes are an integral part of these statements.

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2019**

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	Private Purpose <u>Trusts</u>	<u>Agency</u>
<b>ASSETS:</b>		
Cash	\$ -	\$ 159,373
Cash - restricted	<u>233,712</u>	<u>81,563</u>
 Total assets	 <u>\$ 233,712</u>	 <u>\$ 240,936</u>
<b>LIABILITIES:</b>		
Extraclassroom activity balances	\$ -	\$ 81,563
Due to other funds	-	60,824
Other liabilities	<u>-</u>	<u>98,549</u>
 Total liabilities	 <u>-</u>	 <u>240,936</u>
<b>NET POSITION:</b>		
Reserved for private purposes	<u>\$ 233,712</u>	

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR YEAR ENDED JUNE 30, 2019**

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	Private Purpose <u>Trusts</u>
<b>ADDITIONS:</b>	
Contributions	\$ 12,863
Interest	1,205
Total Additions	<u>14,068</u>
<b>DEDUCTIONS:</b>	
Scholarships and other private purposes	<u>3,635</u>
 NET INCREASE	 10,433
 NET POSITION - beginning of year	 <u>223,279</u>
 NET POSITION - end of year	 <u>\$ 233,712</u>

The accompanying notes are an integral part of these statements.

# MAHOPAC CENTRAL SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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### 1. NATURE OF OPERATIONS

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

### 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

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

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

#### **Reporting Entity**

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

The reporting entity of the School District is based upon criteria set forth by 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.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Joint Venture**

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

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

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

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

### **Basis of Presentation**

The School District's financial statements consist of school 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.

#### School District-Wide Statements

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

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

#### Fund Financial Statements

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

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### Fund Financial Statements (Continued)

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

#### Governmental Fund Types

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

- *General Fund* - This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- *Special Revenue Fund* - These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. The School District uses two special revenue type funds – federal and school lunch.
  - *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 Funds* - These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- *Debt Service Funds* - These funds account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of the governmental activities.

#### Fiduciary Fund Types

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

*Fiduciary Fund:* Fiduciary activities are those in which the School 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 School District and are not available to be used.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fiduciary Fund Types (Continued)

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

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

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

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Cash and Investments**

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

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

### **Investments**

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. The investments held by NYCLASS are valued at amortized cost, which approximates fair value. See Note 6 for further information.

### **Restricted Cash**

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 \$1,701,333 within the governmental and fiduciary funds.

### **Property Taxes**

Real property taxes attach as an enforceable lien on real property and are levied annually by the Board of Education no later than July 1. Taxes are collected during the period from September 1 to October 31. Uncollected real property taxes are subsequently enforced by the County of Putnam (the County) in which the School District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the School District no later than the following April 1.

### **Accounts Receivable**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

### **Inventories**

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

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interfund transactions

The operations of the School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The School District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid with 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 School District's practice to settle these amounts at a net balance based upon the right of legal offset.

### Capital Assets

Capital assets are reported at actual cost 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.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Deferred Outflows and Inflows of Resources (Continued)

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

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

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

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

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

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

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

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

State aid that will be received by the School District in a future period, however that future period is not known.

### Vested Employee Benefits

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with generally accepted accounting principles, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Other Post-Employment Benefits**

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

### **Unearned Revenue**

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

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

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

### **Short-Term Debt**

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

The School District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year 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 School District may issue Bond Anticipation Notes (BANs), in anticipation of proceeds from the subsequent sales 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.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the Government-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 School District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

### Restricted Resources

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

### Equity Classifications

#### District-Wide Statements

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

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

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

Employee benefit reserve	\$ 100,000
Workers compensation	50,000
Retirement reserve	100,000
Unemployment	25,000
Debt service	121,335
Tax certiorari	4,091,852
Capital reserve	1,954,127
Property loss and liability claims	1,607,367
Debt service	<u>1,762,495</u>
Total restricted net position	<u>\$ 9,812,176</u>

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

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fund Balance – Reservations and Designations

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

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

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

#### Debt Service

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

#### Liability Claims and Property Loss

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

#### Tax Certiorari

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

#### Capital

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

#### Employee Benefit Accrued Liability

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

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fund Balance – Reservations and Designations (Continued)

#### 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.

#### Unemployment Reserve

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

#### Workers' Compensation

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

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School Districts highest level of decision-making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2019.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fund Balance – Reservations and Designations (Continued)

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes but are neither restricted nor committed. 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-expenditures of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$368,933. As of June 30, 2019, the School District's encumbrances were classified as follows:

Assigned fund balance:

General support	\$	46,234
Instruction		305,867
Transportation		<u>16,832</u>
Total encumbrances	\$	<u>368,933</u>

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

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

#### Order of Fund Balance Spending Policy

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

## 3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND SCHOOL 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.

### 3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND SCHOOL DISTRICT WIDE STATEMENTS (Continued)

#### **Total Fund Balances of Governmental Funds vs. Net position of Governmental Activities**

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

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

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

- **Long-Term Revenue and Expense Differences**

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

- **Capital Related Differences**

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

- **Long-Term Debt Transaction Differences**

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

- **Pension Differences**

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

- **OPEB Differences**

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

#### **4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

##### **Budgets**

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

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

Appropriations are adopted at the program line item level.

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

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

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

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

##### **Fund Deficit**

The Capital Projects had a deficit fund balance of \$3,882,499. This will be funded when the School District obtains permanent financing for its current construction project.

#### **5. CUSTODIAL CREDIT, CONCENTRATION OF CREDIT RISK**

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

At June 30, 2019, the School District's aggregate bank balances were \$5,963,664. Of the bank balance, \$634,413 was covered by federal depository insurance, with the remaining amount covered by collateral held in the pledging bank's trust department in the District's name.

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

**5. CUSTODIAL CREDIT, CONCENTRATION OF CREDIT RISK (Continued)**

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

Restricted cash consists of the following:

General Fund	<u>\$ 1,006</u>
Capital Projects Fund	<u>\$ 1,385,052</u>
Fiduciary funds:	
Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	<u>\$ 315,275</u>

**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, 2019, the District held \$18,318,423 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).

**7. PARTICIPATION IN BOCES**

During the year, the School District was billed \$9,753,126 for BOCES administrative and program costs.

The School District's share of BOCES aid amounted to \$2,882,276.

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

## 8. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

	July 1, 2018 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2019 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 587,330	\$ -	\$ -	\$ 587,330
Construction in progress	<u>1,608,983</u>	<u>2,353,690</u>	<u>-</u>	<u>3,962,673</u>
Total non-depreciable cost	<u>\$ 2,196,313</u>	<u>\$ 2,353,690</u>	<u>\$ -</u>	<u>\$ 4,550,003</u>
Capital assets that are depreciated:				
Buildings and land improvements	\$ 78,718,628	\$ 6,209	\$ -	\$ 78,724,837
Machinery and equipment	<u>8,799,166</u>	<u>996,929</u>	<u>526,433</u>	<u>9,269,662</u>
Total depreciable historical cost	<u>87,517,794</u>	<u>1,003,138</u>	<u>526,433</u>	<u>87,994,499</u>
Less accumulated depreciation:				
Buildings and land improvements	36,145,057	2,103,171	-	38,248,228
Machinery and equipment	<u>6,285,275</u>	<u>524,573</u>	<u>526,433</u>	<u>6,283,415</u>
Total accumulated depreciation	<u>42,430,332</u>	<u>2,627,744</u>	<u>526,433</u>	<u>44,531,643</u>
Total depreciable cost, net	<u>\$ 45,087,462</u>	<u>\$ (1,624,606)</u>	<u>\$ -</u>	<u>\$ 43,462,856</u>

Depreciation expense for the year ended June 30, 2019, was allocated to specific functions as follows:

General support	\$ 485,889
Instruction	1,705,801
Pupil transportation	<u>436,054</u>
Total Depreciation	<u>\$ 2,627,744</u>

## 9. SHORT-TERM DEBT

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	8/2/2019	2.00%	\$ -	\$ 2,348,700	\$ -	\$ 2,348,700
BAN	8/2/2019	2.00%	-	975,000	-	975,000
BAN	8/3/2018	1.49%	1,020,518	-	395,518	625,000
BAN	8/3/2018	1.49%	<u>350,000</u>	<u>-</u>	<u>70,000</u>	<u>280,000</u>
Total			<u>\$ 1,370,518</u>	<u>\$ 3,323,700</u>	<u>\$ 465,518</u>	<u>\$ 4,228,700</u>

## 10. LONG-TERM OBLIGATIONS

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

Interest paid	\$ 329,200
Less: interest accrued in prior year	(84,964)
Plus: interest accrued in current year	<u>40,924</u>
 Total expense	 <u>\$ 285,160</u>

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
General obligation debt:					
Bonds payable	\$ 5,265,000	\$ -	\$ 3,335,000	\$ 1,930,000	\$ 695,000
Unamortized bond premiums	<u>671,559</u>	<u>-</u>	<u>223,852</u>	<u>447,707</u>	<u>-</u>
 Total bonds and notes payable	 <u>5,936,559</u>	 <u>-</u>	 <u>3,558,852</u>	 <u>2,377,707</u>	 <u>695,000</u>
Energy performance contract - 2015	4,619,440	-	736,223	3,883,217	749,380
Compensated absences *	<u>5,395,877</u>	<u>115,503</u>	<u>-</u>	<u>5,511,380</u>	<u>-</u>
 Total other liabilities	 <u>10,015,317</u>	 <u>115,503</u>	 <u>736,223</u>	 <u>9,394,597</u>	 <u>749,380</u>
 Total long-term liabilities	 <u>\$ 15,951,876</u>	 <u>\$ 115,503</u>	 <u>\$ 4,295,075</u>	 <u>\$ 11,772,304</u>	 <u>\$ 1,444,380</u>

\*Changes in compensated absences and the net pension liability have been disclosed as net change as it is impractical to disclose gross amounts

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

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2019 Balance</u>
District refunding	2012	2021	3.0 - 5.0%	\$ 1,090,000
District refunding	2014	2024	3.0 - 4.0%	<u>840,000</u>
 Total				 <u>\$ 1,930,000</u>

The following is a summary of the maturities of bonds payable and energy performance contracts:

Fiscal Year Ending June 30,	Total All Bond Issues		Energy Performance Contract - 2015		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 695,000	\$ 66,300	\$ 749,380	\$ 65,764	\$ 1,444,380	\$ 132,064
2021	720,000	43,850	762,770	52,373	1,482,770	96,223
2022	170,000	20,600	776,400	38,744	946,400	59,344
2023	170,000	13,800	790,273	24,870	960,273	38,670
2024	<u>175,000</u>	<u>7,000</u>	<u>804,394</u>	<u>10,748</u>	<u>979,394</u>	<u>17,748</u>
Totals	<u>\$ 1,930,000</u>	<u>\$ 151,550</u>	<u>\$ 3,883,217</u>	<u>\$ 192,499</u>	<u>\$ 5,813,217</u>	<u>\$ 344,049</u>

## 10. LONG-TERM OBLIGATIONS (Continued)

### 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, 2019 was \$3,883.216.

## 11. INTERFUND BALANCES AND ACTIVITY

The following is a summary of interfund activity:

	Interfund		Interfund	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 549,644	\$ 785,098	\$ 100,000	\$ 835,964
Special aid fund	13,354	502,174	180,091	-
School lunch fund	52,648	-	-	-
Capital projects fund	732,450	1,762,495	655,873	100,000
Fiduciary funds	-	60,824	-	-
Debt service fund	<u>1,762,495</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interfund activities	<u>\$ 3,110,591</u>	<u>\$ 3,110,591</u>	<u>\$ 935,964</u>	<u>\$ 935,964</u>

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

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

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

## 12. PENSION PLANS

### New York State Employee Retirement System

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

## 12. PENSION PLANS (Continued)

### New York State Employee Retirement System (Continued)

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund.

That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](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.

#### Contributions

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

	<u>ERS</u>
2019	\$ 1,856,810
2018	1,913,567
2017	2,242,178

Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees covered pensionable salaries, with the first payment of those pensions' costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of the employees covered pensionable salaries.

This law requires all participating employers to make payments on the current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

## 12. PENSION PLANS (Continued)

### New York State Employee Retirement System (Continued)

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For state fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on the current basis while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program.

All amounts due were remitted in full to the New York State Employee Retirement System. No portion of the School Districts retirement bill was amortized or bonded as of June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$2,673,109 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as April 1, 2018. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019, the School District's proportion was 0.0377275% percent, which was a decrease from its proportion measured March 31, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of \$2,047,662. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 526,391	\$ 179,441
Changes of Assumptions	671,910	-
Net difference between projected and actual earnings on pension plan investments	-	686,068
Changes in proportion and differences between the District's contributions and proportionate share of contributions	742,826	123,141
Contributions subsequent to the measurement date	464,204	-
	<u>\$ 2,405,331</u>	<u>\$ 988,650</u>

## 12. PENSION PLANS (Continued)

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

#### New York State Employee Retirement System (Continued)

The School District recognized \$464,204 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of June 30, 2018, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:		
2020	\$	802,074
2021		(356,440)
2022		84,779
2023		422,064
20204		-
Thereafter		-
	\$	<u>952,477</u>

#### **Actuarial Assumptions**

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019.

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-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

## 12. PENSION PLANS (Continued)

### New York State Employee Retirement System (Continued)

#### **Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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>	<u>Target Allocation</u>	<u>Long-term expected real rate or return</u>
Domestic Equity	36.0%	4.55%
International Equity	14.0%	6.35%
Private Equity	10.0%	7.50%
Real Estate	10.0%	5.55%
Absolute Return Strategies	2.0%	3.75%
Opportunistic Portfolio	3.0%	5.68%
Real Assets	3.0%	5.29%
Bonds & Mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation Indexed Bonds	4.0%	1.25%
	<u>100%</u>	

#### **Discount Rate**

The discount rate used to calculate the total pension liability was 7.0%. 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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

	<u>1 % Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Proportionate Share of Net Pension liability	<u>\$ 11,687,261</u>	<u>\$ 2,673,109</u>	<u>\$ (4,899,417)</u>

## 12. PENSION PLANS (Continued)

### New York State Employee Retirement System (Continued)

#### **Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

	<u>Pension Plan's Fiduciary Net Position</u>
Total pension liability	\$189,803,429,000
Net position	(182,718,124,000)
Net pension liability (asset)	<u>\$ 7,085,305,000</u>
Fiduciary net position as a percentage of total pension liability	96.27%

### New York State Teachers Retirement System

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

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

#### *Contributions*

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

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

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

	<u>TRS</u>
2019	5,076,847
2018	6,729,056
2017	6,807,614

## 12. PENSION PLANS (Continued)

### New York State Teachers Retirement System (Continued)

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

At June 30, 2019, the School District reported an asset of \$5,750,937 for its proportionate share of the net pension asset. The net pension asset was measured as of **June 30, 2018**, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2017. The School District's proportion of the net pension asset was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019 the School District's proportion was 0.318036% percent, which was an decrease from its proportionate share June 30, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of \$4,445,097. At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,297,628	\$ 778,468
Changes of Assumptions	20,103,295	-
Net difference between projected and actual earnings on pension plan investments	-	6,383,977
Changes in proportion and differences between the District's contributions and proportionate share of contributions	160,600	182,446
Contributions subsequent to the measurement date	<u>5,869,173</u>	<u>-</u>
	<u>\$ 30,430,696</u>	<u>\$ 7,344,891</u>

The School District recognized \$5,869,173 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of June 30, 2018, which will be recognized as a reduction of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:	
2019	\$ 5,746,172
2020	3,895,479
2021	394,553
2022	3,881,929
2023	2,652,653
Thereafter	645,846
	<u>\$ 17,216,632</u>

## 12. PENSION PLANS (Continued)

### New York State Teachers Retirement System (Continued)

#### Actuarial Assumptions

The total pension asset at the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension asset to June 30, 2018. These actuarial valuations used the following actuarial assumptions:

Inflation	2.25%										
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.										
	<table> <tr> <td>Service</td> <td>Rate</td> </tr> <tr> <td>5</td> <td>4.72%</td> </tr> <tr> <td>15</td> <td>3.46%</td> </tr> <tr> <td>25</td> <td>2.37%</td> </tr> <tr> <td>35</td> <td>1.90%</td> </tr> </table>	Service	Rate	5	4.72%	15	3.46%	25	2.37%	35	1.90%
Service	Rate										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Projected COLAs	1.5% compounded annually										
Investment Rate of Return	7.25% 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 MP 2014, applied on a generational basis, active member mortality rates and based on plan member experience.

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

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

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, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate or return</u>
Domestic Equities	33.0%	5.8%
International Equities	16.0%	7.3%
Global Equities	4.0%	6.7%
Real Estate	11.0%	4.9%
Private Equities	8.0%	8.9%
Domestic fixed Income Securities	16.0%	1.3%
Global Fixed Income Securities	2.0%	0.9%
Private Debt	1.0%	6.8%
Real Estate Debt	7.0%	2.8%
High-yield Fixed Income Securities	1.0%	3.5%
Short-term	1.0%	0.3%
	<u>100.0%</u>	

## 12. PENSION PLANS (Continued)

### New York State Teachers Retirement System (Continued)

#### Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability (asset) of the School District's calculated using the discount rate of 7.25 percent, as well as what the School Districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1 % Decrease <u>(6.25%)</u>	Current Assumption <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate Share of Net Pension liability	<u>\$ 39,509,871</u>	<u>\$ (5,750,937)</u>	<u>\$ (43,666,915)</u>

#### Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers as June 30, 2018, were as follows:

Total pension liability	<u>\$118,107,253,288</u>
Net position	<u>(119,915,517,622)</u>
Net pension liability (asset)	<u>\$ (1,808,264,334)</u>
Fiduciary net position as a percentage of total pension liability	101.53%

### 13. OTHER POST-EMPLOYMENT BENEFITS

#### Plan Description

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

#### Benefits Provided

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

#### Employees Covered by Benefit Terms

At July 1, 2017 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	425
Active employees	<u>732</u>
Total participants	<u><u>1,157</u></u>

#### Total OPEB Liability

The School District's total OPEB liability of \$265,937,212 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

#### Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Method	Entry Age Normal
Inflation	7.00%
Payroll Growth	3.00%
Discount Rate	3.10% as of June 30, 2019
Healthcare Cost Trend Rates	7.0% for 2018, decreasing 0.5 percent annually to an ultimate rate of 4.0% by 2025.
Share of Benefit-Related Costs	Medical coverage, including prescription drugs as part of the medical plan, are funded on a fully insured basis. Furthermore, valuation reflects the reimbursement of Medicare Part B premium to retirees and surviving spouses over age 65 that are eligible for the benefit. Coverage is not provided for dental, vision, or Medicare Part D premium reimbursement. Contribution rates are based on employee class and date of retirement.

### 13. OTHER POST-EMPLOYMENT BENEFITS (Continued)

#### Actuarial Assumptions and Other Inputs (Continued)

The discount rate was based on an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of June 30, 2019.

Mortality rates were based on the 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 Projection Scale AA for 3.50 years.

#### Changes in the Total OPEB Liability

Balance at June 30, 2018	<u>\$233,397,050</u>
Changes for the Year	
Service cost	3,073,562
Interest	8,002,313
Changes in assumptions or other inputs	28,019,879
Benefit payments	<u>(6,555,592)</u>
Net changes	<u>32,540,162</u>
Balance at June 30, 2019	<u>\$265,937,212</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.70% in 2018 to 3.10% in 2019.

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

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

	1% Decrease <u>(2.1%)</u>	Current Discount <u>(3.1%)</u>	1% Increase <u>(4.1%)</u>
Total OPEB Liability	<u>\$325,062,407</u>	<u>\$265,937,212</u>	<u>\$222,023,290</u>

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

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

	Healthcare		
	1% Decrease <u>(6.00%)</u>	Current Discount <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Total OPEB Liability	<u>\$214,874,040</u>	<u>\$265,937,212</u>	<u>\$341,390,971</u>

**13. OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

For the year ended June 30, 2019, the School District recognized OPEB expense of \$14,189,195. At June 30, 2019, the School District did report \$24,906,559 of deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of assumptions	\$ 24,906,559	\$ -
Benefit payments subsequent to measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 24,906,559</u>	<u>\$ -</u>

**14. 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.

#### **14. RISK MANAGEMENT (Continued)**

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.

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.

#### **15. CONTINGENCIES AND COMMENTS**

##### **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.

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

On August 1, 2019, the School District issued bond anticipation notes in the amount of \$2,463,960, with a stated interest rate of 2.00% which renewed BANs used for the purchase of buses in the amount of \$585,000 with additional funding of \$1,878,960 for a roof project.

On September 27, 2019, the District issued bond anticipation notes in the amount of \$1,130,000, with a stated interest rate of 1.750%. This issuance was for the purchase of school buses.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)  
FOR YEAR ENDED JUNE 30, 2019**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	Final Budget Variance with <u>Budgetary Actual</u>
<b>REVENUE</b>					
LOCAL SOURCES:					
Real property taxes	\$ 84,748,943	\$ 76,632,382	\$ 76,626,806	\$ -	\$ (5,576)
Other tax items	15,000	8,131,562	8,199,723	-	68,161
Charges for services	140,000	144,610	559,465	-	414,855
Use of money and property	312,250	315,250	1,043,523	-	728,273
Sale of property and compensation for loss	30,000	31,000	36,411	-	5,411
Miscellaneous	<u>1,091,000</u>	<u>1,361,742</u>	<u>1,812,971</u>	-	<u>451,229</u>
Total local sources	<u>86,337,193</u>	<u>86,616,546</u>	<u>88,278,899</u>	-	<u>1,662,353</u>
State sources	33,317,339	33,332,339	32,593,438	-	(738,901)
Medicaid reimbursement	<u>165,727</u>	<u>165,727</u>	<u>295,793</u>	-	<u>130,066</u>
Total revenue	<u>119,820,259</u>	<u>120,114,612</u>	<u>121,168,130</u>	-	<u>1,053,518</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from other funds	-	100,000	100,000	-	-
Total revenue and other financing sources	<u>119,820,259</u>	<u>120,214,612</u>	<u>121,268,130</u>	-	<u>1,053,518</u>

(Continued)

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED) (Continued)  
FOR YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Budgetary Actual
<b>EXPENDITURES</b>					
GENERAL SUPPORT:					
Board of education	\$ 123,620	\$ 155,690	\$ 119,264	\$ 6,250	\$ 30,176
Central administration	314,080	292,866	257,293	-	35,573
Finance	1,012,593	1,034,429	978,037	2,000	54,392
Staff	939,228	1,004,474	949,373	-	55,101
Central services	7,213,120	7,613,175	7,227,611	37,984	347,580
Special items	<u>1,515,027</u>	<u>1,252,573</u>	<u>1,192,072</u>	<u>-</u>	<u>60,501</u>
Total general support	<u>11,117,668</u>	<u>11,353,207</u>	<u>10,723,650</u>	<u>46,234</u>	<u>583,323</u>
INSTRUCTION:					
Instruction, administration, and improvement	3,551,586	3,508,815	3,369,839	9,750	129,226
Teaching - Regular school	36,690,993	36,257,128	35,529,682	89,131	638,315
Programs for children with handicapping conditions	20,291,431	20,288,082	19,627,894	148,020	512,168
Occupational education	1,900,121	1,900,121	1,900,121	-	-
Teaching - Special school	401,000	604,818	565,547	-	39,271
Instructional media	3,340,982	3,677,500	3,378,946	58,191	240,363
Pupil services	<u>5,742,934</u>	<u>5,892,052</u>	<u>5,654,655</u>	<u>775</u>	<u>236,622</u>
Total instruction	<u>71,919,047</u>	<u>72,128,516</u>	<u>70,026,684</u>	<u>305,867</u>	<u>1,795,965</u>
Pupil transportation	6,214,582	6,326,533	6,352,490	16,832	(42,789)
Employee benefits	28,927,436	29,243,038	28,590,289	-	652,749
Debt service - Principal	4,536,742	4,536,742	4,536,742	-	-
Debt service - Interest	<u>330,465</u>	<u>330,465</u>	<u>329,200</u>	<u>-</u>	<u>1,265</u>
Total expenditures	<u>123,045,940</u>	<u>123,918,501</u>	<u>120,559,055</u>	<u>368,933</u>	<u>2,990,513</u>
<b>OTHER FINANCING USES</b>					
Transfers to other funds	<u>(275,070)</u>	<u>(175,070)</u>	<u>(835,964)</u>	<u>-</u>	<u>(660,894)</u>
Total expenditures and other uses	<u>123,321,010</u>	<u>124,093,571</u>	<u>121,395,019</u>	<u>368,933</u>	<u>2,329,619</u>
NET CHANGE IN FUND BALANCES	<u>\$ (3,500,751)</u>	<u>\$ (3,878,959)</u>	<u>\$ (126,889)</u>	<u>\$ (368,933)</u>	<u>\$ 3,383,137</u>
FUND BALANCE - beginning of year			<u>15,866,386</u>		
FUND BALANCE - end of year			<u>\$ 15,739,497</u>		

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, 2019**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Total OPEB Liability</b>										
Service cost	\$ 3,073,562	\$ 2,669,668								
Interest	8,002,313	8,346,637								
Changes of benefit terms	-	-								
Differences between expected and actual experience	-	-								
Changes in assumptions	28,019,879	-								
Benefit payments	(6,555,592)	(6,408,079)								
<b>Total change in total OPEB liability</b>	<b>32,540,162</b>	<b>4,608,226</b>								
<b>Total OPEB liability - beginning</b>	<b>233,397,050</b>	<b>228,788,824</b>								
<b>Total OPEB liability - ending</b>	<b>\$ 265,937,212</b>	<b>\$ 233,397,050</b>								
<b>Covered-employee payroll</b>	<b>\$ 62,390,168</b>	<b>\$ 62,390,168</b>								
<b>Total OPEB liability as a percentage of covered-employee payroll</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 forward as they become available.

**Notes to schedule:**

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

Discount rate	3.10%	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, 2019**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<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>	<u>2010</u>
Proportion of the net pension liability (asset)	0.0377275%	0.0391534%	0.0394458%	0.0425467%	0.0426980%					
Proportionate share of the net pension liability (asset)	\$ 2,673.1	\$ 1,263.7	\$ 3,706.4	\$ 6,828.9	\$ 1,442.4					
Covered-employee payroll	\$ 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	21.3%	9.9%	29.5%	56.6%	11.8%					
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.27%	98.2%	94.7%	90.7%	97.9%					

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.

<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<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>	<u>2010</u>
Proportion of the net pension liability (asset)	0.3180360%	0.3205340%	0.3195630%	0.3171570%	0.3152970%					
Proportionate share of the net pension liability (asset)	\$ (5,750.9)	\$ (2,436.4)	\$ 3,422.7	\$ (32,942.5)	\$ (35,122.1)					
Covered-employee payroll	\$ 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	-10.9%	-4.6%	6.6%	-65.5%	-75.4%					
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	100.66%	99.01%	111.46%	111.50%					

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 CONTRIBUTIONS - PENSION PLANS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<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>	<u>2010</u>
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
Contractually required contribution	\$ 1,856.8	\$ 1,913.6	\$ 2,242.1	\$ 2,194.3	\$ 2,330.2					
Contributions in relation to the contractually required contribution	<u>1,856.8</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>					
Covered-employee payroll	\$ 12,573.1	\$ 12,720.9	\$ 12,548.2	\$ 12,065.0	\$ 12,220.0					
Contributions as a percentage of covered-employee payroll	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.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<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>	<u>2010</u>
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>										
Contractually required contribution	\$ 5,076.8	\$ 5,286.1	\$ 6,729.0	\$ 7,977.5	\$ 7,568.3					
Contributions in relation to the contractually required contribution	<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>					
Covered-employee payroll	\$ 52,775.1	\$ 52,497.0	\$ 52,157.0	\$ 50,268.7	\$ 46,574.3					
Contributions as a percentage of covered-employee payroll	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.

**OTHER INFORMATION  
(UNAUDITED)**

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET AND  
SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION (UNAUDITED)  
FOR YEAR ENDED JUNE 30, 2019**

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**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 123,321,010
Add: Prior year's encumbrances	<u>297,893</u>
Original budget	<u>123,618,903</u>
Budget revision	<u>474,668</u>
Final budget	<u>\$ 124,093,571</u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION- GENERAL FUND**

2019-20 voter-approved expenditure budget	122,637,613
Maximum allowed (4% of 2019-20 budget)	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law *	<u>\$ 4,905,505</u>
Total fund balance:	<u>\$ 15,739,497</u>
Less:	
Restricted fund balance	8,049,681
Assigned fund balance:	
Appropriated fund balance	2,422,058
Encumbrances included in committed and assigned fund balance	<u>368,933</u>
Total adjustments	<u>\$ 10,840,672</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 4,898,825</u>
Actual percentage	<u>3.99%</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

**MAHOPAC CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)  
FOR YEAR ENDED JUNE 30, 2019**

<u>Project Title</u>	<u>Original Budget</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
Purchase of Buses 2018-19	1,000,000	1,020,838	-	1,013,344	1,013,344	7,494
Lakeview Water Project # 1014	91,649	91,648	121,720	465	122,185	(30,537)
MHS New Roof # 4018	790,000	790,000	152,176	334,263	486,439	303,561
Mahopac Falls New Roof # 3006	435,000	435,000	-	-	-	435,000
Austin Road, New Roof, 2012	1,660,000	1,805,640	408,237	1,219,851	1,628,088	177,552
Lakeview New Roof, 1015	1,015,000	1,015,000	160,173	729,873	890,046	124,954
NYS Capital Outlay Projects	100,000	91,570	-	-	-	91,570
Un-Assigned NYS Capital Projects	-	-	-	69,238	69,238	(69,238)
Smart School Bond Act	3,181,109	3,181,109	1,709,013	-	1,709,013	1,472,096
	<u>8,272,758</u>	<u>8,430,805</u>	<u>2,551,319</u>	<u>3,367,034</u>	<u>5,918,353</u>	<u>2,512,452</u>

# MAHOPAC CENTRAL SCHOOL DISTRICT

## SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED) JUNE 30, 2019

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Capital assets, net		\$ 48,012,859
Deduct:		
Bond anticipation notes	\$ 4,228,700	
Premium on bonds payable	<u>447,707</u>	
		4,676,407
Short-term portion of bonds payable	695,000	
Long-term portion of bonds payable	<u>1,235,000</u>	
		<u>1,930,000</u>
Net investment in capital assets		<u>\$ 41,406,452</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 28, 2019

To the Board of Education

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 Mahopac Central School District (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 28, 2019.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

(Continued)

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

**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.