

**SPENCER-VAN ETTEN
CENTRAL SCHOOL DISTRICT**

Spencer, New York

FINANCIAL REPORT

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



SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2020

Independent Auditors' Report	1-3
Required Supplementary Information	
Management's Discussion and Analysis	4-4j
Basic Financial Statements	
District-Wide Financial Statements	
Statement of Net Position	5-5a
Statement of Activities	6
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	7-7a
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	9-9a
Reconciliation of Governmental Funds to the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	10
Statement of Fiduciary Net Position - Fiduciary Funds	11
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	12
Notes to Financial Statements	13-47
<hr/>	
Required Supplementary Information	
Schedule of Revenues Compared to Budget (Non-U.S. GAAP) - General Fund	48
Schedule of Expenditures Compared to Budget (Non-U.S. GAAP) - General Fund	49-49a
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios	50-50a
Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans.....	51-51a
Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability	52-52a
Notes to Required Supplementary Information	53-56
Supplementary Financial Information	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit	57
Schedule of Project Expenditures - Capital Projects Fund	58
Schedule of Net Investment in Capital Assets	59
Report Required Under <i>Government Auditing Standards</i>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60-61

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2020

Reports Required Under the Single Audit Act (Uniform Guidance)

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	62-63
Schedule of Expenditures of Federal Awards	64
Notes to Schedule of Expenditures of Federal Awards	65
Schedule of Findings and Questioned Costs	66-67

INDEPENDENT AUDITORS' REPORT

Board of Education
Spencer-Van Etten Central School District
Spencer, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spencer-Van Etten Central School District (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Changes in the School District's Total OPEB Liability and Related Ratios, Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability, and related notes to required supplementary information on pages 4-4j and 48-56 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 Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Schedule of Net Investment in Capital Asset (supplementary information) on pages 57-59 are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 to 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 supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 24, 2020

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2020. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-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. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District ended the year with a total net deficit of \$23,286,239, an increase of \$1,419,651 from the prior year. Year-end net position was composed of \$3,941,169 in restricted, \$18,564,954 in net investment in capital assets, and \$45,792,362 in unrestricted net (deficit). The unrestricted net deficit increased \$2,432,642 compared to the prior year. Unrestricted net deficit at June 30, 2020 is primarily attributable to recognition of the net other postemployment benefits (OPEB) obligation.
- During 2020, fund balance in the General Fund increased \$628,618, based on excess revenue over expenditures. Total General Fund fund balance, including reserves, increased from \$4,194,181 at the end of 2019 to \$4,822,799 at June 30, 2020. General Fund expenditures were under budget by \$970,065 in 2020.
- Outstanding debt of the School District at June 30, 2020 was \$13,250,828; a decrease of \$1,897,661 from the prior year. This decrease reflects principal payments made during the current year.
- The School District complies with Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - An Amendment of GASB Statements No. 27, and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date." Current year recognition resulted in an increase of pension expense of \$1,033,116, compared to a decrease of \$144,899 in the prior year.
- Expenses exceeded revenues by \$1,419,651 in 2020, compared to revenues exceeding expenses by \$291,944 in 2019.
- The School District recognizes its total OPEB liability, as well as deferred outflows and deferred inflows related to the OPEB plan in accordance with the parameters of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." Current year recognition resulted in an increase in Government-wide expenses of \$1,806,317, compared to an increase of \$933,632 in 2019.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide statements. The Governmental Fund financial statements concentrate on the School District's most significant funds with all other Non-Major Funds listed in total in one column.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year, a Schedule of Changes in the District's Total OPEB Liability and Related Ratios related to the School District's unfunded actuarial liability for postemployment benefits, and information related to the School District pension obligations.

District-Wide Statements

The District-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the School District's net position and how it has changed. Net position (the difference between the School District's assets, deferred inflows of resources and deferred outflows of resources and liabilities) is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the School District's activities are shown as Governmental Activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Governmental Fund Financial Statements

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

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that 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 financial statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information following the Governmental Funds financial statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net position for fiscal year ended June 30, 2020 decreased by \$1,419,651. Our analysis focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019 - 2020</i>
<i>Current Assets</i>	\$ 2,467,369	\$ 2,832,647	\$ 365,278
<i>Noncurrent Assets</i>	4,431,771	5,028,661	596,890
<i>Capital Assets, Net</i>	32,853,896	31,742,655	(1,111,241)
<i>Total Assets</i>	39,753,036	39,603,963	(149,073)
<i>Pensions</i>	4,417,002	4,700,083	283,081
<i>Other Postemployment Benefits</i>	1,127,814	6,734,596	5,606,782
<i>Deferred Charges on Defeased Debt</i>	102,832	73,127	(29,705)
<i>Total Deferred Outflows of Resources</i>	5,647,648	11,507,806	5,860,158
<i>Current Liabilities</i>	3,179,989	3,152,424	(27,565)
<i>Noncurrent Liabilities</i>	57,972,285	63,662,252	5,689,967
<i>Total Liabilities</i>	61,152,274	66,814,676	5,662,402
<i>Pensions</i>	1,185,096	1,636,788	451,692
<i>Other Postemployment Benefits</i>	4,929,902	5,946,544	1,016,642
<i>Total Deferred Inflows of Resources</i>	6,114,998	7,583,332	1,468,334
<i>Net Investment in Capital Assets</i>	17,808,239	18,564,954	756,715
<i>Restricted</i>	3,684,893	3,941,169	256,276
<i>Unrestricted</i>	(43,359,720)	(45,792,362)	(2,432,642)
<i>Total Net (Deficit)</i>	\$ (21,866,588)	\$ (23,286,239)	\$ (1,419,651)

The increase in noncurrent assets is related to the increase funding of the reserves and an increase in the NYSTRS pension asset. The decrease in net capital assets is a result of depreciation expense exceeding capital outlay in the current year.

The changes in deferred inflows of resources - pensions and deferred outflows of resources - pensions, are related to changes in the actuarially determined proportionate share of the School District's net pension asset/liability and related deferred outflows and inflows of resources for pension plans, as recognized under GASB Statement No. 68.

Additional changes in noncurrent liabilities, deferred outflows of resources - other postemployment benefits and deferred inflows of resources - other postemployment benefits, are due to actuarially determined changes in the future costs of plan benefits recognized under GASB Statement No. 75.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

The increase in net investment in capital assets was primarily due to the net effect of capital additions and debt reduction exceeding depreciation expense. Increases in restricted net position are primarily due to increased funding of reserves in the General Fund. The net effect of the School District's activities resulted in an increase in unrestricted net deficit of \$2,432,642. This increase is primarily a result of current year other postemployment benefits expense.

Our analysis in *Figure 2* considers the operations of the School District's activities.

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019 - 2020</i>
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 152,333	\$ 156,026	\$ 3,693
<i>Operating Grants and Contributions</i>	1,447,488	1,468,731	21,243
<i>Capital Grants</i>		460,934	460,934
<i>General Revenues:</i>			
<i>Real Property Taxes</i>	5,818,785	5,967,351	148,566
<i>Real Property Tax Items</i>	1,083,981	1,104,070	20,089
<i>Unrestricted State Sources</i>	14,299,817	14,594,918	295,101
<i>Use of Money and Property</i>	19,269	18,721	(548)
<i>Other General Revenues</i>	466,590	359,412	(107,178)
Total Revenues	\$ 23,288,263	\$ 24,130,163	\$ 380,966
PROGRAM EXPENSES			
<i>General Support</i>	\$ 2,758,488	\$ 3,742,474	\$ 983,986
<i>Instruction</i>	16,974,110	19,148,136	2,174,026
<i>Pupil Transportation</i>	2,275,772	1,719,060	(556,712)
<i>Community Service</i>	25,467	8,424	(17,043)
<i>School Lunch Program</i>	541,221	566,186	24,965
<i>Interest on Debt</i>	421,261	365,534	(55,727)
Total Expenses	\$ 22,996,319	\$ 25,549,814	\$ 2,553,495
CHANGE IN NET POSITION	\$ 291,944	\$ (1,419,651)	\$ (2,172,529)

Total revenues for the School District's Governmental Activities increased by \$380,966, or 1.64%, while total expenses increased \$2,553,495, or 11.10%. The increase in revenue is primarily due to capital grant revenue in the current year related to the capital project. The increase in expenses is primarily due to increased OPEB and pension expense in 2020.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Figures 3 and 4 show the sources of revenue for 2020 and 2019.

Figure 3

Sources of Revenue for 2020

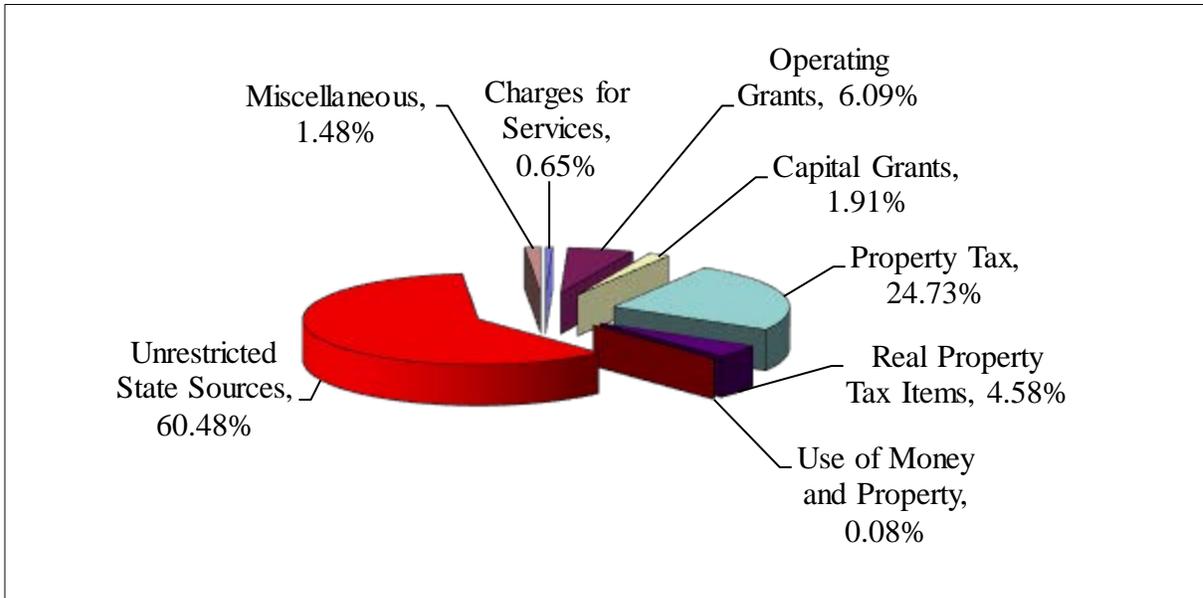
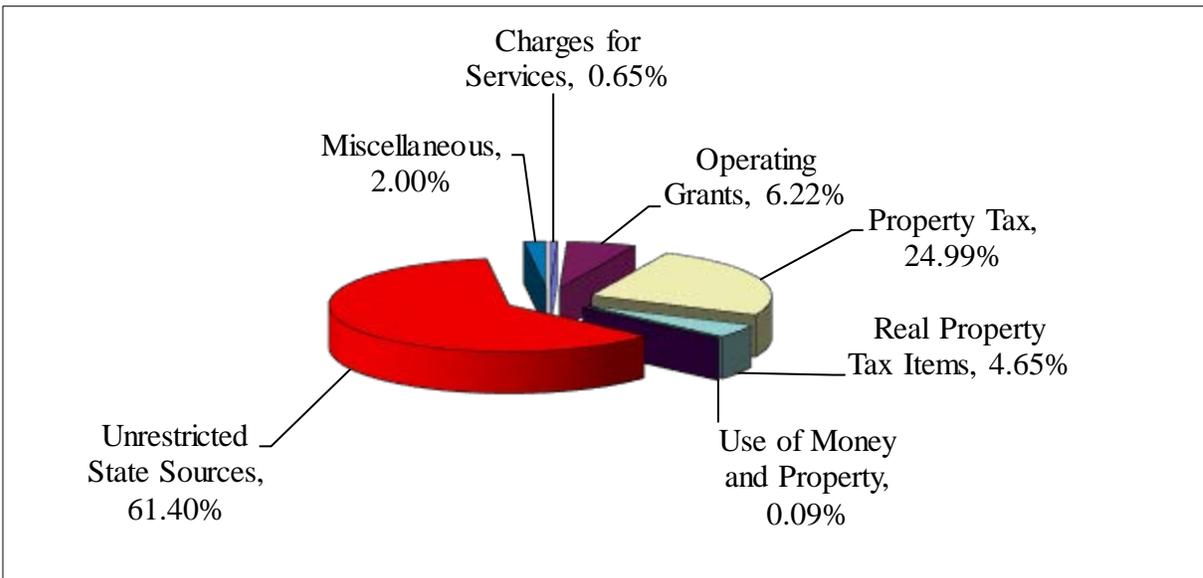


Figure 4

Sources of Revenue for 2019



SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Figures 5 and 6 present the cost for each of the School District's programs for 2020 and 2019.

Figure 5

Cost of Programs for 2020

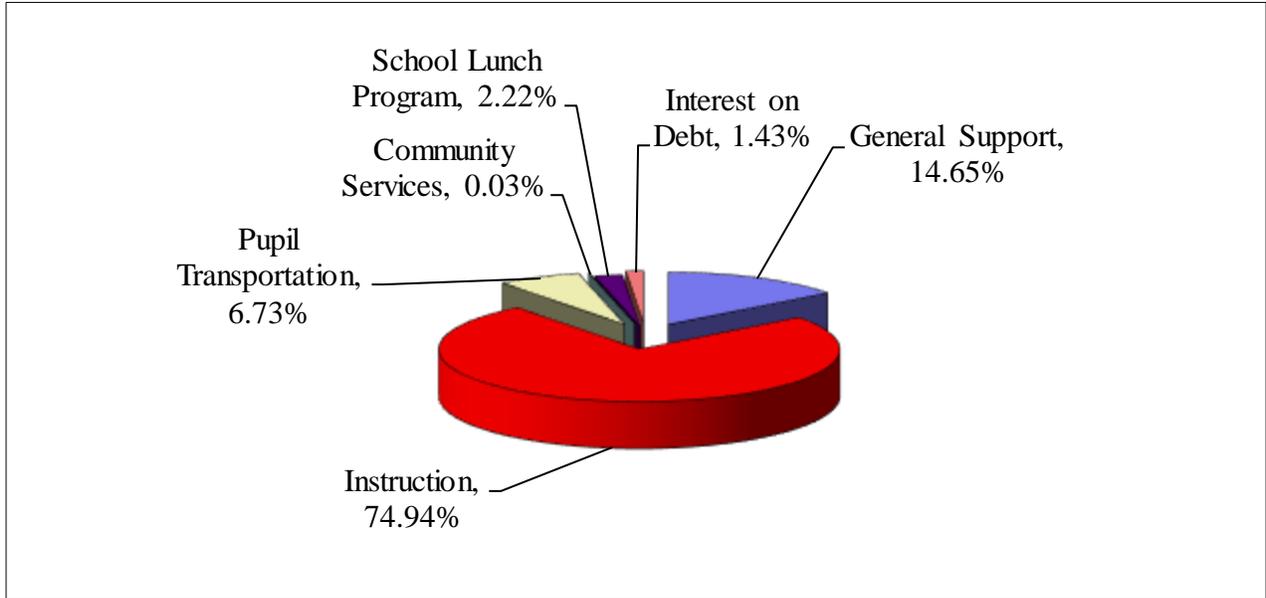
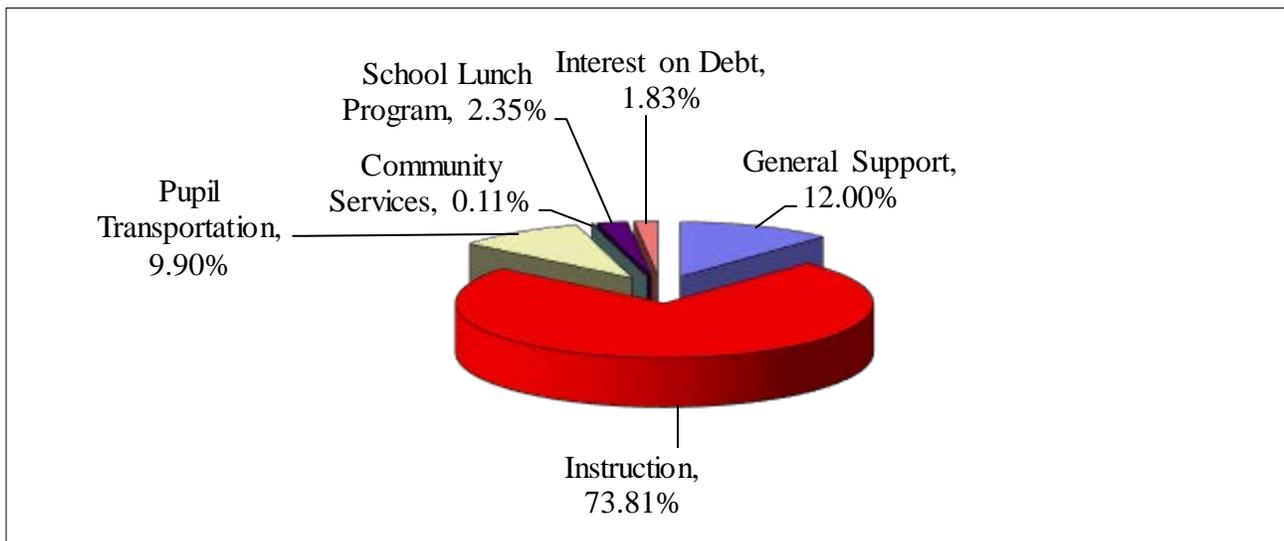


Figure 6

Cost of Programs for 2019



SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the changes in fund balance for the year for the School District's Funds. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined balance of \$5,509,920, an increase of \$654,107 from the prior year's total fund balance of \$4,855,813. The increase is primarily attributable to revenues in excess of expenditures during the current year in the General Fund and School Lunch Fund.

Figure 7

<i>Governmental Fund Balances</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019 - 2020</i>
<i>General Fund</i>	\$ 4,194,181	\$ 4,822,799	\$ 628,618
<i>School Lunch Fund</i>	52,745	74,770	22,025
<i>Debt Service Fund</i>	608,887	610,545	1,658
<i>Non-Major Fund</i>	-	1,806	1,806
<i>Total Governmental Fund Balance</i>	\$ 4,855,813	\$ 5,509,920	\$ 654,107

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board approves all budgetary transfers which revise School District budget line items. These budget amendments consist of budget transfers between functions. In addition to these transfers, the voter approved budget was increased by \$2,255 for other unclassified revenue and \$175,201 for appropriation of reserves. Actual charges to appropriations (expenditures) were below final budget amounts by \$970,065, which includes carry-over encumbrances. Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ended June 30, 2020.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2020</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real Property Taxes</i>	\$ 5,904,101	\$ 5,904,101	\$ 5,967,351	\$ 63,250
<i>Other Tax Items</i>	1,166,706	1,166,706	1,104,070	(62,636)
<i>Unrestricted State Sources</i>	14,616,785	14,616,785	14,594,918	(21,867)
<i>Other, Including Financing Sources</i>	256,500	258,755	527,968	269,213
Total Revenues and Other Financing Sources	\$ 21,944,092	\$ 21,946,347	\$ 22,194,307	\$ 247,960
Appropriated Fund Balances, Appropriated Reserves, and Encumbrances				
	\$ 560,235	\$ 735,436		
EXPENDITURES				
<i>General Support</i>	\$ 2,760,348	\$ 2,813,734	\$ 2,658,421	\$ 155,313
<i>Instruction</i>	10,862,706	10,853,160	10,422,408	430,752
<i>Pupil Transportation</i>	884,532	860,733	822,163	38,570
<i>Community Services</i>	11,100	11,100	-	11,100
<i>Employee Benefits</i>	5,652,956	5,806,684	5,488,840	317,844
<i>Debt Service</i>	2,237,685	2,241,372	2,241,372	-
<i>Other Financing (Uses)</i>	95,000	95,000	78,514	16,486
Total Expenditures and Other Financing (Uses)	\$ 22,504,327	\$ 22,681,783	\$ 21,711,718	\$ 970,065

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2020, the School District had invested in a broad range of capital assets. This amount represents a net decrease (including additions, disposals, and accumulated depreciation) of \$1,111,241 from last year.

Figure 9

<i>Changes in Net Capital Assets</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019 - 2020</i>
<i>Land</i>	\$ 40,439	\$ 40,439	\$ -
<i>Construction in Progress</i>	-	460,934	460,934
<i>Buildings, Net</i>	30,373,576	29,211,351	(1,162,225)
<i>Equipment, Net</i>	2,439,881	2,029,931	(409,950)
Totals	\$ 32,853,896	\$ 31,742,655	\$ (1,111,241)

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Capital asset activity for the year ended June 30, 2020 included the following:

Furniture and Equipment	\$ 81,486
Construction in Progress	460,934
Total Additions	542,420
Less Depreciation Expense	(1,571,065)
Less Retirements, Reclassifications, and Disposals, Net of Accumulated Depreciation	(82,596)
Net Change in Capital Assets, Net	\$ (1,111,241)

Debt Administration

Debt, considered a liability of Governmental Activities, decreased by \$1,897,661 in 2020, as shown in *Figure 10*. The net decrease in debt resulted from ongoing payments on existing debt. Total indebtedness represented 39.2% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019 - 2020</i>
<i>Serial Bonds</i>	\$ 13,750,492	\$ 11,962,255	\$ (1,788,237)
<i>Capital Leases</i>	1,397,997	1,288,573	(109,424)
<i>Totals</i>	\$ 15,148,489	\$ 13,250,828	\$ (1,897,661)

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

Other obligations of the School District include accrued vacation pay and sick leave, other postemployment benefits for retired employees, and retirement system amortization due for retirement contributions. More detailed information about the School District's long-term obligations is presented in the notes to the financial statements.

The School District's bond rating is A1, which did not change from the prior year.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- Similar to other districts across the state, the global pandemic will have an impact on the 2020-21 financial outlook and may even impact the School District in future years. New York State has begun reducing aid payments by 20% and this will also impact us. We will be monitoring our budget closely for the 2020-2021 school year to maintain programs and minimize expenses.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

- The School District's Smart Schools Investment Plan was split into two projects. Half of the project has been completed in June of 2020 and the second phase of work is expected to be completed during the summer of 2021.
- The cost of benefits is a continual concern. Health Insurance is 17.9% of our current budget, and we are faced with the volatility of being self-insured since the collapse of the NY44 Health Insurance Program that many schools in the area were part of. In addition, retirement costs are 4.2% of the budget. Given the economic uncertainty and how the rates are amortized, we could see additional volatility similar to the recession a decade ago.
- Since its creation in 2012, and now being a permanent part of law, the Tax Cap continues to limit the amount of levy the School District has in the current year as well as subsequent years. The School District realized a modest growth of 7.76% in property assessments from 2019-2020 to 2020-2021, which allowed the School District to realize a decrease in the tax rate for the majority of our towns, even with a 1.53% tax levy increase.
- The School District will again be receiving the Statewide Universal Full-Day Prekindergarten Program Grant, allowing the School District to continue with full-day Pre-K classes in 2020-2021. The School District will also receive the Expanded Pre-K grant for 3-year olds; to provide continued full day classes in 2020-2021; however, it has been confirmed that the School District should expect a 20% reduction in all payments to the School District due to the financial condition of New York State and the impact of the global pandemic, as mentioned earlier. In addition, we have also been informed that any pending payments due for 2019-2020 will be reduced by 20% as well due to the financial impact of the pandemic.
- The School District is receiving the Community Schools Aid set-aside for 2020-21 in the amount of \$100,000. The community schools set aside is used to earmark funds towards the benefit of family engagement, strong community partnerships, and additional supports for students and families. Community Schools are designed to counter environmental factors that impede student achievement.
- The School District has begun planning for a Capital Project during the summer of 2020 with the beginning of the state mandated Building Condition Survey. We will be taking that data and, in consultation with the School District's Facilities Committee, Architect, Construction Management Firm, and Financial Advisors, we will explore the School District's options with a project vote planned for the winter of 2021.

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, contact Deb Eichholt in the District Office, 16 Dartts Crossroad, Spencer, New York 14883.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2020

ASSETS

Current Assets

Cash - Unrestricted	\$ 883,920
Cash - Restricted	40,839
Receivables:	
State and Federal Aid	1,151,299
Due from Other Governments	588,217
Due from Fiduciary Funds	45,408
Other	92,527
Inventories	30,437
Total Current Assets	2,832,647

Noncurrent Assets

Restricted Cash	3,895,030
Net Pension Asset - Proportionate Share	1,133,631
Non-Depreciable Capital Assets	501,373
Depreciable Capital Assets, Net	31,241,282
Total Noncurrent Assets	36,771,316

Total Assets	39,603,963
---------------------	-------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources - Pensions	4,700,083
Deferred Outflows of Resources - OPEB	6,734,596
Deferred Charges on Defeased Debt	73,127

Total Deferred Outflows of Resources	11,507,806
---	-------------------

LIABILITIES

Current Liabilities

Payables:	
Accounts Payable	157,201
Accrued Liabilities	8,087
Due to Other Governments	57
Bond Interest and Matured Bonds	12,841
Due to Teachers' Retirement System	757,519
Due to Employees' Retirement System	70,180
Compensated Absences Payable	198,206
Unearned Revenues - Other	26,507
Subtotal of Current Liabilities	1,230,598

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2020

Subtotal of Current Liabilities Brought Forward	\$ 1,230,598
Current Portion of Long-Term Liabilities	
Bonds Payable	1,809,171
Capital Leases Payable	112,655
Total Current Liabilities	<u>3,152,424</u>
Noncurrent Liabilities and Obligations	
Bonds Payable	10,153,084
Capital Leases Payable	1,175,918
Due to Employees' Retirement System	3,509
Compensated Absences Payable	856,084
Other Postemployment Benefits Liability	49,803,755
Net Pension Liability - Proportionate Share	1,669,902
Total Noncurrent Liabilities and Obligations	<u>63,662,252</u>
Total Liabilities	<u>66,814,676</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources - Pensions	1,636,788
Deferred Inflows of Resources - OPEB	5,946,544
Total Deferred Inflows of Resources	<u>7,583,332</u>
NET ASSETS	
Net Investment in Capital Assets	18,564,954
Restricted	3,941,169
Unrestricted (Deficit)	<u>(45,792,362)</u>
Total Net (Deficit)	<u>\$ (23,286,239)</u>

See Notes to Basic Financial Statements

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
General Support	\$ 3,742,474	\$ 4,461	\$	\$	\$ (3,738,013)
Instruction	19,148,136	80,907	1,104,149	460,934	(17,502,146)
Pupil Transportation	1,719,060				(1,719,060)
Community Services	8,424				(8,424)
School Lunch Program	566,186	70,658	364,582		(130,946)
Interest on Debt	365,534				(365,534)
Total Functions and Programs	\$ 25,549,814	\$ 156,026	\$ 1,468,731	\$ 460,934	(23,464,123)
GENERAL REVENUES					
					5,967,351
Real Property Taxes					1,104,070
Real Property Tax Items					18,721
Use of Money and Property					14,594,918
Unrestricted State Sources					(23,723)
Loss on Disposals, Net					383,135
Miscellaneous					
Total General Revenues					22,044,472
					(1,419,651)
Change in Net Position					
Total Net (Deficit) - Beginning of Year					(21,866,588)
Total Net (Deficit) - End of Year					\$ (23,286,239)

See Notes to Basic Financial Statements

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 832,625	\$ 5,176	\$
Cash - Restricted	3,284,485		40,839
Receivables:			
Due from Other Funds	869,401	3,695	2,899
State and Federal Aid	307,275	369,015	14,075
Due from Other Governments	588,217		
Due from Fiduciary Funds	45,408		
Other	88,915	3,612	
Inventories			30,437
Total Assets	<u>\$6,016,326</u>	<u>\$ 381,498</u>	<u>\$ 88,250</u>
LIABILITIES			
Payables:			
Accounts Payable	\$ 154,820	\$ 1,650	\$ 731
Accrued Liabilities	8,087		
Due to Other Funds	4,705	362,348	3,695
Due to Other Governments	10		47
Due to Teachers' Retirement System	757,519		
Due to Employees' Retirement System	70,180		
Compensated Absences Payable	198,206		
Unearned Revenues		17,500	9,007
Total Liabilities	<u>1,193,527</u>	<u>381,498</u>	<u>13,480</u>
FUND BALANCES			
Nonspendable			30,437
Restricted	3,284,485		44,333
Assigned	366,752		
Unassigned	1,171,562		
Total Fund Balances	<u>4,822,799</u>	<u>-</u>	<u>74,770</u>
Total Liabilities and Fund Balances	<u>\$6,016,326</u>	<u>\$ 381,498</u>	<u>\$ 88,250</u>

See Notes to Basic Financial Statements

Major Funds

Debt Service Fund	Capital Projects Fund	Non-Major Fund	Total Governmental Funds
\$ 610,545	\$ 46,119	\$	\$ 883,920
			3,935,869
		1,806	877,801
	460,934		1,151,299
			588,217
			45,408
			92,527
			30,437
\$ 610,545	\$ 507,053	\$ 1,806	\$ 7,605,478
\$	\$	\$	\$ 157,201
			8,087
	507,053		877,801
			57
			757,519
			70,180
			198,206
			26,507
-	507,053	-	2,095,558
			30,437
610,545		1,806	3,941,169
			366,752
			1,171,562
610,545	-	1,806	5,509,920
\$ 610,545	\$ 507,053	\$ 1,806	\$ 7,605,478

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2020

Fund Balances - Total Governmental Funds **\$ 5,509,920**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total Historical Cost	\$ 53,790,201	
Less Accumulated Depreciation	<u>(22,047,546)</u>	31,742,655

The School District's proportionate share of the Employee Retirement Systems' collective net pension asset/liability is not reported in the funds.

TRS Net Pension Asset - Proportionate Share	\$ 1,133,631	
ERS Net Pension Liability - Proportionate Share	<u>(1,669,902)</u>	(536,271)

Deferred outflows of resources, including deferred charges on defeased debt, OPEB, and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue, OPEB, and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred Charges on Defeased Debt	\$ 73,127	
Deferred Outflows of Resources - OPEB	6,734,596	
Deferred Inflows of Resources - OPEB	(5,946,544)	
ERS Deferred Outflows of Resources - Pension	1,110,183	
TRS Deferred Outflows of Resources - Pension	3,589,900	
ERS Deferred Inflows of Resources - Pension	(34,606)	
TRS Deferred Inflows of Resources - Pension	<u>(1,602,182)</u>	3,924,474

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	\$ (11,855,000)	
Capital Lease Payable	(1,288,573)	
Premiums on Long-Term Obligations	<u>(107,255)</u>	(13,250,828)

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Accrued Interest on Debt	\$ (12,841)	
Employees' Retirement Amortization	(3,509)	
Other Postemployment Benefits Liability	(49,803,755)	
Compensated Absences	<u>(856,084)</u>	<u>(50,676,189)</u>

Net (Deficit) of Governmental Activities **\$ (23,286,239)**

See Notes to Basic Financial Statements

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
REVENUES			
Real Property Taxes	\$ 5,967,351	\$	\$
Other Tax Items	1,104,070		
Charges for Services	85,368		
Use of Money and Property	17,054		9
Sale of Property and Compensation for Loss	58,873		
Miscellaneous	366,673	5,235	14,325
State Sources	14,594,918	562,677	10,186
Federal Sources		536,237	321,422
Surplus Food			32,974
Sales - School Lunch			70,658
Total Revenues	22,194,307	1,104,149	449,574
EXPENDITURES			
General Support	2,633,393		
Instruction	10,319,608	728,611	219,074
Pupil Transportation	815,657	30,925	
Community Services		5,236	
Employee Benefits	5,477,145	352,891	117,900
Debt Service:			
Principal	1,867,769		
Interest	373,603		
Cost of Sales			155,575
Capital Outlay			
Total Expenditures	21,487,175	1,117,663	492,549
Excess (Deficiency) of Revenues Over Expenditures	707,132	(13,514)	(42,975)
OTHER FINANCING SOURCES AND (USES)			
Operating Transfers In		13,514	65,000
Operating Transfers (Out)	(78,514)		
Total Other Sources (Uses)	(78,514)	13,514	65,000
Net Change in Fund Balance	628,618	-	22,025
Fund Balances - Beginning of Year	4,194,181		52,745
Fund Balances - End of Year	\$ 4,822,799	\$ -	\$ 74,770

See Notes to Basic Financial Statements

Major Funds			
Debt Service Fund	Capital Projects Fund	Non-Major Fund	Total Governmental Funds
\$	\$	\$	\$ 5,967,351
			1,104,070
			85,368
1,658			18,721
			58,873
		2,137	388,370
	460,934		15,628,715
			857,659
			32,974
			70,658
1,658	460,934	2,137	24,212,759
			2,633,393
		331	11,267,624
			846,582
			5,236
			5,947,936
			1,867,769
			373,603
			155,575
	460,934		460,934
-	460,934	331	23,558,652
1,658	-	1,806	654,107
			78,514
			(78,514)
-	-	-	-
1,658	-	1,806	654,107
608,887			4,855,813
\$ 610,545	-	\$ 1,806	\$ 5,509,920

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Total Governmental Funds **\$ 654,107**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	\$ 542,420	
Net Book Value of Disposed Assets	(82,596)	
Depreciation Expense	<u>(1,571,065)</u>	(1,111,241)

Changes in the School District's proportionate share of net pension asset/liability have no effect on current financial resources and, therefore, are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to pensions do not affect current financial resources and are, also, not reported in the Governmental Funds.

ERS	\$ (316,047)	
TRS	<u>(717,069)</u>	(1,033,116)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal Payments	\$ 1,864,424	
Payments to the Employees' Retirement System Liability	<u>3,345</u>	1,867,769

Long-term liabilities, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements. In addition, changes in the School District's deferred outflows and deferred inflows related to other postemployment benefits do not affect current financial resources and are also not reported in the Governmental Funds.

Compensated Absences	\$ 1,078	
Other Postemployment Benefits Liability	<u>(1,806,317)</u>	(1,805,239)

Interest expense reported in the Statement of Activities includes changes in accrued interest, premiums on obligations, and deferred amounts from advance refunding of bonds. These items are not included in interest expense in the Governmental Fund financial statements.

Amortization of Deferred Changes on Defeased Debt	\$ (29,705)	
Amortization of Premiums on Bonds Payable	33,237	
Change in Accrued Interest Payable	<u>4,537</u>	<u>8,069</u>

Net Change in Net Position of Governmental Activities **\$ (1,419,651)**

See Notes to Basic Financial Statements

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2020

	Private Purpose Trust Fund	Agency Funds
	<hr/>	<hr/>
ASSETS		
Cash and Cash Equivalents - Unrestricted	\$	\$ 744,305
Cash and Cash Equivalents - Restricted	10,074	
Investments - Restricted	211,423	
Accounts Receivable		5,259
Total Assets	<hr/> 221,497	<hr/> \$ 749,564 <hr/>
LIABILITIES		
Due to Governmental Funds		\$ 45,408
Extraclassroom Activity Funds Balance		66,531
Other Liabilities		637,625
Total Liabilities	<hr/> - <hr/>	<hr/> \$ 749,564 <hr/>
NET POSITION		
Restricted for Scholarships	<hr/> \$ 221,497 <hr/>	

See Notes to Basic Financial Statements

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2020

	Private Purpose Trust Fund
ADDITIONS	
Gifts and Contributions	\$ 1,775
Investment Earnings	2,184
Total Additions	<u>3,959</u>
DEDUCTIONS	
Scholarships and Awards	<u>6,000</u>
Change in Net Position	(2,041)
Net Position - Beginning of Year	<u>223,538</u>
Net Position - End of Year	<u><u>\$ 221,497</u></u>

See Notes to Basic Financial Statements

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 **Summary of Significant Accounting Policies**

The accompanying financial statements of the Spencer-Van Etten Central School District (the School District) have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

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 (Board) consisting of seven members. The President of the Board 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. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended.

- The primary government, which is the School District;
- Organizations for which the primary government is financially accountable;
- 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 basic 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 until 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 Extraclassroom Activity Funds are included in the School District's reporting entity.

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 obtained from the School District Office, located at 16 Dartts Crossroad, Spencer, NY 14883.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Joint Venture

The School District is one of 21 component school districts in the Greater Southern Tier Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs that 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 Education Law. A BOCES Board is considered a corporate body. 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 General Municipal Law.

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

Separate financial statements of Greater Southern Tier BOCES may be obtained by contacting the Business Office, Greater Southern Tier BOCES, 459 Philo Road, Elmira, NY 14903.

Basis of Presentation - District-Wide Financial Statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the School District's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. Program revenues 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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Presentation - Governmental Fund Financial Statements

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

The School District reports the following Governmental Funds:

- **General Fund:** This is the School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Funds:** These funds account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - **Special Aid Fund:** Used to account for proceeds received from state and federal grants that are restricted for special educational programs.
 - **School Lunch Fund:** Used to account for child nutrition activities whose funds are restricted as to use.
 - **Non-Major Fund:** Used to account for PBIS initiatives whose funds are restricted as to use
- **Debt Service Fund:** Accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of Governmental Activities.
- **Capital Projects Fund:** Accounts for the financial resources used for the renovation of the School District's educational complex.

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

The School District reports the following Fiduciary Funds:

- **Private-Purpose Trust Fund:** Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- **Agency Funds:** Strictly custodial in nature and do not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Measurement Focus and Basis of Accounting

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

The Governmental Fund financial 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 revenues are collected within six months after the end of the fiscal year.

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

Cash and Investments

The School District's cash, and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (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. Investments are stated at fair value. 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.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 1 **Summary of Significant Accounting Policies - Continued**

Due To/From Other Funds

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. 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 items in both the District-wide and Governmental 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 portion of fund balance equal to inventories and prepaid amounts is reported as nonspendable, as these assets are not in spendable form in the current period.

Capital Assets

Capital assets were reported at actual cost for acquisitions subsequent to June 30, 2002. For assets acquired prior to June 30, 2002, historical costs have been estimated, if not available, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair value at the time received.

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 15,000	40 Years
Building Improvements	15,000	Various
Furniture and Equipment	5,000	Various

The School District depreciates its capital assets using the straight-line method.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports a deferred charge on defeased debt resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District also reports deferred outflows of resources related to pensions and other postemployment benefits in the District-wide Statement of Net Position. The types of deferred outflows related to pensions and other postemployment benefits are described in Notes 11 and 12, respectively.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The types of deferred inflows related to pensions and other postemployment benefits are described in Notes 11 and 12, respectively.

Vested Employee Benefits - Compensated Absences

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

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

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

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the Governmental Fund financial 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.

Postemployment Benefits

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

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Postemployment Benefits - Continued

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's 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 cost of providing post-retirement benefits is shared between the School District and the retired employee. The School District recognizes the cost of providing health 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.

The School District complies with GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 12 for additional information.

Unearned or Unavailable Revenue

Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

The Governmental Fund financial statements also report unavailable unearned revenues when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the liability for unavailable unearned revenues is removed and revenues are recorded.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Equity Classifications - District-Wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - District-Wide Financial Statements - Continued

- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Equity Classifications - Governmental Fund Financial Statements

Constraints are broken into five classifications: non-spendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently non-spendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority, the Board of Education, prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Financial Statements - Continued

- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to 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.

The School District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the State of New York. These reserve funds are established through board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by the School District include the following:

- Employee Benefit Accrued Liability Reserve (GML §6-p) - Used to reserve funds for the payment of accrued employee benefits 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.
- Retirement System Contribution Reserve (GML §6-r) - Used to reserve funds for the purpose of financing retirement contributions. 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. This reserve is accounted for in the General Fund.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves - Continued

- Mandatory Reserve for Debt Service (GML §6-1) - 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. This reserve is accounted for in the Debt Service Fund.
- Unemployment Insurance Reserve - 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 60 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 employer elects to convert tax (contribution) basis, excess of funds over sum sufficient to pay pending claims may be transferred to any other Reserve Fund. This reserve is accounted for in the General Fund.
- Repair Reserve (GML §6-d) - Used to pay cost of repairs to capital improvements or equipment which do not recur 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.
- Capital Reserve (ED §3651) - 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. Expenditure may be made from the reserve only for a specific purpose 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.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves - Continued

- Liability Reserve (ED §1950 [4][cc]) - These funds are used to establish and maintain a program of reserves to cover claims incurred. Separate fund for liability claims are required. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. Annual contribution(s) limited to 3 percent of the annual budget or \$15,000, whichever is greater. This reserve is accounted for in the General Fund.

Property Taxes - Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, 2019 and became a lien on August 8, 2019. Taxes were collected during the period September 12, 2019 to October 10, 2019.

Property Taxes - Enforcement

Uncollected real property taxes are subsequently enforced by the Counties of Chemung, Schuyler, Tompkins, and Tioga. An amount representing uncollected real property taxes transmitted to the counties for enforcement is paid by the counties to the School District no later than the following April 1.

Interfund Transfers

Operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct capital assets. The amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Future Changes in Accounting Standards

GASB has issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance," that delays the implementation dates for several GASB statements.

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ended June 30, 2021. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2022.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," effective for the year ending June 30, 2022.
- GASB has issued Statement No. 92, "Omnibus 2020," effective for the year ending June 30, 2022.

The School District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

***Note 2* Participation in BOCES**

During the year ended June 30, 2020, the School District's share of BOCES income amounted to \$1,209,298. The School District was billed \$2,976,615 for BOCES administration and program costs. Financial statements for Greater Southern Tier BOCES are available from the BOCES administrative office at 459 Philo Road, Elmira, New York 14903.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 3 Cash and Cash Equivalents - Custodial, Concentration of Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's aggregate bank balances total \$6,785,369. Of this balance, \$6,177,969 is either insured or collateralized with securities held by the pledging financial institution in the School District's name. The remaining \$607,400 is held in a money market account, which invests in obligations of the United States Treasury, and is not covered by depository insurance or collateralized.

Restricted cash consists of the following at June 30, 2020:

	<u>Amount</u>
General Fund Reserves	\$ 3,284,485
Restricted for Debt	610,545
Restricted for School Lunch	<u>40,839</u>
Total	<u>\$ 3,935,869</u>

In addition, \$10,074 cash in the Private Purpose Trust Fund is restricted for scholarships and awards.

The School District has limited investments (primarily certificates of deposit), and chooses to disclose its investments by specifically identifying each. The School District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value and are categorized as either:

1. Insured or registered, with investments held by the School District or by the School District's agent in the School District's name; or
2. Uninsured and unregistered, with investments held by the financial institution's trust department in the School District's name; or

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 3 Cash and Cash Equivalents - Custodial, Concentration of Credit Risk

3. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the School District's name.

	Cost	Carrying Amount Fair Value	Type of Investment	Category
Private Purpose Fund	\$ 211,423	\$ 211,423	Certificate of Deposit	(1)

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

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

Note 4 State and Federal Aid Receivable

State and federal aid receivable consisted of the following at June 30, 2020, which are stated at net realizable value.

Fund	Description	Amount
General Fund	August Excess Cost Aid	\$ 214,116
	September Excess Cost Aid	93,159
	Total	307,275
School Lunch Fund	State Lunch and Breakfast Program	485
	Federal Lunch and Breakfast Program	13,590
	Total	14,075
Special Aid Fund	State Grants	229,831
	Federal Grants	139,184
	Total	369,015
Capital Projects Funds	Smart School Project	460,934
Total		\$ 1,151,299

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 5 Other Receivables

Other receivables consisted of the following, at June 30, 2020, and are stated at net realizable value.

Fund	Description	Amount
General Fund	Other Receivables	\$ 88,915
Special Aid Fund	Other Receivables	3,612
Total		\$ 92,527

Note 6 Interfund Balances and Activities

Interfund balances and activity at June 30, 2020 are as follows.

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 869,401	\$ 4,705	\$	\$ 78,514
Special Aid Fund	3,695	362,348	13,514	
School Lunch Fund	2,899	3,695	65,000	
Capital Projects Fund		507,053		
Non-Major Fund	1,806			
Total	\$ 877,801	\$ 877,801	\$ 78,514	\$ 78,514

In addition to the above interfund activity, the Agency Fund owed the General Fund \$45,408 at year end.

Interfund receivables and payables are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the General Fund to Capital Funds, as needed, to fund capital projects.

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.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 7 Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications/ Disposals</u>	<u>Ending Balance</u>
Capital Assets That Are Not Depreciated:				
Land	\$ 40,439	\$	\$	\$ 40,439
Construction in Progress		460,934		460,934
Total Nondepreciable Historical Cost	<u>40,439</u>	<u>460,934</u>	<u>-</u>	<u>501,373</u>
Capital Assets That Are Depreciated:				
Buildings	46,282,138			46,282,138
Furniture and Equipment	7,166,432	81,486	(241,228)	7,006,690
Total Depreciable Historical Cost	<u>53,448,570</u>	<u>81,486</u>	<u>(241,228)</u>	<u>53,288,828</u>
Total Historical Cost	<u>53,489,009</u>	<u>542,420</u>	<u>(241,228)</u>	<u>53,790,201</u>
Less Accumulated Depreciation:				
Buildings	(15,908,562)	(1,162,225)		(17,070,787)
Furniture and Equipment	(4,726,551)	(408,840)	158,632	(4,976,759)
Total Accumulated Depreciation	<u>(20,635,113)</u>	<u>(1,571,065)</u>	<u>158,632</u>	<u>(22,047,546)</u>
Total Historical Cost, Net	<u>\$ 32,853,896</u>	<u>\$ (1,028,645)</u>	<u>\$ (82,596)</u>	<u>\$ 31,742,655</u>

Retirements and reclassifications were due to disposal of capital assets and other adjustments.

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 271,479
Instruction	940,913
Pupil Transportation	331,180
School Lunch	25,137
Community Service	<u>2,356</u>
Total	<u>\$ 1,571,065</u>

Note 8 Short-Term Debt

The School District may issue revenue anticipation notes (RANs), 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 represent a liability that will be extinguished by the use of expendable, available resources of the General Fund. The School District did not issue or redeem any RANs during the year.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 8 Short-Term Debt - Continued

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

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. New York State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The School District did not issue or redeem any BANs during the year.

Note 9 Long-Term Debt

At June 30, 2020, the total outstanding indebtedness of the School District represented 39.2% of its statutory debt limit, exclusive of building aid estimates. Long-term debt is classified as follows:

Serial Bonds - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

Capital Leases - The School District purchases equipment utilizing installment purchase agreements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefits of the capital assets.

The following is a summary of the School District's long-term debt for the year ended June 30, 2020.

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2020
Bonds:				
Serial Bonds	05/28/2009	06/15/2024	2.50-4.00%	\$ 660,000
Serial Bonds	06/15/2012	06/15/2028	2.125-3.375%	2,960,000
Refunding Bonds	06/15/2015	06/15/2022	1.50-4.00%	1,200,000
Serial Bonds	06/15/2017	06/15/2032	2.00-3.00%	7,035,000
Total Bonds				<u>11,855,000</u>
Capital Lease:				
Capital Lease	06/15/2015	06/15/2030	2.93%	1,288,573
Total Capital Lease				<u>1,288,573</u>
Total				<u>\$ 13,143,573</u>

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 9 Long-Term Debt - Continued

Interest on long-term debt and other long-term obligations during the year was:

Interest Paid	\$ 373,603
Less Amortization of Premiums	(33,237)
Less Interest Accrued in the Prior Year	(17,378)
Add Amortization of Deferred Charges on Defeased Debt	29,705
Add Interest Accrued in the Current Year	<u>12,841</u>
 Total	 <u><u>\$ 365,534</u></u>

Interest rates on the serial bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

The acquisition cost of assets under the Capital Lease are \$1,805,212, with an accumulated depreciation of \$496,434 at June 30, 2020. The depreciation expense related to the assets for the year ended June 30, 2020 is \$90,261.

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Serial Bonds	\$ 13,610,000	\$	\$ (1,755,000)	\$ 11,855,000	\$ 1,790,000
Capital Lease	1,397,997		(109,424)	1,288,573	112,655
Add Unamortized Premiums	<u>140,492</u>		<u>(33,237)</u>	<u>107,255</u>	<u>19,171</u>
 Total	 <u><u>\$ 15,148,489</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ (1,897,661)</u></u>	 <u><u>\$ 13,250,828</u></u>	 <u><u>\$ 1,921,826</u></u>

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 9 Long-Term Debt - Continued

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges on defeased debt are summarized as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
2015 Refunding Bonds	\$ 102,832	\$	\$ (29,705)	\$ 73,127
Total	\$ 102,832	\$ -	\$ (29,705)	\$ 73,127

The following is a summary of the maturity of long-term bonds and leases.

Year	Principal	Interest	Total
2021	\$ 1,902,655	\$ 334,618	\$ 2,237,273
2022	1,945,979	286,268	2,232,247
2023	1,379,403	246,270	1,625,673
2024	1,312,926	211,677	1,524,603
2025	1,241,555	176,899	1,418,454
2026-2030	4,091,055	510,622	4,601,677
2031-2032	1,270,000	56,100	1,326,100
Total	\$ 13,143,573	\$ 1,822,454	\$ 14,966,027

Note 10 Compensated Absences

Represents the value of the earned and unused portion of the liability for compensated absences. This liability is liquidated from the General and School Lunch Funds.

Changes to compensated absences are reported net, as it is impractical to individually determine the amount of additions and deletions during the fiscal year.

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Compensated Absences	\$ 1,009,167	\$ 45,123	\$ -	\$ 1,054,290	\$ 198,206

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)

Plan Description and Benefits Provided

Teachers' Retirement System (TRS) (System)

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

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

***Note 11* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Plan Description and Benefits Provided - Continued

Employees' Retirement System (ERS) (System)

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of RSSL. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. The 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, New York 12244.

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. System member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Contributions

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

	<u>ERS</u>	<u>TRS</u>
2020	\$ 272,598	\$ 773,490
2019	266,398	687,109
2018	273,583	796,436

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

At June 30, 2020, the School District reported the following asset/liability for its proportionate share of the net pension asset/liability for each of the Systems. The net pension asset/liability was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension asset/liability used to calculate the net pension liability was determined by an actuarial valuation. The School District's proportionate share of the net pension asset/liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

	<u>ERS</u>	<u>TRS</u>
Actuarial Valuation Date	04/01/2019	06/30/2018
Net Pension Asset/Liability	\$ 26,480,579,097	\$ (2,598,006,772)
School District's Proportionate Share of the Plan's Total Net Pension Asset/Liability	1,669,902	(1,133,631)
School District's Share of the Plan's Total Net Pension Asset/Liability	0.0063061%	0.043635%

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

For the year ended June 30, 2020, the School District recognized pension expense of \$589,759 for ERS and \$1,383,280 for TRS in the District-wide financial statements. At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences Between Expected and Actual Experience	\$ 98,280	\$ 768,233	\$	\$ 84,299
Changes in Assumptions	33,624	2,141,581	29,034	522,178
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	856,073			909,113
Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions	52,026	13,876	5,572	86,592
School District's Contributions Subsequent to the Measurement Date	70,180	666,210		
Total	<u>\$ 1,110,183</u>	<u>\$ 3,589,900</u>	<u>\$ 34,606</u>	<u>\$ 1,602,182</u>

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

<u>Year Ending</u>	<u>ERS</u>	<u>TRS</u>
2021	\$ 185,256	\$ 495,092
2022	250,825	14,764
2023	315,851	493,233
2024	253,465	329,417
2025		32,856
Thereafter		(43,854)

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2020	June 30, 2019
Actuarial Valuation Date	April 1, 2019	June 30, 2018
Investment Rate of Return	6.8%	7.1%
Salary Increase	4.2%	1.9% - 4.72%
Cost of Living Adjustments	1.3%	1.3%
Inflation Rate	2.5%	2.2%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' MP-2018. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

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

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions - Continued

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

Measurement Date	ERS	TRS
	March 31, 2020	June 30, 2019
Asset Type		
Domestic Equities	4.1%	6.3%
International Equities	6.2%	7.8%
Global Equities		7.2%
Real Estate	5.0%	4.6%
Private Equity/Alternative Investments	6.8%	9.9%
Absolute Return Strategies	3.3%	
Opportunistic Portfolio	4.7%	
Real Assets	6.0%	
Cash		
Inflation-Indexed Bonds	0.5%	
Domestic Fixed Income Securities		1.3%
Global Fixed Income Securities		0.9%
Private Debt		6.5%
Real Estate Debt		2.9%
High-Yield Fixed Income Securities		3.6%
Mortgages and Bonds	0.8%	
Short-Term		0.3%

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Discount Rate

The discount rate used to calculate the total pension asset/liability was 6.8% for ERS and 7.1% for TRS. 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 contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

Sensitivity of the Proportionate Share of the Net Pension asset/liability to the Discount Rate Assumption

The following presents the School District's proportionate share of the net pension asset/liability calculated using the discount rate of 6.8% for ERS and 7.1% for TRS, as well as what the School District's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

ERS	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 3,064,742	\$ 1,669,902	\$ 385,249
TRS	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 5,117,092	\$ (1,133,631)	\$ (6,377,282)

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/liability of the employers as of the respective valuation dates were as follows.

	Dollars in Thousands	
	ERS	TRS
Measurement Date	March 31, 2020	June 30, 2019
Employers' Total Pension Asset/Liability	\$ 194,596,261	\$ 119,879,474
Plan Net Position	(168,115,682)	(122,477,481)
Employers' Net Pension Asset/Liability	\$ 26,480,579	\$ (2,598,007)
Ratio of Plan Net Position to the Employers' Total Pension Asset/Liability	86.4%	102.2%

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$70,180.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October, and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$757,519.

Effect on Net Position

Changes in the net pension asset/liability and deferred outflows and inflows of resources for the year ended June 30, 2020 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
ERS			
Net Pension Liability	\$ 450,143	\$ 1,219,759	\$ 1,669,902
Deferred Outflows of Resources	(323,535)	(786,648)	(1,110,183)
Deferred Inflows of Resources	151,670	(117,064)	34,606
Subtotal	278,278	316,047	594,325
TRS			
Net Pension Asset/Liability	(778,377)	(355,254)	(1,133,631)
Deferred Outflows of Resources	(4,093,467)	503,567	(3,589,900)
Deferred Inflows of Resources	1,033,426	568,756	1,602,182
Subtotal	(3,838,418)	717,069	(3,121,349)
Total	\$ (3,560,140)	\$ 1,033,116	\$ (2,527,024)

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 12 Other Postemployment Benefits Other than Pensions (OPEB)

General Information about the OPEB Plan

Plan Description - The School District's defined OPEB plan provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The plan is a single-employer defined benefit healthcare 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 GASB Statement No. 75. The Plan does not issue a stand-alone financial report as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Benefits Provided - The School District provides healthcare benefits for eligible retirees and their spouses. Benefit terms are dependent of 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, 2020, the following employees were covered by the benefit terms.

Retirees and Survivors	168
Active Employees	<u>179</u>
Total	<u><u>347</u></u>

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

***Note 12* Other Postemployment Benefits Other than Pensions (OPEB) - Continued**

Total OPEB Liability

The School District's total OPEB liability of \$49,803,755 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019.

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

Single Discount Rate	3.13%
Rate of Compensation Increase	3.00%
Inflation Rate	2.25%

The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date (or the nearest business day thereto).

The salary scale was based on the School District's review of historical experience as well as future expectations.

Mortality rates were based on the sex-distinct and job category-specific headcount-weighted Pub-2010 Mortality Tables for employees and health annuitants, and then adjusted for mortality improvements with Scale MP-2018 mortality improvement scale on a fully generational basis.

Rates of decrement due to disability are assumed to be -0-%.

Rates of turnover and retirement rates are based on the experience under the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). The ERS rates are based on the April 1, 2018 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018, applied on a generational basis.

Election Percentage: It was assumed that 95% of future retirees eligible for coverage will elect retiree group benefits. It was assumed that participants who are currently no Medicare eligible will migrate into the Gold Anywhere PPO with MVP Part D Prescription Plan upon Medicare eligibility. Retirees already Medicare eligible and still participating in NY44 are assumed to continue in NY44.

Spousal Coverage: It was assumed that 80% of future retirees will elect spousal coverage upon retirement with male spouses assumed to be three years older and female spouses assumed to be three years younger than the retiree.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 12 Other Postemployment Benefits Other than Pensions (OPEB) - Continued

Total OPEB Liability - Continued

The annual rate of increase in healthcare costs developed based on a review of published National trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trend Models v2018_c (the Getzen model).

The healthcare cost trend rate is 6.70% for 2019; decreasing to 3.78% in 2075.

Administrative fees were assumed to increase at 3.25% per year.

Dental and vision costs were assumed to increase at 4.00% per year.

CPI of 2.25% was assumed for purposes of determining future increases in limits corresponding to the excise tax of the Affordable Care Act on high cost employer-sponsored health plans as well as developing rate of increase in healthcare costs.

The actuarial assumptions used in the June 30, 2019 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	<u>\$ 43,407,298</u>
Changes for the Year	
Service Cost	1,793,277
Interest Cost	1,615,847
Changes of Benefit Terms	(28,255)
Differences Between Expected and Actual Experience	(1,967,832)
Changes in Assumptions or Other Inputs	6,111,234
Benefit Payments	(1,127,814)
Net Change	<u>6,396,457</u>
Balance at June 30, 2020	<u><u>\$ 49,803,755</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.62% at June 30, 2019 to 3.13% in June 30, 2020.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 12 Other Postemployment Benefits Other than Pensions (OPEB) - Continued

Changes in the Total OPEB Liability - 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 (2.13%) or 1 percentage point higher (4.13%) than the current discount rate.

	1% Decrease (2.13%)	Discount Rate (3.13%)	Increase (4.13%)
Total OPEB Liability	\$ 58,693,327	\$ 49,803,755	\$ 42,719,350

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend 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 healthcare cost trend rate that is 1 percentage-point lower or 1 percentage point higher than the current healthcare cost trend rate.

	1% Decrease	Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 41,228,206	\$ 49,803,755	\$ 61,954,021

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$3,141,115.

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,738,748
Changes in Assumptions or Other Inputs	5,399,798	4,207,796
Contributions Subsequent to Measurement Date	1,334,798	-
Total	\$ 6,734,596	\$ 5,946,544

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 12 Other Postemployment Benefits Other than Pensions (OPEB) - Continued

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net other postemployment benefits liability in the year ending June 30, 2021. Other 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	
<u>Ending June 30,</u>	<u>Amount</u>
2021	\$ (239,754)
2022	(239,754)
2023	(239,754)
2024	(239,754)
2025	(239,754)
Thereafter	652,024

Effect on Net Position

Changes in other postemployment benefits liability and deferred outflows and inflows of resources for the year ended June 30, 2020, resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
Other Postemployment Benefits Liability	\$ 43,407,298	\$ 6,396,457	\$ 49,803,755
Deferred Outflows of Resources	(1,127,814)	(5,606,782)	(6,734,596)
Deferred Inflows of Resources	4,929,902	1,016,642	5,946,544
Total Effect on Net Position	\$ 47,209,386	\$ 1,806,317	\$ 49,015,703

Note 13 Commitments and Contingencies

Risk Financing and Related Insurance - General Information

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

Other Items

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

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 14 Fund Balance Detail

At June 30, 2020 nonspendable, restricted, and assigned fund balance in governmental funds was as follows.

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Fund</u>
Nonspendable						
Inventory	\$	\$	\$ 30,437	\$	\$	\$
Total Nonspendable Fund Balance	\$ -	\$ -	\$ 30,437	\$ -	\$ -	\$ -
Restricted						
Unemployment Insurance Reserve	\$ 110,208	\$	\$	\$	\$	\$
Employee Retirement System Reserve	1,758,529					
Teachers' Retirement System Reserve	277,832					
Employee Benefit Accrued						
Liability Reserve	631,366					
Liability Reserve	100,159					
Repair Reserve	106,391					
School Lunch			44,333			
Debt				610,545		
Non-Major Fund Balance						1,806
Capital	300,000					
Total Restricted Fund Balance	\$ 3,284,485	\$ -	\$ 44,333	\$ 610,545	\$ -	\$ 1,806
Assigned						
Appropriated for Next Year's Budget	\$ 220,723	\$	\$	\$	\$	\$
Encumbered for:						
General Support	25,028					
Instruction	102,800					
Pupil Transportation	6,506					
Employee Benefits	11,695					
Total Assigned Fund Balance	\$ 366,752	\$ -	\$ -	\$ -	\$ -	\$ -
Total Unassigned Fund Balance	\$ 1,171,562	\$ -	\$ -	\$ -	\$ -	\$ -

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 15 Restricted Fund Balances

Portions of fund balance are reserved and are not available for current expenditures as reported in the Governmental Funds Balance Sheet. The General Fund reserves and Debt Service Fund balances and activity for the year ended June 30, 2020 are as follows.

<u>General Fund Reserves</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Released/ Appropriated</u>	<u>Ending Balance</u>
Unemployment Insurance Reserve	\$ 70,124	\$ 50,000	\$ 84	\$ (10,000)	\$ 110,208
Employee Retirement System Reserve	1,829,997	200,000	1,130	(272,598)	1,758,529
Teachers' Retirement System Reserve	132,083	145,667	82		277,832
Employee Benefit Accrued					
Liability Reserve	805,901		667	(175,202)	631,366
Liability Reserve	100,087		72		100,159
Capital Reserve	-	300,000			300,000
Repair Reserve	106,315		76		106,391
Total	<u>\$ 3,044,507</u>	<u>\$ 695,667</u>	<u>\$ 2,111</u>	<u>\$ (457,800)</u>	<u>\$ 3,284,485</u>
Debt Service Fund	<u>\$ 608,887</u>	<u>\$ -</u>	<u>\$ 1,658</u>	<u>\$ -</u>	<u>\$ 610,545</u>

Note 16 Tax Abatements

For the year ended June 30, 2020, the School District was subject to tax abatements negotiated by the Chemung County Industrial Development Agency (CCIDA). The CCIDA entered into various property tax abatement programs for the purpose of economic development.

	<u>Taxable Assessed Value</u>	<u>Combined Tax Rates</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
Chemung County Industrial Development Agency					
Millennium Pipeline	\$ 7,981,112	18.55	\$ 148,050	\$ 64,128	\$ 83,922
Millennium Pipeline	2,720,708	24.07	65,487	83,194	(17,707)
Total PILOT Agreements	<u>\$ 10,701,820</u>		<u>\$ 213,537</u>	<u>\$ 147,322</u>	<u>\$ 66,215</u>

Note 17 Stewardship, Compliance, and Accountability

Deficit Net Position

At June 30, 2020, the District-wide Statement of Net Position had an unrestricted deficit net position of \$45,792,362. This is a result of the requirement to record other postemployment benefit liability with no requirement or mechanism to fund this liability (see Note 12). The deficit is not expected to be eliminated during the normal course of operations.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 18 **Uncertainty**

In March 2020, the COVID-19 coronavirus outbreak was declared a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies on the area in which the School District operates. The School District completed the school year in an online learning format and is beginning the 2020-2021 academic year in a partially online format. While it is unknown how long these conditions will last and what the complete financial effect will be, the School District expects disruptions to businesses and residents and potential effects to state government funding, which could negatively impact operating results in future periods.

Note 19 **Subsequent Events**

On August 3, 2020, the School District refunded two serial bonds with an outstanding principal of \$3,620,000. The new serial bond is in the amount of \$3,475,000, with an interest rate ranging from 2.0% to 4.0%. The new bonds mature June 15, 2028.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-U.S. GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local Sources				
Real Property Taxes	\$ 5,904,101	\$ 5,904,101	\$ 5,967,351	\$ 63,250
Other Tax Items	1,166,706	1,166,706	1,104,070	(62,636)
Charges for Services	3,500	3,500	85,368	81,868
Use of Money and Property	3,000	3,000	17,054	14,054
Sale of Property and Compensation for Loss			58,873	58,873
Miscellaneous	250,000	252,255	366,673	114,418
Total Local Sources	<u>7,327,307</u>	<u>7,329,562</u>	<u>7,599,389</u>	<u>269,827</u>
State Sources	14,616,785	14,616,785	14,594,918	(21,867)
Total Revenues	<u>21,944,092</u>	<u>21,946,347</u>	<u>22,194,307</u>	<u>247,960</u>
Total Revenues and Other Financing Sources	<u>21,944,092</u>	<u>21,946,347</u>	<u>\$22,194,307</u>	<u>\$ 247,960</u>
Appropriated Fund Balance	220,723	220,723		
Appropriated Reserves	316,882	492,083		
Encumbrances Carried Forward from Prior Year	22,630	22,630		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	<u>\$22,504,327</u>	<u>\$22,681,783</u>		

See Notes to Required Supplementary Information

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-U.S. GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget
EXPENDITURES		
General Support		
Board of Education	\$ 31,101	\$ 32,954
Central Administration	193,738	196,808
Finance	473,738	476,316
Staff	153,852	157,034
Central Services	1,444,982	1,474,447
Special Items	462,937	476,175
Total General Support	2,760,348	2,813,734
Instruction		
Instruction, Administration, and Improvement	736,027	754,231
Teaching - Regular School	4,982,487	4,904,196
Programs for Children with Disabilities	2,581,297	2,468,122
Occupational Education	427,239	523,436
Teaching - Special School	615	1,465
Instructional Media	1,127,367	1,168,853
Pupil Services	1,007,674	1,032,857
Total Instruction	10,862,706	10,853,160
Pupil Transportation	884,532	860,733
Community Services	11,100	11,100
Employee Benefits	5,652,956	5,806,684
Debt Service		
Principal	1,864,425	1,867,769
Interest	373,260	373,603
Total Debt Service	2,237,685	2,241,372
Total Expenditures	22,409,327	22,586,783
OTHER FINANCING USES		
Operating Transfers Out	95,000	95,000
Total Expenditures and Other Financing Uses	\$22,504,327	\$ 22,681,783
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

See Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 21,702	\$	\$ 11,252
191,141		5,667
463,327	8,756	4,233
153,090		3,944
1,331,083	16,272	127,092
473,050		3,125
2,633,393	25,028	155,313
706,674	1,800	45,757
4,761,596	41,425	101,175
2,237,859	23,658	206,605
516,185		7,251
1,046		419
1,142,827	2,245	23,781
953,421	33,672	45,764
10,319,608	102,800	430,752
815,657	6,506	38,570
		11,100
5,477,145	11,695	317,844
1,867,769		-
373,603		-
2,241,372	-	-
21,487,175	146,029	953,579
78,514	-	16,486
21,565,689	\$ 146,029	\$ 970,065
628,618		
4,194,181		
\$ 4,822,799		

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	2020	2019	2018
Service Cost	\$ 1,793,277	\$ 1,801,743	\$ 2,142,857
Interest Cost	1,615,847	1,554,346	1,379,415
Changes of Benefit Terms	(28,255)		(807,790)
Differences Between Expected and Actual Experience	(1,967,832)		
Changes in Assumptions or Other Inputs	6,111,234	(1,289,280)	(4,935,265)
Benefit Payments	(1,127,814)	(1,038,346)	(995,555)
	6,396,457	1,028,463	(3,216,338)
Total OPEB Liability - Beginning	43,407,298	42,378,835	45,595,173
Total OPEB Liability - Ending	\$ 49,803,755	\$ 43,407,298	\$ 42,378,835
Covered Employee Payroll	\$ 9,937,750	\$ 9,839,882	\$ 9,466,178
Total OPEB Liability as a Percentage of Covered Payroll	501%	441%	448%

* Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed as it becomes available.

See Notes to Required Supplementary Information

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 272,598	\$ 266,398	\$ 273,583
Contributions in Relation to the Contractually Required Contribution	(272,598)	(266,398)	(273,583)
Contribution Deficiency (Excess)	-	-	-
School District's Covered Employee Payroll	1,913,249	1,895,305	1,834,085
Contributions as a Percentage of Covered Employee Payroll	14.2%	14.1%	15.0%

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 666,211	\$ 773,490	\$ 687,109
Contributions in Relation to the Contractually Required Contribution	(666,211)	(773,490)	(687,109)
Contribution Deficiency (Excess)	-	-	-
School District's Covered Employee Payroll	7,519,312	7,283,333	7,011,316
Contributions as a Percentage of Covered Employee Payroll	8.9%	10.6%	9.8%

See Notes to Required Supplementary Information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 315,479	\$ 259,940	\$ 249,721	\$309,005	\$273,686	\$252,902	\$ 149,564
(315,479)	(259,940)	(249,721)	(309,005)	(273,686)	(252,902)	(149,564)
-	-	-	-	-	-	-
1,670,654	1,562,385	1,555,993	1,666,919	1,564,922	1,466,921	1,423,522
18.9%	16.6%	16.0%	18.5%	17.5%	17.2%	10.5%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 796,436	\$ 885,387	\$1,123,228	\$986,134	\$743,808	\$649,922	\$ 405,745
(796,436)	(885,387)	(1,123,228)	(986,134)	(743,808)	(649,922)	(405,745)
-	-	-	-	-	-	-
6,795,529	6,677,127	6,346,726	6,068,517	6,282,162	5,849,883	4,707,019
11.7%	13.3%	17.5%	16.3%	11.8%	11.1%	8.6%

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2020	2019
School District's Proportion of the Net Pension Asset/Liability	0.0063061%	0.0063532%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 1,669,902	\$ 1,669,902
School District's Covered Employee Payroll During the Measurement Period	1,913,249	1,895,305
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Employee Payroll	87.3%	88.1%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	86.4%	96.3%

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2020	2019
School District's Proportion of the Net Pension Asset/Liability	0.043635%	0.043046%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ (1,133,631)	\$ (778,377)
School District's Covered Employee Payroll During the Measurement Period	7,519,312	7,283,333
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Employee Payroll	15.1%	11.1%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	102.2%	101.5%

See Notes to Required Supplementary Information

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0064521%	0.0064327%	0.0059993%	0.0060733%
\$ 208,239	\$ 604,438	\$ 962,904	\$ 205,170
1,834,085	1,670,654	1,542,085	1,560,629
11.4%	36.2%	62.4%	13.1%
98.2%	94.7%	90.7%	97.9%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.043066%	0.043271%	0.042251%	0.041082%
\$ (327,343)	\$ 463,449	\$ (4,388,567)	\$ (4,576,327)
6,795,529	6,677,127	6,346,726	6,068,517
4.8%	6.9%	69.2%	75.4%
100.7%	99.0%	110.5%	111.5%

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Note 1 Budgetary Procedures and Budgetary Accounting

The School District administration prepares a proposed budget for approval by the Board of Education (Board) for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Adopted Budget	\$ 22,481,697
Prior Year Encumbrances	22,630
Original Budget	<u>22,504,327</u>
Budget Revisions:	
Other Revenue	2,255
Appropriation of Reserves	<u>175,201</u>
Final Budget	<u>\$ 22,681,783</u>

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

Annual legal budgets are not adopted for the Special Revenue Funds (Special Aid and School Lunch). Budgetary controls for the Special Aid Fund are established in accordance with the applicable grant agreements. Special Aid grants may also cover a period other than the School District's fiscal year. Budgetary controls for School Lunch Fund are established internally.

Note 2 Reconciliation of the Budget Basis to GAAP

No adjustment is necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the U.S. GAAP basis to the budget basis. Encumbrances, if present, are shown in a separate column and are not included in the actual results at June 30, 2020.

Note 3 Schedule of Changes in the School District's Total OPEB Liability and Related Ratios

Changes of assumptions and other inputs reflect the effects of changes in changes in the discount rate each period. The following are the discount rates in each period:

2020 - 3.13%
2019 - 3.62%

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Note 4 Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability
The Schedule of the School District's Proportionate Share of the Net Pension asset/liability, required supplementary information, will present ten years of information as it becomes available from the pension plans.

Note 5 Schedules of the School District's Contributions - NYLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2019 actuarial valuation.

Changes in Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation. The salary scales for both plans used in the April 1, 2018 actuarial valuation were increased by 10%. The interest rate assumption was reduced to 6.8% and the mortality improvement assumption was updated to Societies of Actuaries' Scale MP-2018 for the April 1, 2019 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2019 actuarial valuation determines the employer rates for contributions payable in fiscal year 2020. The following actuarial methods and assumptions were used:

Actuarial Cost Method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset Valuation Period	Five-year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary Scale	3.8% in ERS indexed by service.
Investment Rate of Return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of Living Adjustments	1.3% annually.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

Note 5 **Schedules of School District Contributions - NYLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability - Continued**

NYSTRS

Changes in Benefit Terms

Effective with the 2019 actuarial valuation, an increase in the NYS Governor's salary limit from \$179,000 to \$200,000 per annum went into effect, impacting Tier 6 members. The Governor's salary limit may ultimately increase to \$250,000, phased in over the next two years.

Changes of Assumptions

Actuarial assumptions are revised periodically to reflect more closely actual, as well as anticipated, future experience. The actuarial assumptions were revised and adopted by the Retirement Board on October 29, 2015 and first used in the 2016 determination of the Total Pension Liability.

The System's long-term rate of return assumption for purposes of the NPL is 7.10%, effective with the 2019 actuarial valuation. For the 2018 and 2017 actuarial valuations, the System's long-term rate of return assumption was 7.25%. For the 2016 actuarial valuation, the System's long-term rate of return assumption was 7.5%. Prior to the 2016 actuarial valuation, the System's long-term rate of return was 8.0%.

The System's assumed annual inflation rate is 2.2%, effective with the 2019 actuarial valuation. For the 2018 and 2017 actuarial valuations, the System's annual inflation assumption was 2.25%. For the 2016 actuarial valuation, the System's annual inflation assumption was 2.5%. Prior to the 2016 actuarial valuation, the System's annual inflation assumption was 3.0%.

Effective with the 2019 actuarial valuation, COLAs are projected to increase at a rate of 1.30% annually. Effective with the 2015 actuarial valuation, COLAs were projected to increase at a rate of 1.50% annually. Prior to the 2015 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually.

Effective with the 2019 actuarial valuation, the assumed scale for mortality improvement is changed from MP2014 to MP2018.

Effective with the 2019 actuarial valuation, there is a change in the actuarial valuation software that resulted in a slight change in the determination of Entry Age Normal Total Pension Liability and Service Cost.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability - Continued

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of School Districts' Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School Districts' Contributions.

Actuarial Cost Method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
-----------------------	---

Asset Valuation Method	Five-year phased-in deferred recognition of each year's net investment income/loss in excess of (or less than) the assumed valuation rate of interest at a rate of 20% per year, until fully recognized after five years.
------------------------	---

Inflation	2.25%
-----------	-------

Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.
----------------------------	--

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

Investment Rate of Return	7.25% compounded annually, net of investment expenses, including inflation.
---------------------------	---

Cost of Living Adjustments	1.5% compounded annually.
----------------------------	---------------------------

SPENCER VAN-ETTEN CENTRAL SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2020

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$22,481,697
Prior Year's Encumbrances	<u>22,630</u>
Original Budget	<u>22,504,327</u>
Other Revenue	2,255
Appropriation of Reserves	<u>175,201</u>
Total Additions	<u>177,456</u>
Final Budget	<u><u>\$22,681,783</u></u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-2021 Voter Approved Budget **\$ 22,879,055**

Maximum Allowed (4% of 2020-2021 Budget) \$ 915,162

General Fund Balance Subject to § 1318 of Real Property Tax Law:

Unrestricted Fund Balance:

Assigned Fund Balance	\$ 366,752
Unassigned Fund Balance	<u>1,171,562</u>
Total Unrestricted Fund Balance	<u>1,538,314</u>

Less:

Appropriated Fund Balance	\$ (220,723)
Encumbrances Included in Assigned Fund Balance	<u>(146,029)</u>
Total Adjustments	<u>(366,752)</u>

General Fund Balance Subject to §1318 of Real Property Law **\$ 1,171,562**

Actual Percentage 5.12%

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2020

PROJECT TITLE	Project Number	Original Budget	Revised Budget	Expenditures		
				Prior Years	Current Year	Total
District-Wide	7999-001	\$ 490,724	\$ 490,724	\$	\$ 460,934	\$ 460,934
Total		<u>\$ 490,724</u>	<u>\$ 490,724</u>	<u>\$ -</u>	<u>\$ 460,934</u>	<u>\$ 460,934</u>

Unexpended Balance	Methods of Financing			Fund Balance June 30, 2020	
	Proceeds of Obligations	State Aid	Local Sources		Total
\$ 29,790	\$	\$ 460,934	\$	\$ 460,934	\$ -
\$ 29,790	\$ -	\$ 460,934	\$ -	\$ 460,934	\$ -

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets, Net	<u>\$ 31,742,655</u>
Add:	
Deferred Charges on Defeased Debt	<u>73,127</u>
Deduct:	
Short-Term Portion of Bonds and Leases Payable	<u>(1,902,655)</u>
Long-Term Portion of Bonds and Leases Payable	<u>(11,240,918)</u>
Premium on Bonds Payable	<u>(107,255)</u>
Net Investment in Capital Assets	<u><u>\$ 18,564,954</u></u>

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

Board of Education
Spencer-Van Etten Central School District
Spencer, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Spencer-Van Etten Central School District (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 24, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item [2020-001].

The School District's Response to the Finding

Spencer-Van Etten Central School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 24, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Board of Education
Spencer-Van Etten Central School District
Spencer, New York

Report on Compliance for Each Major Federal Program

We have audited Spencer-Van Etten Central School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2020. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 24, 2020

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass -Through Grantor Program Title	Federal CFDA #	Pass -Through Grantor #	Pass-Through to Subrecipients	Expenditures
U.S. Department of Education				
Passed Through NYS Department of Education				
Title I Grants to Local Educational Agencies	84.010	0021203350	\$	\$ 184,217
Title I Grants to Local Educational Agencies	84.010	0021193350		6,906
Total Title I				191,123
Special Education Cluster:				
Special Education - Grants to States	84.027	0032200978		231,257
Special Education - Preschool Grants	84.173	0033200978		12,251
Total Special Education Cluster				243,508
Supporting Effective Instruction State Grants	84.367	0147203350		34,672
Title IV - Student Support and Academic Enrichment Program	84.424A	0204203350		1,720
Title IV - Student Support and Academic Enrichment Program	84.424A	0204193350		6,844
Total Title IV - Student Support and Academic Enrichment Program				8,564
Passed Through Odessa Montour Central School District				
21st Century Community Learning Centers	84.287	01871207082		39,090
Total U.S. Department of Education				516,957
U.S. Department of Agriculture				
Passed Through NYS Department of Education				
Child Nutrition Cluster:				
Summer Food Program	10.559	(1)		25,242
Summer Food Program - COVID - 19	10.559	(1)		108,194
National School Lunch Program	10.555	(1)		181,037
School Breakfast Program	10.553	(1)		39,923
Total Child Nutrition Cluster				354,396
Child Nutrition Equipment Assistance Grant	10.579	000520005		19,280
Total U.S. Department of Agriculture				373,676
Total Expenditures of Federal Awards			\$ -	\$ 890,633

(1) Denotes - Unable to Obtain from Pass-Through Entity

See Notes to Schedule of Expenditures of Federal Awards

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2020

Note 1 **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the School District, an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the Federal financial reports used as the source for the data presented. The School District has not elected to use the 10% de minimus cost rate.

Note 4 **Matching Costs**

Matching costs, such as the School District's share of certain program costs, are not included in the reported expenditures.

Note 5 **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2020, the School District received and used \$32,974 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 **Subrecipients**

No amounts were provided to subrecipients.

Note 7 **Other Disclosures**

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value and is covered by the School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ yes no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)?

___ yes none reported

Noncompliance material to financial statements noted?

yes ___ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

___ yes no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)?

___ yes no

Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with § 200.516(a) of the Uniform Guidance?

___ yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

10.553, 10.555, 10.559

Child Nutrition Cluster

Dollar threshold used to distinguish
between Type A and Type B Programs

\$ 750,000

Auditee qualified as low risk?

yes ___ no

SPENCER-VAN ETTEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

Section II Financial Statement Findings

2020-001 Fund Balance Limitation

Condition:

At June 30, 2020, unassigned fund balance in the General Fund was \$256,400 in excess of the allowable limit.

Criteria:

The School District is allowed, under New York State Real Property Tax Law (§1318), to retain up to 4% of the succeeding year's budget in unassigned fund balance.

Cause:

Appropriations exceeded final expenditures and encumbrances by \$970,065, primarily due to lower than planned instructional costs.

Effect:

The School District is not in compliance with New York State Real Property Tax Law (§1318).

Recommendation:

We recommend the School District closely monitor the 2020-2021 budget closely and make adjustments as necessary. If this situation arises in the future, we recommend management consider transferring excess funds to appropriate reserves prior to year end or prior to adoption of the subsequent year's tax levy.

Response:

The School District feels it is prudent to take the most conservative approach possible entering the 2020/21 school year due to ongoing uncertainty and potential of holdbacks and/or cuts of state aid. This approach includes spending freezes, as well as a carryover of fund balance in excess of the allowable limit. It is not clear at this time whether state aid holdbacks will become permanent cuts, but if they do become permanent, or if they are elevated to the 20% level that has been discussed, the impact would be devastating on the School District. In addition to the uncertainty surrounding state aid, the School District is also incurring many additional costs related to COVID-19 and intends to offset such costs with unassigned fund balance as needed. Additionally, the School District continues to feel pressure associated from increases in uncontrollable costs such as health insurance premiums, pension obligations, and special education requirements. It is critical during these highly volatile and uncertain times that a healthy fund balance be sustained to protect the quality educational programming that the School District has provided for so long.

Section III Federal Award Findings and Questioned Costs

None