

**KATONAH – LEWISBORO
UNION FREE SCHOOL DISTRICT**

**Financial Statements
As of and for the Year Ended June 30, 2021
Together with
Independent Auditor's Reports**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

September 20, 2021

To the Board of Education of
Katonah-Lewisboro Union Free 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 Katonah-Lewisboro Union Free School District (the School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinions

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

Other Matters

Change in Accounting Principle

As discussed in Note 13, during 2021 the School District adopted Governmental Accounting Standards Board Statement No. 84 – *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedule of proportionate share of net pension liability (asset), and schedule of contributions – pension plans 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 for the year ended June 30, 2021 as required by the New York State Education Department and the combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements for the year ended June 30, 2021 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements for the year ended June 30, 2021 as a whole.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the School District as of and for the year ended June 30, 2020 (none of which are presented herein), and we expressed unmodified opinions on those financial statements. That audit was conducted for purposes of forming opinions on the basic financial statements as a whole. The June 30, 2020 comparative totals in the combining and individual nonmajor fund financial statements is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2020 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2020 comparative totals in the combining and individual nonmajor fund financial statements is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2021 are as follows:

- New York State Law limits the amount of unrestricted (General Fund) fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount assigned for the subsequent year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$4,261,074 and this amount represents 3.76% of the 2021-22 expenditure budget.
- The School District has been able to assign (designate) \$3,200,000 of unrestricted fund balance to be returned to the taxpayers for the 2021-2022 school year. Inclusive within this \$3,200,000 is \$750,000 of reserves utilized. The amount of reserves previously utilized during the 2020-2021 fiscal year was also \$750,000.
- The Board of Education has maintained the existence and use of Retirement Contribution Reserve, Reserve for Liability Claims, Unemployment Insurance Reserve, Employee Benefits Reserve, Capital Projects Reserve, Debt Service Reserve and Tax Certiorari Reserve. These reserves continue to be utilized on an annual basis to help offset further tax levy increases. Restricted fund equity at June 30, 2021 totals \$12,534,047
- Total net position of governmental activities, after taking in to account the change in accounting principle related to GASB 68, decreased by \$12,914,919. In accordance with GASB 68 the school district recognize the liabilities associated with the participation in the New York State Teachers Retirement System and the New York State Employees Retirement System. A portion of the net decrease in governmental activities was offset by continued recognition of the liability relative to Other Post-Employment Benefits (OPEB). The liability associated with OPEB obligations payable decreased by \$78,187,397.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

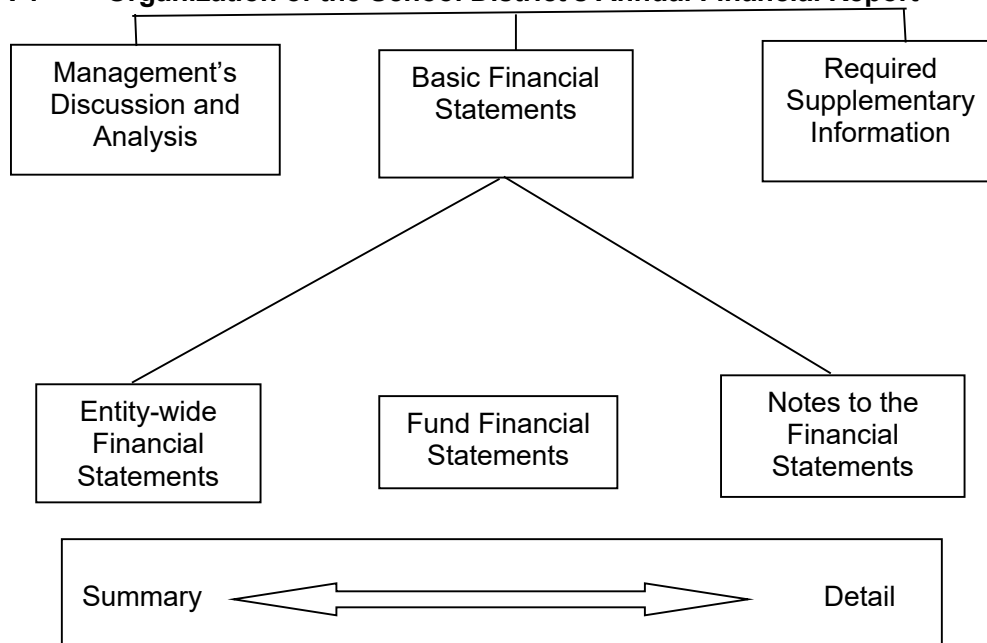
- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status. Because of this, the Statement of Net Position will include assets such as building and equipment and long term balances due to the School District as well as long term liabilities such as bonds payable. In addition, payments for principal on long term bond obligations will be shown as a reduction of the liability and payments for buildings and equipment will be shown as additions to assets.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the Government-wide statements. The fund financial statements concentrate on the School District's most significant funds.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending. As such, in this presentation, payments for buildings and equipment will be shown as expenditures rather than an increase in assets, proceeds from new long-term borrowings will be shown as a source of revenue rather than a long-term liability, and principal payments on the long term borrowings will be shown as expenditures.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data immediately following the financial statements. The statements are followed by a section of required supplementary information and then supplementary information.

These schedules further explain and support the financial statements with a comparison of the School District's budget for the year, a detailed capital project schedule, and other financial information.

Table A-1 shows how the various sections of this annual report are arranged and related to one another.

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



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

	Government-Wide	Fund Financial Statements
	Government-Wide	Governmental Funds
Scope	Entire District	The day-to-day operating activities of the School District, such as instruction and special education.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and change in fund balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.
Type of asset/liability information	All assets, deferred inflows/outflows of resources, and liabilities, both financial and capital, short-term and long-term.	Current assets, deferred inflows/outflows of resources, and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included.
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.

Government-Wide Statements

The Government-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 and changes in net position regardless of when cash is received or paid.

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Statements (Continued)

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars), are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

Government-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:
 - Net investment in capital assets.
 - Restricted net position is those assets with constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

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

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

The School District has the following types 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the government-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 projects fund, and miscellaneous special revenue fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and change in fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The analysis below focuses on the net position (Table A-3) and changes in net position (Table A-4) of the School District's governmental activities. The School District's net position decreased \$12,914,919 from a deficit of \$233,355,073 in 2020 to a deficit of \$246,269,992 in 2021. As Table A-3 shows, the School District's assets decreased. The increase in current and other assets is primarily the result of an increase in cash from \$28 million in 2020 to \$32 million in the current year. The decrease in noncurrent assets is primarily the result of a decrease in capital assets that was offset by a decrease of the TRS net pension asset in prior year to a TRS net pension liability in current year. Current liabilities increased by \$944,880 from prior year. The decrease in long-term liabilities is a primarily the result the decrease in the other post-employment benefits of approximately \$78 million, the decrease in net pension liability for ERS of approximately \$9.1 million, net an increase in the TRS net pension liability of \$7.3 million, which was a net pension asset in prior year. The activity mentioned relates to the actuarial reports associated with GASB 68 as reported by the School District's pension plans and GASB 75 as reported by the School District's OPEB plan. Additional information may be found in the accompanying footnotes. Total net position decreased predominately due to the expenses incurred related to obligations to report assets and or liabilities associated with the pension plans as well as Other Post-Employment Benefits.

Table A-3 Condensed Statement of Net Position

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 35,994,035	\$ 31,704,785	\$ 4,289,250	13.53%
Noncurrent assets	<u>70,917,200</u>	<u>81,401,527</u>	<u>(10,484,327)</u>	-12.88%
Total assets	<u>106,911,235</u>	<u>113,106,312</u>	<u>(6,195,077)</u>	-5.48%
Deferred Outflows of Resources	<u>115,962,862</u>	<u>117,830,962</u>	<u>(1,868,100)</u>	-1.59%
Liabilities:				
Current liabilities	10,665,370	9,720,490	944,880	9.72%
Long-term liabilities	<u>341,596,774</u>	<u>424,263,491</u>	<u>(82,666,717)</u>	-19.48%
Total liabilities	<u>352,262,144</u>	<u>433,983,981</u>	<u>(81,721,837)</u>	-18.83%
Deferred Inflows of Resources	<u>116,881,945</u>	<u>30,308,366</u>	<u>86,573,579</u>	285.64%
Net position:				
Net investment in capital assets	58,749,956	59,878,124	(1,128,168)	-1.88%
Restricted	15,693,379	13,300,520	2,392,859	17.99%
Unrestricted	<u>(320,713,327)</u>	<u>(306,533,717)</u>	<u>(14,179,610)</u>	4.63%
Total net position	<u><u>\$(246,269,992)</u></u>	<u><u>\$ (233,355,073)</u></u>	<u><u>\$ (12,914,919)</u></u>	5.53%

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

Changes in Net Position

As previously mentioned, the Net Position of the School District's governmental activities decreased by \$12,914,919 in 2021. During 2020-2021 revenues related to property taxes increased by \$507,607 from the previous year. Overall revenues decreased from one year to the next in the net amount of \$372,685. In total, revenues amounted to approximately \$111.8 million. Expenditures (including the allocation of the annual Other Post Employment Benefit costs attributable to fiscal year ending 2021) decreased by approximately \$17 million. Expenditures in the general fund increase by approximately \$2.6 million compared to the prior year. If you subtract the 2020-2021 expenses from the 2020-2021 revenues you can see that the School Districts net position from operating results increased by approximately \$5.1 million.

Please note that the program expenses shown in the table below include depreciation expense, the recognition of Other Post Employment Benefit Obligations and the portion of the NYS Employee Retirement System and NYS Teacher Retirement System net financial liability, which is associated with the Katonah Lewisboro Union Free School District.

Table A-4 Changes in Net Position from Operating Results

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenue				
Program revenue:				
Charges for services	\$ 374,084	\$ 1,072,307	\$ (698,223)	-65.11%
Operating grants	1,958,492	1,637,129	321,363	19.63%
Capital grants	7,122	10,533	(3,411)	-32.38%
General revenue:				
Property taxes	92,027,417	91,519,810	507,607	0.55%
Other tax items	5,894,787	6,424,237	(529,450)	-8.24%
Non-property taxes	1,713,543	1,409,634	303,909	21.56%
State aid	8,380,030	8,666,029	(285,999)	-3.30%
Federal aid	103,837	-	103,837	0.00%
Use of money and property	316,625	662,080	(345,455)	-52.18%
Sale of property and compensation for loss	56,461	4,589	51,872	1130.36%
Miscellaneous	982,719	781,454	201,265	25.76%
Total revenue	<u>111,815,117</u>	<u>112,187,802</u>	<u>(372,685)</u>	-0.33%
Expenses				
General support	20,726,633	22,229,542	(1,502,909)	-6.76%
Instruction	96,579,809	110,395,658	(13,815,849)	-12.51%
Pupil transportation	6,586,927	7,773,251	(1,186,324)	-15.26%
Community service	-	21,612	(21,612)	-100.00%
Cost of sales - food	574,360	1,101,937	(527,577)	-47.88%
Debt service - interest	262,307	341,980	(79,673)	-23.30%
Total expenses	<u>124,730,036</u>	<u>141,863,980</u>	<u>(17,133,944)</u>	-12.08%
Change in Net Position	<u><u>\$(12,914,919)</u></u>	<u><u>\$(29,676,178)</u></u>	<u><u>\$ 16,761,259</u></u>	-56.48%

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

Table A-5

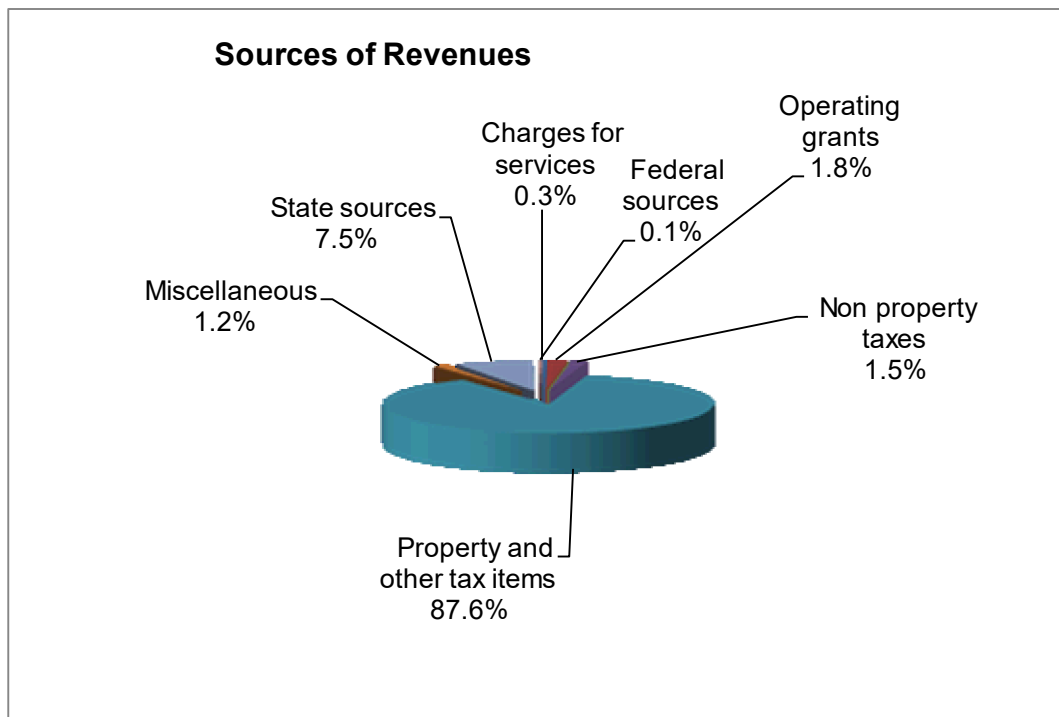
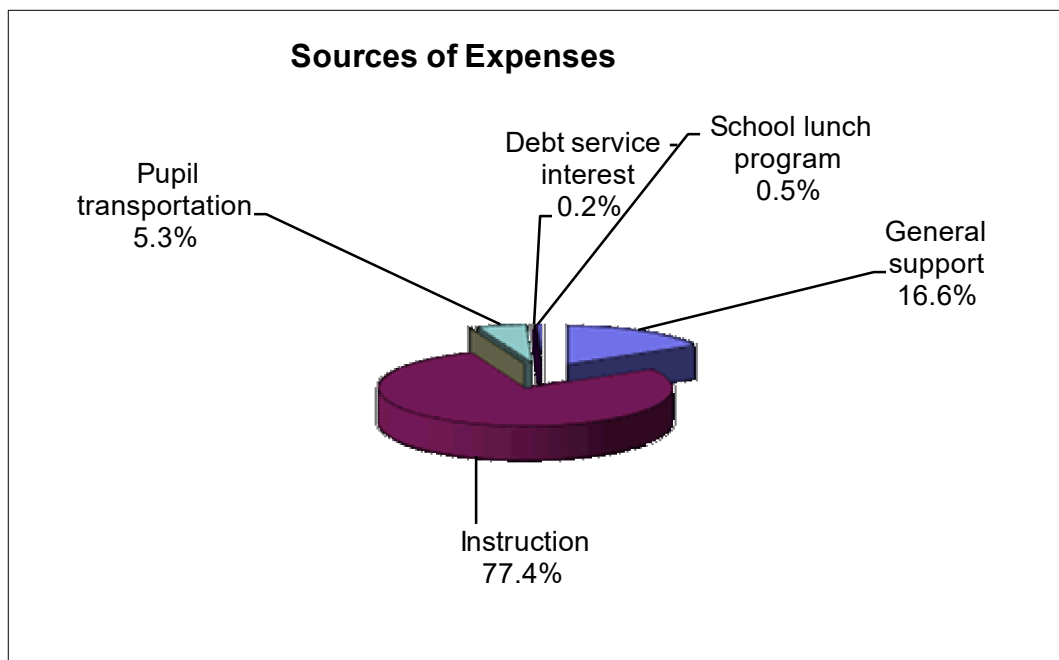
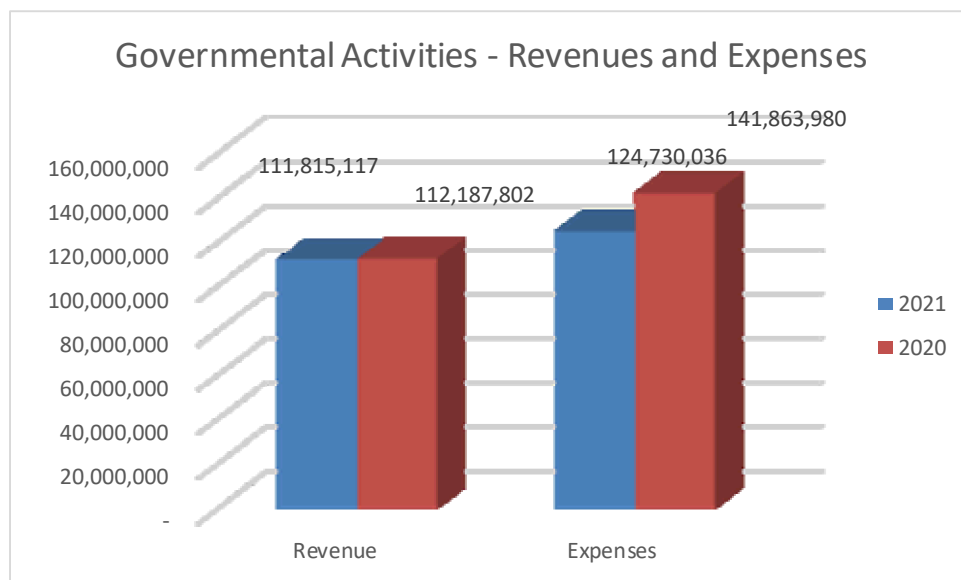


Table A-6



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

The graph below compares the School District's governmental activities revenues and expenses for the fiscal years 2021 and 2020.



Governmental Activities

Table A-7 presents the cost of several of the School District's major programs or activities as well as each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions and is presented in the Statement of Activities.

Table A-7 Net Costs of Governmental Activities

	Total Cost Of Services <u>2021</u>	Total Cost Of Services <u>2020</u>	Percent Change	(Net) Cost Of Services <u>2021</u>	(Net) Cost Of Services <u>2020</u>	Percent Change
Functions:						
General support	\$ 20,726,633	\$ 22,229,542	-6.76%	\$ 20,726,633	\$ 22,229,542	-6.76%
Instruction	96,579,809	110,395,658	-12.51%	94,734,771	108,477,947	-12.67%
Pupil transportation	6,586,927	7,773,251	-15.26%	6,586,927	7,773,251	-15.26%
Community service	-	21,612	-100.00%	-	21,612	-100.00%
Cost of food sales & other	574,360	1,101,937	-47.88%	79,700	299,679	-73.40%
Debt service - Interest	262,307	341,980	-23.30%	262,307	341,980	-23.30%
Total	<u>\$124,730,036</u>	<u>\$141,863,980</u>	<u>-12.08%</u>	<u>\$122,390,338</u>	<u>\$139,144,011</u>	<u>-12.04%</u>

- The total cost of all governmental activities for the year was \$124,730,036.
- The users of the School District's programs financed \$374,084 the costs.
- The federal and state operating and capital grants financed \$1,956,614 of the costs.
- The remainder of the costs were financed by the School District's taxpayers and state aid, federal aid and other miscellaneous revenues.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the government-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. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects, capital assets as well as liabilities associated with pension liabilities and OPEB. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt.

The School District's Funds

As of June 30, 2021, the School District's combined governmental funds reported a total fund balance of \$27,750,030 which is an increase of \$3,804,146 from the prior year. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2021 and 2020. As you can see, the completion of projects has helped to reduce the fund balance associated with capital projects.

	Fiscal Year 2021	Fiscal Year 2020	Increase/ (Decrease)	Percent Change
General	\$ 24,388,045	\$ 21,812,924	\$ 2,575,121	11.81%
Capital Projects	3,026,350	1,840,474	1,185,876	64.43%
School Lunch	202,653	210,353	(7,700)	-3.66%
Special Purpose	132,982	82,133	50,849	61.91%
Total fund balance	<u>\$ 27,750,030</u>	<u>\$ 23,945,884</u>	<u>\$ 3,804,146</u>	15.89%

General Fund

The table that follows assists in illustrating the revenues of the General Fund.

	Fiscal Year 2021	Fiscal Year 2020	Increase/ (Decrease)	Percent Change
Revenues				
Real property taxes	\$ 92,027,417	\$ 91,519,810	\$ 507,607	0.55%
Other tax items	5,894,787	6,424,237	(529,450)	-8.24%
Non-property taxes	1,713,543	1,409,634	303,909	21.56%
Use of money and property	316,625	662,080	(345,455)	-52.18%
State sources	8,691,966	8,354,092	337,874	4.04%
Federal sources	103,837	-	103,837	0.00%
Miscellaneous	1,239,116	1,120,442	118,674	10.59%
Total general fund revenues	<u>\$109,987,291</u>	<u>\$109,490,295</u>	<u>\$ 496,996</u>	0.45%

The School District's General Fund revenues increased by \$496,996. This increase is mainly due to increase of \$507,607 in property tax revenue and decrease in other tax items of \$529,450.

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

The table that follows assists in illustrating the expenditures of the General Fund.

	Fiscal Year <u>2021</u>	Fiscal Year <u>2020</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
Expenditures				
Instruction	\$ 56,799,894	\$ 56,536,147	\$ 263,747	0.47%
General Support and community services	12,732,836	11,294,752	1,438,084	12.73%
Pupil transportation	3,892,430	3,998,772	(106,342)	-2.66%
Employee benefits	28,705,281	28,666,638	38,643	0.13%
Debt Service	<u>2,684,506</u>	<u>2,710,156</u>	<u>(25,650)</u>	-0.95%
Total general fund expenditures	<u>\$104,814,947</u>	<u>\$103,206,465</u>	<u>\$ 1,608,482</u>	1.56%

Total expenditures of the General Fund increased by approximately \$1.6 million. The increased in instructional costs are due to an increase costs of supply spending (offset by a decrease in salaries). This increased year-to-year comparison of cost is attributed to the savings in supplies recognized by the COVID-19 closure in 2019-2020 and the increase supply spending for school reopen in 2020-2021. The increase in year-to-year expenses for General Support is largely related to savings in 2019-2020 for non-use of the School District's facilities during a 3 month closure and then increase spending in 2020-2021, for heating and ventilation upgrades along with safety measures so that buildings could reopen in a COVID environment. Pupil transportation expenses reduced due to remote learning during the hybrid school schedule and reduced transportation needs for extracurricular activity during the COVID-19 pandemic.

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

General Fund Budgetary Highlights

The School District's budget is prepared in accordance with New York State law, and is based on accounting for certain transactions on a modified accrual basis. The only fund with a community approved budget is the General Fund.

Over the course of the year, modifications to the budget totaling \$2,724,490 were made in the General Fund. These modifications are shown below:

- ◆ An increase of \$1,935,919 for various prior year encumbrances.
- ◆ An increase of \$61,291 for Tax Certiorari funded by an appropriation from the Tax Certiorari Reserve.
- ◆ An increase of \$347,000 for liability claims funded by an appropriation from the Liability Reserve.
- ◆ An increase of \$294,028 for insurance recoveries to replace two buses damaged in separate incidents.
- ◆ An increase of \$86,252 for AP exams associated with GASB 84, Fiduciary Activity compliance.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2021, the School District had \$70,917,200 invested in a broad range of capital assets including investments in land, construction in progress, land improvements, buildings and building improvements and machinery and equipment.

The following table shows fiscal year 2021 balances compared to 2020.

Table A-8 – Capital Assets (Net of Depreciation)

	Fiscal Year <u>2021</u>	Fiscal Year <u>2020</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
Land	\$ 4,274,693	\$ 4,274,693	\$ -	0.00%
Construction in process	3,079,227	3,203,777	(124,550)	-3.89%
Land improvements	5,144,894	5,598,280	(453,386)	-8.10%
Buildings and improvements	50,294,567	53,776,466	(3,481,899)	-6.47%
Machinery and equipment	<u>8,123,819</u>	<u>7,605,953</u>	<u>517,866</u>	6.81%
Total net capital assets	<u>\$ 70,917,200</u>	<u>\$ 74,459,169</u>	<u>\$ (3,541,969)</u>	-4.76%

Total net capital assets decreased slightly as a result of annual depreciation offset by current year additions. Construction in process decreased significantly as a result of the completion of several capital projects during the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Liabilities

As of June 30, 2021, the School District had \$341,596,774 in general obligation, installment debt, and other long-term liabilities outstanding. The most significant decrease relates to the annual cost of Other Postemployment Benefits of approximately \$78 million. More detailed information about the School District's long-term liabilities is included in the notes to the financial statements.

Table A-9 – Long-term Liabilities

	Fiscal Year 2021	Fiscal Year 2020
General obligation bonds (financed with property taxes)	\$ 6,958,845	\$ 9,031,602
Energy performance contract	5,316,232	5,711,193
Compensated absences	3,047,876	3,053,214
Net pension liability	7,303,851	9,210,273
Other postemployment benefits	<u>321,364,773</u>	<u>399,552,170</u>
Total long-term liabilities	<u>343,991,577</u>	<u>426,558,452</u>
Less: current portion of debt	<u>(2,394,803)</u>	<u>(2,294,961)</u>
Total long-term liabilities	<u>\$341,596,774</u>	<u>\$424,263,491</u>

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

The Katonah-Lewisboro Union Free School District ended fiscal year 2021 financially strong. The School District increased its undesignated, unreserved fund balance and designated \$2,450,000 for return to the taxpayers. In these times of major economic uncertainty, the future financial stability of the School District is not without challenges. The School District must strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. The School District administration must provide the resources necessary to meet the needs of the students, while carefully controlling expenditures to assure tax levy increases are kept to a minimum and well spent.

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

The COVID-19 pandemic has had and will continue to have a financial impact on the operation of the School District. Upon the ordered closure of schools in the spring of 2020, the School District began incurring unbudgeted costs related to COVID-19. When reopening school in 2020-2021 school year, the School District invested significant funds into purchasing personal protective equipment (PPE), cleaning supplies, additional faculty, heating and ventilation upgrades, technology equipment, software programs to support health screening, software programs to support hybrid and remote learning, and various other expenses related to mitigating the spread of the virus. As long as the virus is a factor these expenses will continue to impact the School District's budgeting.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE (Continued)

Each year, the School District anxiously awaits our state aid revenue forecast. Through several federal stimulus packages the state aid revenue is currently consistent what the School District has received in prior years, but the School District is mindful of potential shortfalls for future years that will impact the School District's total revenue.

New York State school districts operate within a state-imposed property tax cap, which limits a school district's ability to increase their tax revenue based on a calculation of the lesser of 2% or Consumer Price Index. Over the past several years the School District has experienced increases in the cost of health insurance. Changes in collective bargaining agreements, which increased the employee's share of these costs will continue to help the School District sustain this benefit in the short term, however the rate of increase associated with health insurance far exceeds the consumer price index utilized in the NYS tax cap calculation. The continued increase in the cost of health insurance is single most impactful expenditure increase in the budget. It makes the process of developing a tax cap compliance budget difficult.

Each year we await news from the New York State Retirement Systems relative to what the employer contribution rate will be for the upcoming school year. Since the 2014-15 school year, the employer contribution rate (for the Teachers Retirement System) has been declining from a 25 year high of 17.53% of wages paid. In 2020-21 the rate was 9.53% and for the 2021-22 school year the estimated rate increased to 9.80%. These rates are dependent upon a series of different financial factors and actuarial assumptions. Should the recent trend of the employer contribution rates continue to increase a tax cap compliant budget will become more and more difficult to achieve.

With the ever-increasing cost of health insurance, possible employer contribution rate increases to the NYS Retirement Systems, and collective bargaining agreements being negotiated, the Board and the administration will need to skillfully plan to sustain our current level of service without exceeding the tax cap.

On March 24, 2021 Moody's Investors Service issued its "Annual Comment on Katonah-Lewisboro UFSD". In the "Credit Overview" portion of the report the analyst wrote, "Katonah-Lewisboro UFSD has an excellent credit position. Its Aa1 rating is stronger than the median rating of Aa3 for US school districts. The key credit factors include a very strong wealth and income profile, a sizable tax base and a robust financial position. It also reflects a negligible debt burden and a mid-ranged pension liability."

In summary, based upon the current levels of reserves, the School District is poised to withstand a number of years of financial challenges. School District administration expects to continue this policy of diligent fiscal planning to ensure continued long-term budgetary health and stability.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Katonah-Lewisboro Union Free School District
Danelle Placella
Assistant Superintendent for Business
P.O. Box 387
Katonah, New York 10536

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT**STATEMENT OF NET POSITION
JUNE 30, 2021****ASSETS****CURRENT ASSETS:**

Cash - Unrestricted	\$ 16,393,329
Cash - Restricted	15,667,859
Accounts receivable	58,351
State and federal aid receivable	1,824,370
Due from other governments	2,033,300
Inventories	<u>16,826</u>
Total current assets	<u>35,994,035</u>

NONCURRENT ASSETS:

Capital assets, net	<u>70,917,200</u>
Total non-current assets	<u>70,917,200</u>
Total assets	<u>106,911,235</u>

DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources - OPEB	82,039,601
Deferred outflows of resources - TRS Pension	25,843,986
Deferred outflows of resources - ERS Pension	7,971,442
Deferred outflows of resources - Unamortized amounts on debt refunding	<u>107,833</u>
Total deferred outflows of resources	<u>115,962,862</u>

LIABILITIES**CURRENT LIABILITIES:**

Accounts payable and accrued expenses	2,080,352
Accrued interest	26,562
Due to other governments	679,495
Unearned revenue	421,373
Due to Teachers' Retirement System	4,514,347
Due to Employees' Retirement System	548,438
Long term debt payable due within one year	<u>2,394,803</u>
Total current liabilities	<u>10,665,370</u>

LONG-TERM LIABILITIES:

Bonds payable, net of current portion	4,968,845
Energy performance contract debt, net of current portion	4,911,429
Compensated absences	3,047,876
Net pension liability - ERS	33,346
Net pension liability - TRS	7,270,505
Total other postemployment benefits	<u>321,364,773</u>
Total long-term liabilities	<u>341,596,774</u>
Total liabilities	<u>352,262,144</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - TRS Pension	3,650,314
Deferred inflows of resources - ERS Pension	9,922,839
Deferred inflows of resources - OPEB	<u>103,308,792</u>
Total deferred inflows of resources	<u>116,881,945</u>

NET POSITION

Net investment in capital assets	58,749,956
Restricted	15,693,379
Unrestricted	<u>(320,713,327)</u>
TOTAL NET POSITION	<u>\$ (246,269,992)</u>

The accompanying notes are an integral part of these statements.

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

GOVERNMENTAL ACTIVITIES	<i>Expenses</i>	Program Revenue			<i>Net (Expense) Revenue and Change in Net Position</i>
		<i>Charges for Services</i>	<i>Operating Grants</i>	<i>Capital Grants</i>	
FUNCTIONS/PROGRAMS:					
General support	\$ 20,726,633	\$ -	\$ -	\$ -	\$ (20,726,633)
Instruction	96,579,809	345,689	1,492,227	7,122	(94,734,771)
Pupil transportation	6,586,927	-	-	-	(6,586,927)
Debt service - interest	262,307	-	-	-	(262,307)
School lunch program	<u>574,360</u>	<u>28,395</u>	<u>466,265</u>	<u>-</u>	<u>(79,700)</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 124,730,036</u>	<u>\$ 374,084</u>	<u>\$ 1,958,492</u>	<u>\$ 7,122</u>	<u>(122,390,338)</u>
GENERAL REVENUE:					
Real property taxes					92,027,417
Other tax items					5,894,787
Non-property taxes					1,713,543
Use of money and property					316,625
Sale of property and compensation for loss					56,461
Federal sources					103,837
State sources					8,380,030
Miscellaneous					<u>982,719</u>
TOTAL GENERAL REVENUE					<u>109,475,419</u>
CHANGE IN NET POSITION					(12,914,919)
NET POSITION - beginning of year					(233,411,468)
RESTATEMENT (Note 13)					<u>56,395</u>
NET POSITION - beginning of year, as restated					<u>(233,355,073)</u>
TOTAL NET POSITION - end of year					<u>\$ (246,269,992)</u>

The accompanying notes are an integral part of these statements.

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT
**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
GOVERNMENT-WIDE NET POSITION
JUNE 30, 2021**

	<i>General</i>	<i>Special Aid</i>	<i>Non Major Funds</i>	<i>Total Governmental Funds</i>
ASSETS				
Cash - Unrestricted	\$ 16,198,348	\$ 97,402	\$ 97,579	\$ 16,393,329
Cash - Restricted	12,534,047	-	3,133,812	15,667,859
Accounts receivable	54,433	-	3,918	58,351
Due from other funds	1,104,192	-	37,371	1,141,563
State and federal aid receivable	557,348	1,095,482	171,540	1,824,370
Due from other governments	1,912,020	121,280	-	2,033,300
Inventories	-	-	16,826	16,826
TOTAL ASSETS	\$ 32,360,388	\$ 1,314,164	\$ 3,461,046	\$ 37,135,598
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
LIABILITIES:				
Accounts payable and accrued expenses	\$ 1,933,076	\$ 128,377	\$ 18,899	\$ 2,080,352
Due to other funds	3,461	1,128,011	10,091	1,141,563
Due to other governments	679,475	-	20	679,495
Due to Teachers' Retirement System	4,514,347	-	-	4,514,347
Due to Employees' Retirement System	548,438	-	-	548,438
Unearned revenue	293,546	57,776	70,051	421,373
TOTAL LIABILITIES	7,972,343	1,314,164	99,061	9,385,568
FUND BALANCE:				
Nonspendable	127,972	-	16,826	144,798
Restricted	12,534,047	-	3,159,332	15,693,379
Assigned	7,464,952	-	185,827	7,650,779
Unrestricted	4,261,074	-	-	4,261,074
TOTAL FUND BALANCE	24,388,045	-	3,361,985	27,750,030
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 32,360,388	\$ 1,314,164	\$ 3,461,046	\$ 37,135,598
A reconciliation of total governmental fund balance to government-wide net position follows:				
Total governmental fund balances per above				\$ 27,750,030
Capital assets, net used in governmental activities are not financial resources and, therefore, are not reported in the funds				70,917,200
GASB 68 related government wide activity				
Deferred outflows of resources				33,815,428
Net pension liability - ERS				(33,346)
Net pension liability - TRS				(7,270,505)
Deferred inflows of resources				(13,573,153)
Other postemployment benefits liability at year end is recorded in the government-wide statements under full accrual accounting.				(321,364,773)
Deferred outflows of resources related to other postemployment benefits are applicable to future periods and; therefore, are not reported in the funds				82,039,601
Deferred inflows of resources related to other postemployment benefits are applicable to future periods and; therefore, are not reported in the funds				(103,308,792)
Deferred outflows from loss on defeasance on the advanced refunding are amortized on the Statement of Net Position over the life of the bond. Governmental funds recorded the loss on defeasance on the advanced refunding as an other financing source in the year of defeasance.				107,833
Long-term liabilities, including bonds payable, net of premiums are not due and payable in the current period, and, therefore, are not reported in the funds				(12,275,077)
Long-term liabilities, including compensated absences and are not due and payable in the current period and, therefore, are not reported in the funds				(3,047,876)
Interest payable at year end is recorded in the government-wide statements under full accrual accounting				(26,562)
NET POSITION OF GOVERNMENTAL ACTIVITIES				\$ (246,269,992)

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

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

	<i>General</i>	<i>Special Aid</i>	<i>Non Major Funds</i>	<i>Total Governmental Funds</i>
REVENUE:				
Real property taxes	\$ 92,027,417	\$ -	\$ -	\$ 92,027,417
Other tax items	5,894,787	-	-	5,894,787
Non-property taxes	1,713,543	-	-	1,713,543
Charges for services	345,689	-	-	345,689
Use of money and property	316,625	-	-	316,625
Sale of property and compensation for loss	56,461	-	-	56,461
Miscellaneous	836,966	56,530	89,224	982,720
State sources	8,691,966	647,112	23,419	9,362,497
Federal sources	103,837	845,115	449,968	1,398,920
Sales - school lunch	-	-	28,395	28,395
Total revenue	<u>109,987,291</u>	<u>1,548,757</u>	<u>591,006</u>	<u>112,127,054</u>
EXPENDITURES:				
General support	12,732,836	112,208	65,045	12,910,089
Instruction	56,799,894	1,435,613	-	58,235,507
Pupil transportation	3,892,430	83,484	-	3,975,914
Employee benefits	28,705,281	50,330	-	28,755,611
Debt service - principal	2,294,961	-	-	2,294,961
Debt service - interest	389,545	-	-	389,545
Cost of sales	-	-	532,085	532,085
Capital outlay	-	-	1,285,591	1,285,591
Total expenditures	<u>104,814,947</u>	<u>1,681,635</u>	<u>1,882,721</u>	<u>108,379,303</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>5,172,344</u>	<u>(132,878)</u>	<u>(1,291,715)</u>	<u>3,747,751</u>
OTHER SOURCES AND (USES):				
Operating transfers in	6,605	132,878	2,470,950	2,610,433
Operating transfers (out)	<u>(2,603,828)</u>	<u>-</u>	<u>(6,605)</u>	<u>(2,610,433)</u>
Total other sources (uses)	<u>(2,597,223)</u>	<u>132,878</u>	<u>2,464,345</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>2,575,121</u>	<u>-</u>	<u>1,172,630</u>	<u>3,747,751</u>
FUND BALANCE (DEFICIT) - beginning of year, as previously reported	21,812,924	-	2,132,960	23,945,884
RESTATEMENT (Note 13)	<u>-</u>	<u>-</u>	<u>56,395</u>	<u>56,395</u>
FUND BALANCE (DEFICIT) - beginning of year, as restated	<u>21,812,924</u>	<u>-</u>	<u>2,189,355</u>	<u>24,002,279</u>
FUND BALANCE (DEFICIT) - end of year	<u>\$ 24,388,045</u>	<u>\$ -</u>	<u>\$ 3,361,985</u>	<u>\$ 27,750,030</u>

The accompanying notes are an integral part of these statements.

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

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

Net changes in fund balance - Total governmental funds	\$ 3,747,751
Long Term Revenue and Expense Differences:	
Other post employment expense resulting from GASB 75 related OPEB actuary reporting is not recorded as an expenditure in the government funds but is recorded in the Statement of Activities	(10,321,969)
Expenses relating to the change in compensated absences in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds.	5,338
Pension expense resulting from GASB 68 related pension actuary reporting is not recorded as an expenditure in the government funds but is recorded in the Statement of Activities	(4,914,333)
State aid revenue in the statement of activities was recognized as revenue in the government-wide financial statements in prior year and was recognized as revenue in current year under the modified accrual basis of account in the fund financial statements	(311,936)
Capital Related Items:	
Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net position	1,199,436
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(4,741,405)
Long-Term Debt Transactions:	
Repayment of bond and energy performance contract debt principal is an expenditure in the governmental funds, but it reduces long term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	2,294,961
Interest on long term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest at year end changed by:	8,398
The unamortized premium is amortized on the Statement of Net Position over the life of the bond. Governmental funds recorded the premium as other sources of revenue in the year received.	172,757
The deferred amount on the advance refunding is amortized on the Statement of Net Position over the life of the bond. Governmental funds recorded the loss on defeasance on the advanced refunding as an expenditure in the year of defeasance.	<u>(53,917)</u>
Change in net position - Governmental activities	<u>\$ (12,914,919)</u>

The accompanying notes are an integral part of these statements.

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Katonah-Lewisboro Union Free School District provides K-12 public education to students living within its geographic boundaries.

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

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

Reporting Entity

The 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. The President of the Board of Education serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the School District. The Board of Education has the authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). 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 an 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 these activities in the miscellaneous special revenue fund.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

The Katonah-Lewisboro Union Free School District is one of 18 component school districts in the Putnam/Northern Westchester Board of Cooperative Education Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share 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.

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

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

Basis of Presentation

The School District's financial statements consist of district-wide financial statements, including a Statement of Net Position and a Statement of Activities and Change in Net Position, and fund level financial statements which provide more detailed information. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures, as appropriate. Governmental resources are allocated to and accounted in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Statements

The statement of net position and the statement of activities and changes in net position present financial information about the School District's governmental activities and deferred outflows and inflows are included on the statement of net position. These statements include the financial activities of the overall government in its entirety. 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 program expenses and 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue include charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The fund statements provide information about the School District's funds. Separate statements for each fund category (governmental) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of the School District are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflows of resources, 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 are accounted for through the governmental funds. The measurement focus is upon determination of the changes in financial position rather than upon determination of net income.

The School District reports the following major governmental fund:

- *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 Aid Fund:* This fund accounts for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or outside parties.

The School District reports the following non-major governmental funds:

- *School Lunch Fund:* This fund accounts for the proceeds of specific revenue sources such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- *Miscellaneous Special Revenue Fund:* This fund accounts for proceeds from various funding sources, which may be restricted by a donor or designated by the School District for specific purposes.
- *Capital Projects Funds:* These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Use of Estimates

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

Measurement Focus and Basis of Accounting

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

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange 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, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenue is collected within ninety 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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash

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

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

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

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

The School District does not typically purchase investments for a long enough duration to cause it to be believed that it is exposed to any material interest rate risk.

The School District does not typically purchase investments denominated in foreign currency, and is not exposed to foreign currency risk.

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 \$15,667,859 within the governmental funds.

Property Taxes Receivable

Real property taxes attach as an enforceable lien on real property as of July 1st and are levied and payable in September and January. The towns of Bedford, Lewisboro, North Salem, and Pound Ridge, which are included in the levy, are responsible for the billing and collection of the taxes. The Towns guarantee the full payment of the School District warrant and assumes responsibility for uncollected taxes.

Other Receivables

Other receivables include amounts due from other governments and individuals for services provided by the School District. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

Inventory and Prepaid Expenditures

Inventories in the School Lunch Fund consist of food and supplies and are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at a stated value, which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased. The School District uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by non-spendable fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Inventory and Prepaid Expenditures (Continued)

Prepaid items represent payments made by the School District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures in both the Government-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method.

A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

Interfund Transactions

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

In the Government-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). Eliminations have been made for all interfund receivables and payables between the 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, Net

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$10,000 for buildings and improvements and more than \$1,000 for furniture and have an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not capitalized. Property, plant, and equipment of the School District are depreciated using the straight line method over the following estimated useful lives:

Class	Life In Years
Buildings and Building Improvements	15-50
Land Improvements	20
Machinery and Equipment	5-20

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets, Net (Continued)

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

Unearned Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In the district-wide financial statements, unearned revenues consist of amounts received in advance and/or revenue from grants received before the eligibility requirements have been met.

Unearned revenues in fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has recorded unearned revenues of \$293,546 in the General Fund for State and Federal aid receivables that do not meet the revenue recognition criteria, \$57,776 in the Special Aid Fund for miscellaneous revenue received in advance, and \$70,051 in the School Lunch Fund for advance lunch payments. Such amounts have been deemed to measurable but not "available" pursuant to generally accepted accounting principles.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 that time.

The School District reported deferred outflows of resources of \$107,833 for a deferred loss on refunding bonds in the government-wide Statement of Net Position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The School District also reports deferred outflows of resources and deferred inflows of resources in relation to its pension obligations. These amounts are detailed in the discussion of the School District's pension plans in Note 8.

Vested Employee Benefits

Compensated Absences

Civil service employees may accumulate an unlimited number of days for sick and personal leave. Upon retirement, those employees with at least five years of service with the School District will be paid an allowance computed at .5 times the number of accumulated leave days (in hours) multiplied by the employee's current hourly rate. The maximum number of days of accumulated leave that may be applied to the formula is the hourly equivalent of 400 days. Retiring teachers, hired prior to July 1, 1995 and administrators, appointed prior to June 1, 1994, who, at the time of retirement, have completed on semester following their tenure appointment, will be paid an allowance computed at .5 times the number of days of accumulated leave time 1/200th of his/her annual salary. Teachers working less than a "Full Time Equivalent" (FTE) will receive payment in proportion to their FTE. The maximum number of days of accumulated leave that may be applied to the formula is 400. Teachers commencing their employment after July 1, 1995, and administrators, appointed after June 1, 1994, are no longer able to accumulate for the purpose of payment at retirement.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** **(Continued)**

Vested Employee Benefits (Continued)

Vacation leave is generally taken within the year earned. However, certain 12-month civil service employees and administrators, upon separation of service from the School District, will be compensated for unused vacation time up to a maximum of 23 days.

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

Retirement Benefits

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

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

Other Postemployment Benefits

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

Net Pension Liability (Asset)

The net pension liability (asset) represents the School District's proportionate share of net pension liability (asset) of the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions"* and GASB Statement No. 71, *"Pension Transition for Contribution Made Subsequent to the Measurement Date"*.

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.

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

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-Term Debt

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

The School District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which 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 (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is 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.

Net Position and Fund Balance Classifications

Government-wide Statements

In the Government-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, construction, or improvements of those assets.

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

Restricted net position includes the following:

Unemployment insurance	\$ 355,710
Retirement contributions	5,361,760
Insurance	1,710,500
Tax certiorari	1,950,000
Capital projects	4,363,884
Debt service	298,573
Special purpose fund	132,982
Employee benefit liability	1,519,970
Total restricted net position	<u>\$ 15,693,379</u>

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position and Fund Balance Classifications (Continued)

Governmental Fund Statements

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

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually 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 reserves (*Note - The School District does not currently utilize every one of the reserves listed below*):

Capital

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

Repair

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

Workers' Compensation

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

Unemployment Insurance

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

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

Net Position and Fund Balance Classifications (Continued)
Governmental Fund Statements (Continued)

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.

Insurance

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

Liability Claims and Property Loss

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

Tax Certiorari

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

Employee Benefit Accrued Liability

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

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Net Position and Fund Balance Classifications (Continued)
Governmental Fund Statements (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 under restricted fund balance.

Encumbrances

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

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

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

General Support	\$ 3,907,930
Instruction	198,450
Pupil Transportation	158,572
	<u>\$ 4,264,952</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. Nonspendable 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.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Net Position and Fund Balance Classifications (Continued)
Governmental Fund Statements (Continued)

The following table provides details of the School District's fund balance classifications.

	General Fund	Special Aid Fund	Non-Major Governmental Funds	Total
Nonspendable				
Inventories	\$ -	\$ -	\$ 16,826	\$ 16,826
Advances	<u>127,972</u>	<u>-</u>	<u>-</u>	<u>127,972</u>
Total nonspendable	<u>127,972</u>	<u>-</u>	<u>16,826</u>	<u>144,798</u>
Restricted				
Capital projects	-	-	3,026,350	3,026,350
Tax certiorari	1,950,000	-	-	1,950,000
Unemployment benefits	355,710	-	-	355,710
Debt service	298,573	-	-	298,573
Employee benefit accrued liability	1,519,970	-	-	1,519,970
Retirement contributions	5,361,760	-	-	5,361,760
Liability claims	1,710,500	-	-	1,710,500
Future capital projects	1,337,534	-	-	1,337,534
Special purposes	<u>-</u>	<u>-</u>	<u>132,982</u>	<u>132,982</u>
Total restricted	<u>12,534,047</u>	<u>-</u>	<u>3,159,332</u>	<u>15,693,379</u>
Assigned				
Purchases on order				
General government support	3,907,930	-	-	3,907,930
Instruction	198,450	-	-	198,450
Pupil transportation	158,572	-	-	158,572
Employee benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total purchases on order	<u>4,264,952</u>	<u>-</u>	<u>-</u>	<u>4,264,952</u>
Subsequent years expenditures				
Fund balance	2,450,000	-	-	2,450,000
Unemployment insurance	25,000	-	-	25,000
Employee benefits accrued liability	238,000	-	-	238,000
Retirement contributions	477,000	-	-	477,000
Debt service	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total subsequent years expenditures	<u>3,200,000</u>	<u>-</u>	<u>-</u>	<u>3,200,000</u>
School lunch fund	<u>-</u>	<u>-</u>	<u>185,827</u>	<u>185,827</u>
Total assigned	<u>7,464,952</u>	<u>-</u>	<u>185,827</u>	<u>7,650,779</u>
Unassigned	<u>4,261,074</u>	<u>-</u>	<u>-</u>	<u>4,261,074</u>
Total Governmental Activities Fund balance	<u>\$ 24,388,045</u>	<u>\$ -</u>	<u>\$ 3,361,985</u>	<u>\$ 27,750,030</u>

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** **(Continued)**

Net Position and Fund Balance Classifications (Continued)

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.

Explanation of Certain Differences between Governmental Fund Statements and Government-Wide Statements

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

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

Total fund balances of the School District's governmental funds 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 changes in net position, 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 portion 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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stewardship, Compliance, And Accountability

A. Budgetary Data

The School District generally follows the procedures enumerated below in establishing the budgetary data reflected in the fund financial statements:

- a) At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- b) At the budget hearing, the voters may raise questions concerning the items contained in the budget.
- c) The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- d) The voters are permitted to vote upon the General Fund budget at the annual meeting.
- e) If the original proposed budget is not approved by the voters, the Board of Education has the option of either resubmitting the original or revising the budget for voter approval at a special meeting held at a later date; or the Board of Education may, at that point, adopt a contingency budget. If the Board of Education decides to submit either the original or a revised budget submittal, and the voters do not approve the second budget submittal, the Board of Education must adopt a contingency budget and the tax levy cannot exceed the total tax levy of the prior year (0% levy growth). In addition, the administrative component of the contingency budget shall not comprise a greater percentage of the contingency budget exclusive of the capital component than the lesser of either 1) the percentage the administrative component had comprised in the prior year budget exclusive of the capital component; or 2) the percentage the administrative component had comprised in the last proposed defeated budget exclusive of the capital component.
- f) Formal budgetary integration is employed during the year as a management control device for the General and Special Aid funds.
- g) Budgets for the General and Special Aid funds are legally adopted annually on a basis consistent with the generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the School Lunch or Special Purpose funds.
- h) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education. Any modification to appropriation resulting from increases in revenue estimates of supplemental reserve appropriation also require a majority vote by the Board.
- i) Appropriations in General and Special Aid funds lapse at the end of the fiscal year, except that outstanding encumbrances are re-appropriated in the succeeding year pursuant to the Uniform System of Account promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board of Education.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Stewardship, Compliance, And Accountability (Continued)

B. Limitation on Fund Balance

The School District is not limited to the amount of committed, assigned, and unassigned fund balance, with certain exceptions, that can be retained. New York State law limits this amount to 4% of the ensuing year's budget.

C. Property Tax Limitation

The School District is not limited as to the maximum amount of real property taxes which may be raised. However, on June 24, 2011, the Governor signed Chapter 97 of the laws of 2011 ("Tax Levy Limitation Law"). This law applies to all local governments, including school districts.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a school district in a particular year. The original legislation that established the Tax Levy Limitation Law was set to expire on June 16, 2016. Chapter 20 of the Laws of 2015 extends the Tax Levy Limitation Law through June 2020.

Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of two percent or the annual increase in the consumer price index. Certain adjustments would be permitted as defined by Section 1220 of the real Property Tax Law. A school district could exceed the tax levy limitation only if the budget is approved by at least 60% of the vote. There are certain exemption to the tax levy limitation, such as expenditure made on account of certain tort settlements and certain increases in the actuarial contribution rates of the various public employee retirement systems.

2. CASH

The School District's aggregate bank balances, included balances not covered by depository insurance at year-end, collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including trust funds	<u>\$ 33,350,701</u>	<u>\$ 32,061,188</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 32,767,439	
Covered by FDIC insurance	<u>583,262</u>	
Total	<u>\$ 33,350,701</u>	

2. CASH (Continued)

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.

General fund:

Cash on deposit for reserves	
Unemployment insurance	\$ 355,710
Retirement	5,361,760
Insurance	1,710,500
Tax certiorari	1,950,000
Employee benefit liability reserve	1,519,970
Capital projects	1,337,534
Debt service	<u>298,573</u>
Total General fund restricted cash	<u>\$ 12,534,047</u>
 Total Capital Project fund restricted cash	 <u>\$ 2,992,230</u>
 Total Misc. Special Revenue fund restricted cash	 <u>\$ 141,582</u>

3. PARTICIPATION IN BOCES

During the year, the School District was billed \$4,265,436 for BOCES administrative and program costs.

The School District's share of BOCES aid amounted to \$2,451,617.

4. CAPITAL ASSETS, NET

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

	July 1, 2020 <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	June 30, 2021 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 4,274,693	\$ -	\$ -	\$ 4,274,693
Construction in progress	<u>3,203,777</u>	<u>455,469</u>	<u>580,019</u>	<u>3,079,227</u>
Total non-depreciable cost	<u>7,478,470</u>	<u>455,469</u>	<u>580,019</u>	<u>7,353,920</u>
Capital assets that are depreciated:				
Land improvements	12,609,056	-	-	12,609,056
Buildings and improvements	125,044,962	-	-	125,044,962
Machinery and equipment	<u>18,761,819</u>	<u>1,323,985</u>	<u>700,647</u>	<u>19,385,157</u>
Total depreciable historical cost	<u>156,415,837</u>	<u>1,323,985</u>	<u>700,647</u>	<u>157,039,175</u>
Less accumulated depreciation:				
Land improvements	7,010,776	453,386	-	7,464,162
Buildings and improvements	71,268,496	3,481,899	-	74,750,395
Machinery and equipment	<u>11,155,866</u>	<u>806,119</u>	<u>700,647</u>	<u>11,261,338</u>
Total accumulated depreciation	<u>89,435,138</u>	<u>4,741,404</u>	<u>700,647</u>	<u>93,475,895</u>
Total capital assets, net	<u>\$ 74,459,169</u>	<u>\$ (2,961,950)</u>	<u>\$ 580,019</u>	<u>\$ 70,917,200</u>

Depreciation expense for the year ended June 30, 2021, was allocated to specific functions as follows:

General government support	\$ 426,726
Instruction	3,935,366
Transportation	331,898
Cost of sales	<u>47,414</u>
Total Depreciation	<u>\$ 4,741,404</u>

5. SHORT-TERM DEBT

A description of the short term debt available to the School District is outlined in Note 1.

The School District did not issue any short-term debt during the year and had no outstanding short-term debt at June 30, 2021.

6. LONG-TERM DEBT

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

Interest paid	\$ 389,545
Less : interest accrued in the prior year	(34,960)
Less : amortization of premium on refunding	(172,757)
Add : amortization of loss on refunding	53,917
Add : interest accrued in the current year	26,562
Total expense	<u>\$ 262,307</u>

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	Due Within <u>One Year</u>	Long-term <u>Portion</u>
Government activities:						
Bonds and notes payable:						
Serial Bonds	\$ 8,500,000	\$ -	\$ 1,900,000	\$ 6,600,000	\$ 1,990,000	\$ 4,610,000
Plus - Unamortized premium on bonds	531,602	-	172,757	358,845	-	358,845
Total bonds and notes payable	<u>9,031,602</u>	<u>-</u>	<u>2,072,757</u>	<u>6,958,845</u>	<u>1,990,000</u>	<u>4,968,845</u>
Other long-term debt:						
Energy performance contract debt	5,711,193	-	394,961	5,316,232	404,803	4,911,429
Compensated Absences (*)	3,053,214	-	5,338	3,047,876	-	3,047,876
Net pension liability (*)	9,210,273	7,270,505	9,176,927	7,303,851	-	7,303,851
Total other postemployment benefits	399,552,170	(71,575,399)	6,611,998	321,364,773	-	321,364,773
Total Long Term Debt	<u>\$426,558,452</u>	<u>\$ (64,304,894)</u>	<u>\$ 18,261,981</u>	<u>\$343,991,577</u>	<u>\$ 2,394,803</u>	<u>\$341,596,774</u>

(*)

Additions and deletions to compensated absence and net pension liability balances are shown net because it is impractical to determine these amounts separately.

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

				June 30, 2021 <u>Balance</u>
<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	
Refunding bonds	2012	2023	2.0 - 3.0%	\$ 2,015,000
Serial Bond	2017	2027	2.50%	870,000
Refunding bonds - Series A	2016	2023	4.0 - 5.0%	3,095,000
Refunding bonds - Series B	2016	2023	3.00%	620,000
				<u>\$ 6,600,000</u>

6. LONG-TERM DEBT (Continued)

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,990,000	\$ 179,950	\$ 2,169,950
2023	2,050,000	111,219	2,161,219
2024	2,110,000	44,913	2,154,913
2025	145,000	9,438	154,438
2026	150,000	5,750	155,750
2027	<u>155,000</u>	<u>1,938</u>	<u>156,938</u>
Total	<u>\$ 6,600,000</u>	<u>\$ 353,208</u>	<u>\$ 6,953,208</u>

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

Energy Performance Contract Debt Payable

The School District, In November 2014, entered into a \$7,454,228 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 eighteen years, with semi-annual installments of \$267,159 through November 2032. Payments include interest ranging from 2.3736% to 3.44%. 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, 2021 was \$5,316,232.

The following is a summary of the maturity of installment purchase debt:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	404,803	129,515	\$ 534,318
2023	414,895	119,423	534,318
2024	425,242	109,076	534,318
2025	435,852	98,466	534,318
2026	446,735	87,585	534,320
2027-2031	2,406,768	264,821	2,671,589
2032-2036	<u>781,937</u>	<u>19,537</u>	<u>801,474</u>
	<u>\$ 5,316,232</u>	<u>\$ 828,423</u>	<u>\$ 6,144,655</u>

7. INTERFUND BALANCES AND ACTIVITY

	Interfund		Interfund	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditures</u>
General fund	\$ 1,104,192	\$ 3,461	\$ 6,605	\$ 2,603,828
Special aid fund	-	1,128,011	132,878	-
School lunch fund	-	-	-	-
Capital projects fund	34,578	10,091	2,470,950	6,605
Misc. Special Revenue	2,793	-	-	-
Total	<u>\$ 1,141,563</u>	<u>\$ 1,141,563</u>	<u>\$ 2,610,433</u>	<u>\$ 2,610,433</u>

Interfund receivables and payables, other than between governmental activities, 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.

8. PENSION PLANS

New York State Employee Retirement System (NYSERS)

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 NYSERS). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the NYSERS is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the NYSERS. The NYSERS benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an employer elects to participate in the NYSERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at:

www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

The NYSERS is noncontributory except for employees who joined the NYSERS after July 27, 1976, who contribute 3.0% percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% percent of their salary for their entire length of service.

8. PENSION PLANS (Continued)

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

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 NYERS' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2021	\$ 1,829,333
2020	\$ 1,717,186
2019	\$ 1,881,250

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

At June 30, 2021, the School District reported a net pension liability of \$33,346 for its proportionate share of the NYERS net pension liability. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2019. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2021, the School District's proportion was .0334887%, which was a decrease from its proportionate share of .0347812% at June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$1,065,253. At June 30, 2021, the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 407,246	\$ -
Changes of Assumptions	6,131,265	115,637
Net difference between projected and actual earnings on pension plan investments	-	9,578,953
Changes in proportion and differences between the District's contributions and proportionate share of contributions	884,493	228,249
Contributions subsequent to the measurement date	548,438	-
	<u>\$ 7,971,442</u>	<u>\$ 9,922,839</u>

The School District recognized \$548,438 as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2021 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

8. PENSION PLANS (Continued)

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

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

Plan's Year Ended March 31:

2022	\$	(332,241)
2023		(23,537)
2024		(372,035)
2025		(1,772,022)
Thereafter		-
	\$	<u>(2,499,835)</u>

Actuarial Assumptions

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

The actuarial valuation used the following actuarial assumptions:

Inflation	2.70%
Salary scale	4.40%
Projected COLA	1.4% compounded annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2015 through March 31, 2020
Mortality improvement	Society of Actuaries Scale MP-2020
Investment Rate of Return	5.9% compounded annually, net of investment expenses

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

8. PENSION PLANS (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2021 are summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32.0%	4.05%
International Equity	15.0%	6.30%
Private Equity	10.0%	6.75%
Real Estate	9.0%	4.95%
Opportunistic Portfolio	3.0%	4.50%
Credit	4.0%	3.63%
Real Assets	3.0%	5.95%
Fixed Income	23.0%	0.00%
Cash	1.0%	0.50%
	<u>100%</u>	

TRS

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

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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.

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 5.9%, 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% lower (4.9%) or 1% higher (6.9%) than the current rate:

	<u>1 % Decrease (4.9%)</u>	<u>Current Assumption (5.9%)</u>	<u>1% Increase (6.9%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 9,255,568	\$ 33,346	\$ (8,471,701)

8. PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position

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

	Pension Plan's Fiduciary Net Position
Total pension liability	\$220,680,157,000
Net position	(220,580,583,000)
Net pension liability (asset)	<u>\$ 99,574,000</u>
Fiduciary net position as a percentage of total pension liability	99.95%

New York State Teacher Retirement System

The School District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. NYSTRS 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. NYSTRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions

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

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

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

2021	\$ 4,220,177
2020	\$ 3,956,743
2019	\$ 4,736,853

8. PENSION PLANS (Continued)

New York State Teacher Retirement System (NYSTRS) (Continued)

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

At June 30, 2021, the School District reported net pension liability of \$7,270,505 for its proportionate share of the NYSTRS net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. 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, 2021, the School District's proportion was .2631120%, which was a decrease from its proportionate share of .2672190%, at June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$10,077,221. At June 30, 2021 the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,370,417	\$ 372,599
Changes of Assumptions	9,195,498	3,277,715
Net difference between projected and actual earnings on pension plan investments	4,748,278	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,015,446	-
Contributions subsequent to the measurement date	4,514,347	-
	<u>\$ 25,843,986</u>	<u>\$ 3,650,314</u>

The School District recognized \$4,514,347 as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date June 30, 2020, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Plan's Year Ended June 30:

2021	\$ 3,120,823
2022	6,005,940
2023	4,931,419
2024	3,067,462
2025	179,120
Thereafter	374,561
	<u>\$ 17,679,325</u>

8. PENSION PLANS (Continued)

New York State Teacher Retirement System (NYSTRS) (Continued)

Actuarial Assumptions

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

Inflation	2.20%										
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.										
	<table><tr><th><u>Service</u></th><th><u>Rate</u></th></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>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Projected COLA	1.3% compounded annually										
Investment Rate of Return	7.10% compounded annually, net of pension plan investment expense, including inflation.										

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

The actuarial assumptions 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.

8. PENSION PLANS (Continued)

New York State Teacher Retirement System (NYSTRS) (Continued)

Actuarial Assumptions (Continued)

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, 2020 (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>Expected Real Rate of Return</u>
Domestic Equities	33.0%	7.1%
International Equities	16.0%	7.7%
Global Equities	4.0%	7.4%
Real Estate Equities	11.0%	6.8%
Private Equities	8.0%	10.4%
Domestic Fixed Income Securities	16.0%	1.8%
Global Bonds	2.0%	1.0%
High Yield Bonds	1.0%	3.9%
Private Debt	1.0%	5.2%
Real Estate Debt	7.0%	3.6%
Cash Equivalents	1.0%	0.7%
	<u>100%</u>	

Discount Rate

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

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

The following presents the net pension liability (asset) of the School District using the discount rate of 7.1%, 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 (6.1%) or 1-percentage-point higher (8.1%) than the current rate:

	<u>1% Decrease (6.1%)</u>	<u>Current Assumption (7.1%)</u>	<u>1% Increase (8.1%)</u>
Proportionate Share of Net Pension liability (asset)			
	\$ 45,925,281	\$ 7,270,505	\$ (25,170,646)

8. PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position

The components of the collective net pension liability (asset) of the plan as of June 30, 2020, were as follows:

	Pension Plan's Fiduciary Net Position
Total pension liability (asset)	\$123,242,776,215
Net position	(120,479,505,380)
Net pension liability (asset)	<u>\$ 2,763,270,835</u>
Fiduciary net position as a percentage of total pension liability	97.76%

Voluntary Defined Contribution Plan

The School District also offers a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the School District will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in this program.

9. OTHER POST-EMPLOYMENT BENEFITS

Plan description

The School District provides post-employment, (health insurance, life insurance, etc.), coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the School District's contractual agreements. This District is required to calculate and record a net other post-employment benefit (OPEB) obligation at year-end. The total OPEB obligation is the cumulative difference between the actuarially required contribution and the actual contributions made.

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

Benefits Provided

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries	
currently receiving benefits	512
Inactive employees or beneficiaries	
entitled to but not yet receiving benefits	-
Active employees	538
Total participants	<u>1,050</u>

9. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The School District's total OPEB liability of \$321,364,773 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Payroll Growth	2.00%
Discount Rate	1.92%
Healthcare Cost Trend Rates	Pre-65 Medical - 6.75% for 2021, decreasing annually to an ultimate rate of 3.784% for 2075 Post-65 Medical - 4.40% for 2021, decreasing annually to an ultimate rate of 3.784% for 2075 Prescription Drug - 6.75% for 2021, decreasing annually to an ultimate rate of 3.784% for 2075 Medicare Part B Premium - 5.75% for 2021, decreasing annually to an ultimate rate of 3.784% for 2075
Share of Benefit-Related Costs	Retirees contribute a portion of health care premiums based on date of hire, retirement date, and the applicable bargaining unit contract

The discount rate was based on a yield or index for the Fidelity General Obligation 20-Year AA Municipal Bond Index.

The mortality improvement scale assumption was revised as of June 30, 2021 from Scale MP-2019 to Scale MP-2020 on a generational basis in order to reflect the most recent experience available as of the measurement date. The revised assumption resulted in a decrease in liabilities.

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

Changes in the Total OPEB Liability

Balance at June 30, 2020	\$ 399,552,170
Changes for the Year:	
Service cost	9,745,089
Interest cost	7,303,695
Changes in benefit terms	-
Changes in assumptions or other inputs	19,257,071
Differences between expected and actual experience	(107,881,254)
Benefit payments	<u>(6,611,998)</u>
Balance at June 30, 2021	<u>\$ 321,364,773</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.45% in 2020 to 1.92% in 2021.

9. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.92%) or 1 percentage point higher (2.92%) than the current discount rate:

	1% Decrease (0.92%)	Current Discount (1.92%)	1% Increase (2.92%)
Total OPEB Liability	<u>\$ 382,857,158</u>	<u>\$ 321,364,773</u>	<u>\$ 272,664,797</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 rates:

	Healthcare		
	1% Decrease (*)	Current Discount (*)	1% Increase (*)
Total OPEB Liability	<u>\$ 267,599,806</u>	<u>\$ 321,364,773</u>	<u>\$ 391,017,761</u>

* The current discount rate varies by coverage type as noted in the assumptions table.
The sensitivity analysis was calculated and summarized for all coverage types.

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

For the year ended June 30, 2021, the School District recognized OPEB expense of \$16,933,967. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 70,348,975	\$ 4,891,788
Difference between expected and actual experience	<u>11,690,626</u>	<u>98,417,004</u>
Total	<u>\$ 82,039,601</u>	<u>\$103,308,792</u>

9. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Fiscal year ending June 30:

2022	\$ (114,817)
2023	121,615
2024	(1,877,282)
2025	(12,230,574)
2026	(7,168,133)
	<u>\$ (21,269,191)</u>

10. DEFERRED OUTFLOWS OF RESOURCES – LOSS ON REFUNDING

The loss on defeasance pertaining to the 2009, 2011 and 2014 refunding is recorded in the District Wide Financial Statements as deferred outflows of resources. The amounts on defeasance on the advanced refunding is being amortized on the School District Wide Financial Statements using the straight-line method over 9 years, 11 years and 11 years, respectively.

11. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Litigation

The School District is a defendant in actions which, on occasion, parents seek reimbursement for tuition paid by them to private schools where they have unilaterally placed (enrolled) their children. If the parents' were successful in the claim, they could receive reimbursement for both tuition and attorney's fees. The School District rigorously contests any liability for these claims, as it feels: a) it had provided an appropriate placement for the children at issue; and b) the parents' unilateral placement are not consistent with the Individuals with Education Disabilities Act. As mentioned above, the School District is contesting that any and all cases should be dismissed, however, it is not possible to express an opinion on the outcome of these matters.

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

B. Contingencies

The School District participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Single Audit Act. Accordingly, the School District's compliance with applicable grant requirements may be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

The School District is subject to audits of State aid by the New York State Education Department. The amount of aid previously paid to the School District which may be disallowed cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

11. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (Continued)

C. Risk Management

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, school board legal liability, auto liability, and auto physical damage coverage, excess insurance, equipment floaters, boilers, and machinery insurance and all risk building and contents. In addition, as part of the reciprocal program, crime and bond coverages will be purchased from commercial carriers and be available to the subscriber districts. The Company retains a management company, which is responsible for the overall supervision and management of the reciprocal. The reciprocal is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts. The subscribers have elected those who sit on the board and each subscriber has a single vote. The Company is an "assessable" insurance Company, in that, the subscribers are severally liable for any financial shortfall of the Company and can be assessed their proportionate share by the State Insurance Department if the funds of the Company are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimal capital contribution. The School District purchases various insurance coverages from the Company to reduce its exposure to loss. The School District maintains general liability insurance coverage with policy limits of \$1 million and an umbrella policy which provides coverage up to \$25 million. The School District also maintains liability for school board members with policy limits of \$1 million and public employee dishonesty with policy limits for \$5 million. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District and neighboring school districts in Northern Westchester and Putnam Counties participate in the Westchester-Putnam Schools Cooperative Self-Insurance Plan for Workers' Compensation. The Plan operates under an agreement, as amended, dated February 6, 1987. The purposes of the Plan are to provide for the efficient and economical evaluation, processing, administration, defense, and payment of claims against Plan members for workers' compensation payments. The Board of Trustees of the Plan consists of five Trustees selected by the Plan members. Each Trustee shall have one vote and no action may be taken except by a majority of the total membership of Trustees. Billings to each participant are based upon the cost incurred for workers' compensation. The School District has transferred all related risk to the Plan.

12. COVID-19 PANDEMIC

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

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

CARES	Entirely spent in fiscal year 2021
CRSSA	\$279,862
ARPA	\$628,985

13. CHANGE IN ACCOUNTING PRINCIPLE

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

	Fiduciary Activities Agency	
	Cash	Liabilities
Balance at June 30, 2020, as previously reported	\$ 588,170	\$ 588,170
Restatement of beginning balance - Adoption of GASB Statement No. 84	<u>(588,170)</u>	<u>(588,170)</u>
Balance at July 1, 2020 as restated	<u>\$ -</u>	<u>\$ -</u>

	General Fund	
	Cash	Liabilities
Balance at June 30, 2020, as previously reported	\$ 25,817,517	\$ 1,857,280
Restatement of beginning balance - Adoption of GASB Statement No. 84	<u>531,775</u>	<u>531,775</u>
Balance at July 1, 2020 as restated	<u>\$ 26,349,292</u>	<u>\$ 2,389,055</u>

	Miscellaneous Special Revenue Fund/Special Purpose Fund		
	Cash	Accounts Payable	Fund Balance
Balance at June 30, 2020, as previously reported	\$ 88,933	\$ 6,800	\$ 82,133
Restatement of beginning balance - Adoption of GASB Statement No. 84	<u>56,395</u>	<u>-</u>	<u>56,395</u>
Balance at July 1, 2020 as restated	<u>\$ 145,328</u>	<u>\$ 6,800</u>	<u>\$ 138,528</u>

	Governmental Activities		
	Cash	Accrued Liabilities	Net Position
Balance at June 30, 2020, as previously reported	\$ 27,950,941	\$ 2,043,252	\$ (233,411,468)
Restatement of beginning balance - Adoption of GASB Statement No. 84	<u>588,170</u>	<u>531,775</u>	<u>56,395</u>
Balance at July 1, 2020 as restated	<u>\$ 28,539,111</u>	<u>\$ 2,575,027</u>	<u>\$ (233,355,073)</u>

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

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

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Encumbrances</i>	<i>Final Budget Variance with Budgetary Actual</i>
REVENUE					
Local sources:					
Real property taxes	\$ 97,948,497	\$ 92,053,711	\$ 92,027,417	\$ -	\$ (26,294)
Other tax items	-	5,894,787	5,894,787	-	-
Non-property taxes	1,153,133	1,153,133	1,713,543	-	560,410
Charges for services	315,000	401,252	345,689	-	(55,563)
Use of money and property	303,000	303,000	316,625	-	13,625
Sale of property and compensation for loss	-	-	56,461	-	56,461
Miscellaneous	250,000	399,208	836,966	-	437,758
Total local sources	99,969,630	100,205,091	101,191,488	-	986,397
Federal sources	-	-	103,837	-	103,837
State sources	8,303,050	8,303,050	8,691,966	-	388,916
Total revenue	108,272,680	108,508,141	109,987,291	-	1,479,150

(Continued)

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

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

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Encumbrances</i>	<i>Variance with Budgetary Actual and Encumbrances</i>
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	\$ 199,620	\$ 201,065	\$ 184,296	\$ -	\$ 16,769
Central administration	450,768	425,511	408,678	725	16,108
Finance	1,041,340	1,021,095	944,327	63,977	12,791
Staff	1,113,457	1,109,815	1,012,615	11,030	86,170
Central services	7,348,994	13,142,662	9,206,945	3,832,198	103,519
Special items	982,773	991,964	975,975	-	15,989
Total general support	11,136,952	16,892,112	12,732,836	3,907,930	251,346
INSTRUCTION:					
Instruction, administration, and improvement	6,249,290	6,044,265	5,767,533	15,687	261,045
Teaching - regular school	30,484,612	29,249,333	28,858,831	116,258	274,244
Programs for children with handicapping conditions	12,733,952	12,025,577	11,677,482	5,607	342,488
Teaching - special school	6,500	6,500	-	-	6,500
Occupational education	371,397	384,397	381,407	-	2,990
Instructional media	3,454,889	4,420,601	4,322,984	13,698	83,919
Pupil services	6,203,197	6,204,823	5,791,657	47,200	365,966
Total instruction	59,503,837	58,335,496	56,799,894	198,450	1,337,152
Pupil transportation	4,496,755	4,231,308	3,892,430	158,572	180,306
Community services	20,000	-	-	-	-
Employee benefits	31,640,629	29,392,800	28,705,281	-	687,519
Debt service - principal	2,294,961	2,294,961	2,294,961	-	-
Debt service - interest	389,546	389,546	389,545	-	1
Total expenditures	109,482,680	111,536,223	104,814,947	4,264,952	2,456,324
OTHER FINANCING SOURCES (USES)					
Transfer in from other funds	-	-	6,605	-	(6,605)
Transfers to other funds	(1,990,000)	(2,660,950)	(2,603,828)	-	57,122
Total other financing sources (uses)	(1,990,000)	(2,660,950)	(2,597,223)	-	50,517
Total expenditures and other financing sources (uses)	111,472,680	114,197,173	107,412,170	\$ 4,264,952	\$ 2,506,841
NET CHANGE IN FUND BALANCE	(3,200,000)	(5,689,032)	2,575,121		
FUND BALANCE - beginning of year	21,812,924	21,812,924	21,812,924		
FUND BALANCE - end of year	\$ 18,612,924	\$ 16,123,892	\$ 24,388,045		

The accompanying notes are an integral part of these schedules

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

SCHEDULE OF CHANGE IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total OPEB Liability									
Service cost	\$ 9,745,089	\$ 8,864,350	\$ 8,175,995	\$ 8,026,493					
Interest	7,303,695	10,089,029	11,063,230	10,117,092					
Changes in benefit terms	-	-	(263,422)	-					
Differences between expected and actual experience in the measurement of the total OPEB liability	(107,881,254)	(16,644,103)	26,893,003	-					
Changes of assumptions or other inputs	19,257,071	87,711,919	(9,390,346)	(2,902,023)					
Change in actuarial cost method	-	-	-	-					
Benefit payments	(6,611,998)	(7,875,719)	(7,416,587)	(6,116,445)					
Total change in in total OPEB liability	(78,187,397)	82,145,476	29,061,873	9,125,117					
Total OPEB liability - beginning	399,552,170	317,406,694	288,344,821	279,219,704					
Total OPEB liability - ending	\$ 321,364,773	\$ 399,552,170	\$ 317,406,694	\$ 288,344,821					
 Covered payroll	 \$ 57,366,640	 \$ 58,562,506	 \$ 59,223,282	 \$ 57,572,515					
Total OPEB liability as a percentage of covered payroll	560.19%	682.27%	535.95%	500.84%					

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	1.92%	2.45%	3.13%	3.62%
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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.

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

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

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0334887%	0.0347812%	0.0352430%	0.0389593%	0.0401802%	0.0408701%	0.0412069%			
Proportionate share of the net pension liability (asset)	\$ 33	\$ 9,210	\$ 2,497	\$ 1,257	\$ 3,775	\$ 6,560	\$ 1,392			
Covered-employee payroll	\$ 13,286	\$ 12,680	\$ 11,907	\$ 12,850	\$ 12,177	\$ 12,419	\$ 11,762			
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.25%	72.63%	20.97%	9.78%	31.01%	52.82%	11.83%			
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%			
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of the net pension liability (asset)	0.2631120%	0.2672190%	0.2680700%	0.2784670%	0.2818390%	0.2125420%	0.2961240%			
Proportionate share of the net pension liability (asset)	\$ 7,270	\$ (6,942)	\$ (4,847)	\$ (2,117)	\$ 3,019	\$ (29,833)	\$ (32,986)			
Covered-employee payroll	\$ 44,283	\$ 44,658	\$ 44,603	\$ 43,666	\$ 50,865	\$ 43,714	\$ 43,145			
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-16.42%	15.55%	10.87%	4.85%	5.94%	68.25%	76.45%			
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%			

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.

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.

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

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

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,829	\$ 1,717	\$ 1,881	\$ 1,881	\$ 1,870	\$ 2,061	\$ 2,087	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.			
Contributions in relation to the contractually required contribution	\$ 1,829	\$ 1,717	\$ 1,881	\$ 1,881	\$ 1,870	\$ 2,061	\$ 2,087				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Covered-employee payroll	\$ 13,286	\$ 12,680	\$ 11,907	\$ 12,850	\$ 12,177	\$ 12,419	\$ 11,762				
Contributions as a percentage of covered-employee payroll	13.77%	13.54%	15.80%	14.64%	15.36%	16.60%	17.74%				

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

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 4,220	\$ 3,957	\$ 4,737	\$ 4,279	\$ 5,961	\$ 5,797	\$ 7,563	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.			
Contributions in relation to the contractually required contribution	\$ 4,220	\$ 3,957	\$ 4,737	\$ 4,279	\$ 5,961	\$ 5,797	\$ 7,563				
Contribution deficiency (excess)	-	-	-	-	-	-	-				
Covered-employee payroll	\$ 44,283	\$ 44,658	\$ 44,603	\$ 43,666	\$ 50,865	\$ 43,714	\$ 43,145				
Contributions as a percentage of covered-employee payroll	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%				

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.

SUPPLEMENTAL INFORMATION

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND THE REAL PROPERTY TAX LIMIT (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2021

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 111,472,680
Add: Prior year's encumbrances	<u>1,935,918</u>
Original budget	113,408,598
Budget revisions	<u>788,575</u>
Final budget	<u>\$ 114,197,173</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-22 voter-approved expenditure budget	\$ 113,242,880	
Maximum allowed (4% of 2021-22 budget)		\$ 4,529,715
General fund, fund balance subject to section 1318 of real property tax law*:		
Unrestricted fund balance:		
Committed fund balance		\$ -
Assigned fund balance		7,464,952
Unassigned fund balance		<u>4,261,074</u>
Total Unrestricted Fund Balance		<u>\$ 11,726,026</u>
Less:		
Appropriated fund balance	3,200,000	
Encumbrances included in committed and assigned fund balance	<u>4,264,952</u>	
Total adjustments	<u>7,464,952</u>	
General fund, fund balance subject to section 1318 of real property tax law		<u>\$ 4,261,074</u>
Actual percentage		3.76%

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

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

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

PROJECT TITLE	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2021
		Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
WWTP upgrade	\$ 1,147,471	\$ 1,123,948	\$ -	\$ 1,123,948	\$ 23,523	\$ -	\$ 1,123,948	\$ -	\$ 1,123,948	\$ -
Proposition # 4 - 2015 MPES ROOF	1,374,986	1,374,986	-	1,374,986	-	1,408,316	-	-	1,408,316	33,330
BK Connector	50,500	13,172	-	13,172	37,328	-	-	50,500	50,500	37,328
HS Auditorium Lighting	455,800	28,639	-	28,639	427,161	-	-	455,800	455,800	427,161
2021 District wide construction	1,457,500	-	30,434	30,434	1,427,066	-	-	1,457,500	1,457,500	1,427,066
Proposition # 2 - 2021	670,950	-	-	-	670,950	-	-	670,950	670,950	670,950
Smart Schools Bond Act	707,779	706,463	1,248	707,711	68	-	707,711	-	707,711	-
2018 District wide construction	4,338	-	-	-	4,338	-	-	4,338	4,338	4,338
2019 District wide construction	400,000	342,414	41,450	383,864	16,136	-	-	400,000	400,000	16,136
2020 District wide construction	759,500	397,701	310,534	708,235	51,265	-	-	759,500	759,500	51,265
Proposition # 2 - 2019	648,485	537,357	111,128	648,485	-	-	-	648,485	648,485	-
KES Sprinkler	342,500	-	30,242	30,242	312,258	-	-	342,500	342,500	312,258
KES Tank Removal	99,500	11,422	41,560	52,982	46,518	-	-	99,500	99,500	46,518
Proposition # 2 - 2020	725,600	-	725,600	725,600	-	-	-	725,600	725,600	-
Total	\$ 8,844,909	\$ 4,536,102	\$ 1,292,196	\$ 5,828,298	\$ 3,016,611	\$ 1,408,316	\$ 1,831,659	\$ 5,614,673	\$ 8,854,648	\$ 3,026,350

The accompanying notes are an integral part of these schedules.

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT

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

Capital assets, net	\$ 70,917,200
Deduct:	
Short-term portion of long term debt payable	2,394,803
Long-term portion of energy performance contract debt payable	4,911,429
Long-term portion of bonds payable (including unamortized premium)	4,968,845
Less: Deferred amounts on refunding	<u>(107,833)</u>
	<u>12,167,244</u>
Net investment in capital assets	<u><u>\$ 58,749,956</u></u>

The accompanying notes are an integral part of these schedules.

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT, NEW YORK

NON-MAJOR GOVERNMENTAL FUNDS-COMBINING BALANCE SHEET FOR THE YEAR ENDED JUNE 30, 2021 (With Comparative Totals for 2020)

				Total Non-Major Governmental Funds	
	School Lunch	Misc. Special Revenue	Capital Projects	2021	2020
ASSETS					
Cash and equivalents - unrestricted	\$ 97,579	\$ -	\$ -	\$ 97,579	\$ 187,156
Cash and equivalents - restricted	-	141,582	2,992,230	3,133,812	1,913,049
Receivables					
State and Federal aid	161,907	-	9,633	171,540	15,329
Other	3,918	-	-	3,918	4,026
Due from other funds	-	2,793	34,578	37,371	129,492
	<u>165,825</u>	<u>2,793</u>	<u>44,211</u>	<u>212,829</u>	<u>148,847</u>
Inventory	<u>16,826</u>	<u>-</u>	<u>-</u>	<u>16,826</u>	<u>30,088</u>
Total Assets	<u>\$ 280,230</u>	<u>\$ 144,375</u>	<u>\$ 3,036,441</u>	<u>\$ 3,461,046</u>	<u>\$ 2,279,140</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 7,506	\$ 11,393	\$ -	\$ 18,899	\$ 43,932
Due to other funds	-	-	10,091	10,091	19,093
Due to other governments	20	-	-	20	15
Unearned revenues	<u>70,051</u>	<u>-</u>	<u>-</u>	<u>70,051</u>	<u>83,140</u>
Total Liabilities	<u>77,577</u>	<u>11,393</u>	<u>10,091</u>	<u>99,061</u>	<u>146,180</u>
Fund balance					
Nonspendable	16,826	-	-	16,826	30,088
Restricted	-	132,982	3,026,350	3,159,332	1,922,607
Assigned	<u>185,827</u>	<u>-</u>	<u>-</u>	<u>185,827</u>	<u>180,265</u>
Total Fund Balance	<u>202,653</u>	<u>132,982</u>	<u>3,026,350</u>	<u>3,361,985</u>	<u>2,132,960</u>
Total Liabilities and Fund Balance	<u>\$ 280,230</u>	<u>\$ 144,375</u>	<u>\$ 3,036,441</u>	<u>\$ 3,461,046</u>	<u>\$ 2,279,140</u>

KATONAH-LEWISBORO UNION FREE SCHOOL DISTRICT, NEW YORK

NON-MAJOR GOVERNMENTAL FUNDS-COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDING JUNE 30, 2021 (With comparative totals for 2020)

	School Lunch	Misc. Special Revenue	Capital Projects	Total Non-Major Governmental Funds	
				2021	2020
REVENUES					
Use of money and property	\$ -	\$ -	\$ -	\$ -	\$ 264
Contributions	-	-	-	-	1,892
Miscellaneous	29,725	59,499	-	89,224	1,800
State sources	16,297	-	7,122	23,419	17,055
Federal sources	449,968	-	-	449,968	126,534
Sales - school lunch	28,395	-	-	28,395	669,202
Total revenue	524,385	59,499	7,122	591,006	816,747
EXPENDITURES					
Other	-	65,045	-	65,045	9,500
Cost of sales	532,085	-	-	532,085	936,278
Capital outlay	-	-	1,285,591	1,285,591	1,253,260
Total expenditures	532,085	65,045	1,285,591	1,882,721	2,199,038
Excess (Deficiency) of Revenues Over Expenditures	(7,700)	(5,546)	(1,278,469)	(1,291,715)	(1,382,291)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	2,470,950	2,470,950	2,040,400
Transfers out	-	-	(6,605)	(6,605)	-
Total Other Financing Sources	-	-	2,464,345	2,464,345	2,040,400
Net Change in Fund Balance	(7,700)	(5,546)	1,185,876	1,172,630	658,109
FUND BALANCE					
Beginning of Year, as previously reported	210,353	82,133	1,840,474	2,132,960	1,474,851
Restatement (Note 13)	-	56,395	-	56,395	-
Beginning of Year, as restated	210,353	138,528	1,840,474	2,189,355	1,474,851
End of Year	\$ 202,653	\$ 132,982	\$ 3,026,350	\$ 3,361,985	\$ 2,132,960

The accompanying notes are an integral part of these schedules.

REQUIRED REPORT UNDER *GOVERNMENT AUDITING STANDARDS*

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

September 20, 2021

To the Board of Education of
Katonah-Lewisboro Union Free School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Katonah-Lewisboro Union Free School District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 20, 2021.

Internal Control over Financial Reporting

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

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

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

(Continued)

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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