

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

**Financial Statements
and
Required Reports Under Uniform Guidance
as of and for the year ended
June 30, 2020
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

September 30, 2020

To the Board of Education of
Cobleskill-Richmondville Central School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Cobleskill-Richmondville Central School District (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.

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Matters

Required Supplementary Information

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

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

FINANCIAL HIGHLIGHTS

- The School District experienced a decrease of approximately \$17,400,000 in total net position during the year. This decrease was predominately the result of recognizing the future cost of other post-employment benefits.
- The School District had an increase in general fund balance of \$1,159,640 as a result of favorable budget performance.
- The School District's 2019-2020 expenditures and other financing sources were under expended by \$2,560,964 or 5.9% of budgeted expenditures due in most part to savings in utilities, substitute pay, extracurricular and athletic stipends, transportation expenses, special education services and tuitions and conference and travel due to the schools being closed for the last 3.5 months of the year due to the COVID-19 pandemic.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

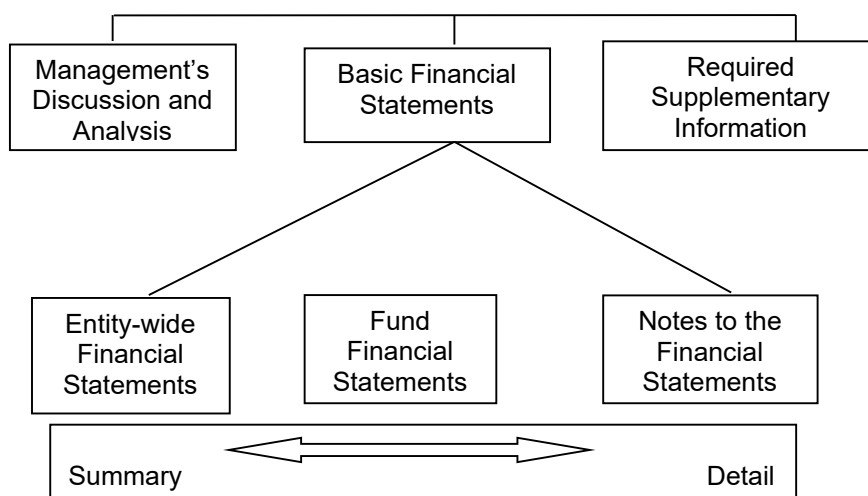
- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting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

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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



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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-2 Major Features of the Government-wide and Fund Financial Statements (Continued)

		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

Government-Wide Statements

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

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

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

The School District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Table A-3 Condensed Statement of Net Position (In millions of dollars)

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>
Assets:		
Current and other assets	\$ 16.1	\$ 14.7
Capital assets	<u>36.9</u>	<u>37.2</u>
Total assets	<u>53.0</u>	<u>51.9</u>
Deferred outflow	<u>82.6</u>	<u>7.9</u>
Liabilities:		
Current liabilities	7.0	7.5
Long-term liabilities	<u>240.1</u>	<u>181.3</u>
Total liabilities	<u>247.1</u>	<u>188.8</u>
Deferred inflow	<u>6.92</u>	<u>7.04</u>
Net position:		
Invested in capital assets	24.7	22.4
Restricted	7.0	6.6
Unrestricted	<u>(150.1)</u>	<u>(130.1)</u>
Total net position	<u>\$ (118.5)</u>	<u>\$ (101.1)</u>

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

The increase in net investment in capital assets is primarily the result of pay down of debt in excess of the depreciation expense recognized in the current year. The increase in long-term liabilities is due to the unfunded actuarial accrued OPEB liability exceeding the contributions made for other post-employment benefits.

Changes in Net Position

The School District's 2019-2020 revenue was \$44,700,555 (See Table A-4). Property taxes and New York State aid accounted for the majority of revenue by contributing 38% and 46% of the total revenue raised, respectively (see Table A-5). The remainder of revenue came from fees for services, use of money and property, operating grants, and other miscellaneous sources.

The total cost of all programs and services totaled \$62,133,066 for 2019-2020. These expenses (84%) are predominately for the education, supervision, and transportation of students (see Table A-6). The School District's administrative and business activities accounted for 16% of total costs.

Table A-4 Changes in Net Position from Operating Results (In Millions of dollars)

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>
Revenue:		
Program revenue:		
Charges for services	\$ 2.1	\$ 2.1
Operating grants	3.3	2.1
General revenue:		
Property and other tax items	17.2	16.9
State formula aid	20.5	19.9
Federal sources	1.0	1.0
Miscellaneous	<u>0.5</u>	<u>0.7</u>
Total revenue	<u>44.5</u>	<u>42.7</u>
Expenses:		
General support	9.9	5.4
Instruction	46.8	37.0
Pupil transportation	4.2	3.9
Debt service - Interest	0.5	0.7
School lunch program	<u>0.7</u>	<u>0.8</u>
Total expenses	<u>62.1</u>	<u>47.8</u>
Change in net position	<u>\$ (17.6)</u>	<u>\$ (5.1)</u>

The most significant factor in the School District's increased expenses from 2019 to 2020 was \$19.3 million of OPEB costs.

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

Table A-5 Sources of Revenue for 2020

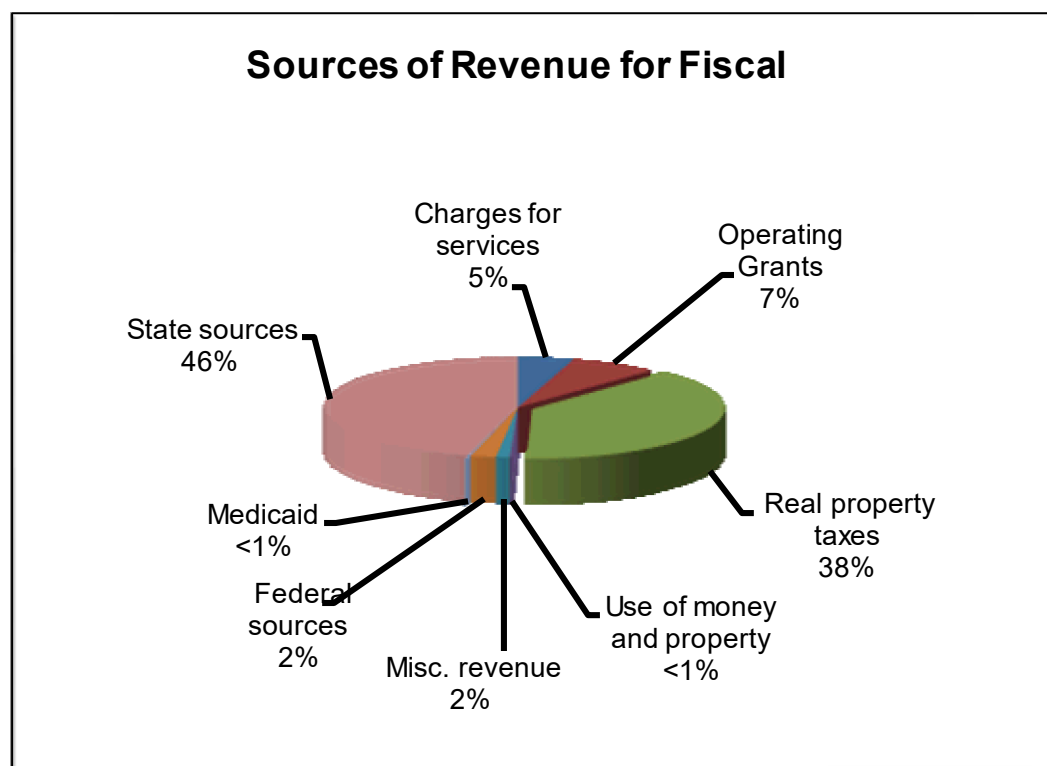
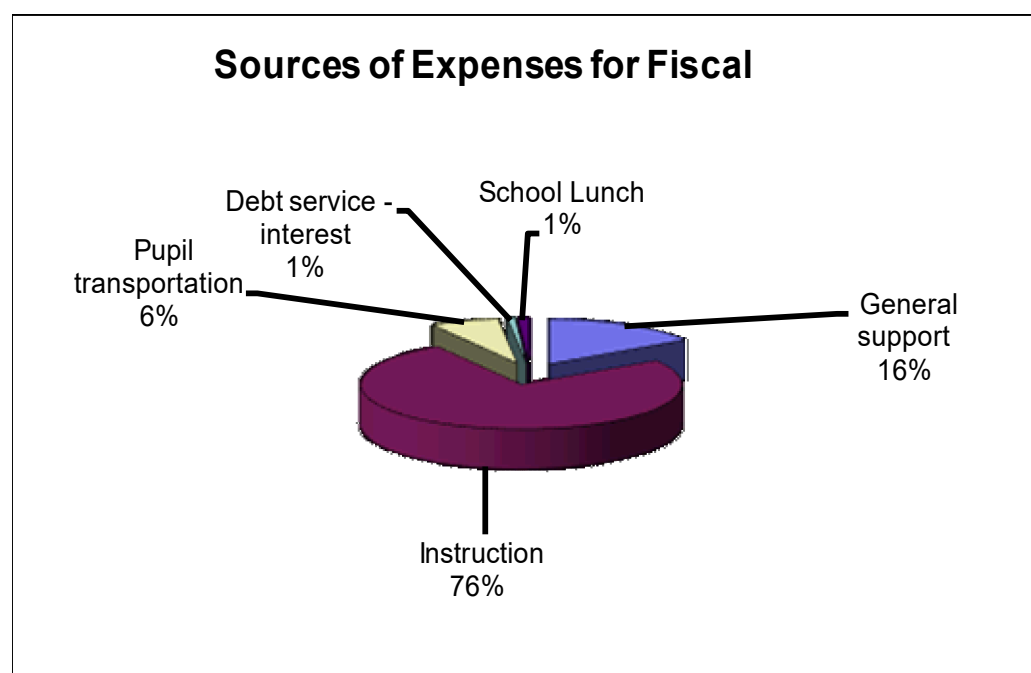


Table A-6 Sources of Expenses for 2020



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

Governmental Activities

Revenue for the School District's governmental activities totaled \$44,700,555 while total expenses were \$62,133,066, accordingly, net position decreased by \$17,432,511. The majority of the decrease can be attributed to depreciation and OPEB costs.

Table A-7 presents the cost of several of the School District's major activities. The table also shows each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the local share of the School District's taxpayers by each of these functions.

Table A-7 Expenses by Function (in Millions)

Net Cost of Governmental Activities

	Total Cost Of Services <u>2020</u>	Total Cost Of Services <u>2019</u>	Percent <u>Change</u>	(Net) Cost Of Services <u>2020</u>	(Net) Cost Of Services <u>2019</u>	Percent <u>Change</u>
Functions:						
General support	\$ 9.9	\$ 5.4	83.1%	\$ 9.9	\$ 5.4	83.1%
Instruction	46.8	37.0	26.5%	42.1	33.5	25.5%
Pupil transportation	4.2	3.9	8.7%	4.2	3.9	8.7%
Debt service - Interest	0.5	0.7	-30.0%	0.5	0.7	-30.0%
Cost of sales - Food	<u>0.7</u>	<u>0.8</u>	-12.5%	<u>-</u>	<u>-</u>	-
Total	<u>\$ 62.1</u>	<u>\$ 47.8</u>	30.0%	<u>\$ 56.7</u>	<u>\$ 43.5</u>	30.3%

- The cost of all governmental activities for the year was \$62,133,066.
- The users of the School District's programs financed \$2,079,749 of the cost.
- The federal and state government financed \$3,286,538 of the cost.
- The majority of costs, \$56,766,779, were financed by the School District's taxpayers and unallocated NYS aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

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

The following is a brief description of the activity in the governmental funds for 2020:

General Fund: Revenues exceeded expenditures by \$1,159,640.

Special Aid Fund: By the nature of the fund, special aid does not generate a fund balance. Revenue received is expended. Approximately \$1,800,000 was received and expended for state and federal grants in this fund.

School Lunch Fund: The school lunch fund ended 2019-2020 fiscal year with a deficit fund balance of \$43,961. The School Lunch Fund continues to be challenged with increased costs associated with the new standards issued for the federal subsidized national school lunch program.

Capital Projects Fund: \$559,638 was expended on buses and vans for the year ended June 30, 2020 and approximately \$530,000 was spent on network upgrades and security system. The capital projects fund ended 2019-2020 fiscal year with a deficit fund balance of \$1,546,988; which will be eliminated once the outstanding BANs are converted to permanent financing or redeemed by appropriations.

Debt Service Fund: The debt service fund ended the year with a \$776,117 fund balance. This balance is restricted for future debt service obligations.

General Fund Budgetary Highlights

For the 2019-2020 school year, the voters of the School District approved a budget of \$42,593,933. That budget was subsequently increased by \$213,286 due to encumbrances carried over from 2018-19.

Through the careful monitoring and control of general fund expenditures for 2019-2020, and through savings resulting from the schools being closed March 16, 2020 through June 30, 2020, the School District had a favorable expenditure variance of \$2,560,964 from budget to actual as of June 30, 2020.

The School District considers the results achieved regarding the 2019-2020 finances to be very satisfactory. The School District also met its target to have \$2,190,000 in fund balance available on June 30, 2020 to balance the 2020-2021 budget. Further, the School District was able to appropriately fund the mandated contribution levels for the Teachers' Retirement System and the Employees' Retirement System.

Results vs. Budget

The general fund is the only fund which a budget is submitted for the approval of the resident voters and legally adopted.

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

Results vs. Budget (Continued)

	Original Budget	Final Budget	Actual	Encumbrances	Variance
Revenue:					
Real property taxes	\$ 16,527,322	\$ 16,527,322	\$ 14,483,040	\$ -	\$ (2,044,282)
Other tax items	765,136	765,136	2,816,120	-	2,050,984
Charges for services	1,977,442	1,977,442	1,898,170	-	(79,272)
Use of money and property	70,000	70,000	93,231	-	23,231
Sale of property and compensation for loss	-	-	7,440	-	7,440
Medicaid	50,000	50,000	95,624	-	45,624
State sources	21,156,533	21,156,533	21,214,829	-	58,296
Miscellaneous	157,500	157,500	418,360	-	260,860
Total revenue	<u>40,703,933</u>	<u>40,703,933</u>	<u>41,026,814</u>	<u>-</u>	<u>322,881</u>
Expenditures:					
Board of education	18,400	18,910	13,069	1,389	4,452
Central administration	237,430	237,572	231,361	239	5,972
Finance	320,193	348,173	323,954	16,128	8,091
Staff	177,198	176,856	142,299	600	33,957
Central services	2,604,116	2,682,005	2,359,555	25,890	296,560
Special items	337,448	316,171	303,225	-	12,946
Instruction, administration, and improvement	1,173,787	1,356,123	1,227,924	4,464	123,735
Teaching - regular school	8,742,795	8,814,085	8,409,252	69,764	335,069
Programs for children with handicapping conditions	5,492,074	5,250,904	4,564,699	112,894	573,311
Occupational education	904,849	966,394	966,394	-	-
Teaching - special school	65,552	68,689	52,670	-	16,019
Instructional media	930,118	1,000,339	887,330	1,944	111,065
Pupil services	2,043,412	2,084,277	1,921,236	39,559	123,482
Pupil transportation	2,105,078	2,105,078	1,556,703	54,196	494,179
Employee benefits	13,206,826	13,137,261	12,663,116	52,019	422,126
Debt service	580,519	580,519	580,519	-	-
Transfers to other funds	3,654,138	3,663,868	3,663,868	-	-
Total expenses	<u>42,593,933</u>	<u>42,807,224</u>	<u>39,867,174</u>	<u>379,086</u>	<u>2,560,964</u>
Net change in fund balance	(1,890,000)	(2,103,291)	1,159,640	(379,086)	2,883,845
Fund balance - beginning of year	<u>11,659,878</u>	<u>11,659,878</u>	<u>11,659,878</u>		
Fund balance - end of year	<u>\$ 9,769,878</u>	<u>\$ 9,556,587</u>	<u>\$ 12,819,518</u>		

As noted above in the results vs. budget table, the School District has an overall favorable budgetary surplus of \$2,883,845. This was due to reduced expenditures as a result of schools being closed for the last 3.5 months of the year.

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

Capital Assets

As of June 30, 2020, the School District had \$34,665,866 invested in a broad range of capital assets including buildings, buses, athletic facilities, computers, and other educational equipment.

Table A-8 Capital Assets (Net of Depreciation, in Thousands of Dollars)

<u>Category</u>	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Percent <u>Change</u>
Buildings and improvements	\$ 33,355	\$ 34,208	-2%
Equipment, furniture and vehicles	<u>1,311</u>	<u>1,329</u>	-1%
Total	<u>\$ 34,666</u>	<u>\$ 35,537</u>	-2%

Long-Term Liabilities

As of June 30, 2020, the School District had \$243,267,762 in general obligation bonds and other long-term liabilities outstanding. More detailed information about the School District's long-term liabilities is included in the notes to the financial statements.

Table A-9 Long-Term Liabilities (In Thousands of Dollars)

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>
General obligation bonds	\$ 8,445	\$ 11,510
OPEB and other	<u>234,823</u>	<u>172,870</u>
Total	<u>\$ 243,268</u>	<u>\$ 184,380</u>

During 2020, the School District paid down its debt by retiring \$3,065,000 of outstanding bonds.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- Health insurance and other post-retirement costs continue to increase and could potentially affect the School District's financial health. Although the School District does not set rates for the retirement systems, the School District has and will continue to pursue opportunities for efficiencies in health insurance.
- District contributions to the Employee Retirement System and Teachers Retirement System are likely to increase in the next couple of years due to lower than estimated investment returns resulting in a decrease in the funded status of the pensions funds.
- Current year and future expected deficits in New York State and Federal government finances that will further impact state revenue could affect the School District's financial health through the amount of state funding available for public education.
- The school district is planning a significant capital construction project to begin in the spring of 2021- 2022. This project is subject to voter approval this fall.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Carl Mummenthey, Superintendent
Cobleskill-Richmondville Central School District
155 Washington Avenue
Cobleskill, NY 12043

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT**STATEMENT OF NET POSITION****JUNE 30, 2020****ASSETS****CURRENT ASSETS:**

Cash and cash equivalents - Unrestricted	\$ 7,598,826
Cash and cash equivalents - Restricted	6,180,499
Investment in community library renovation, current portion	105,000
Due from other governments	157,994
State and federal aid receivable	1,976,041
Other receivables	22,957
Inventory	<u>39,665</u>

Total current assets 16,080,982

NON-CURRENT ASSETS:

Investment in community library renovation, net of current portion	120,000
Capital assets, net	34,665,866
Net pension asset - TRS	<u>2,099,058</u>

Total non-current assets 36,884,924

DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources - OPEB	73,468,208
Deferred outflows of resources - pension ERS	2,269,411
Deferred outflows of resources - pension TRS	<u>6,814,663</u>

Total deferred outflows of resources 82,552,282

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 135,518,188

LIABILITIES**CURRENT LIABILITIES:**

Bond anticipation notes	\$ 1,677,473
Accounts payable and accrued liabilities	472,875
Due to other governments	67,217
Due to Teachers' Retirement System	1,344,581
Due to Employees' Retirement System	148,137
Bonds payable due within one year	3,170,000
Bond interest accrued	67,560
Unearned revenue	<u>35,120</u>

Total current liabilities 6,982,963

LONG-TERM LIABILITIES:

Bonds payable	5,275,000
Compensated absences payable	1,221,409
Net pension liability - ERS	3,335,233
Other postemployment benefits liability	<u>230,266,120</u>

Total long-term liabilities 240,097,762

DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources - pensions ERS	69,326
Deferred inflows of resources - pensions TRS	2,892,484
Deferred inflows of resources - OPEB	<u>3,954,272</u>

Total deferred inflows of resources - pensions 6,916,082

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 253,996,807

NET POSITION

Net investment in capital assets	24,675,878
Restricted	6,956,616
Unrestricted	<u>(150,111,113)</u>

TOTAL NET POSITION \$ (118,478,619)

The accompanying notes are an integral part of these financial statements.

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenue		Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS:				
General support	\$ 9,887,962	\$ -	\$ -	\$ (9,887,962)
Instruction	46,816,399	1,898,170	2,861,801	(42,056,428)
Pupil transportation	4,238,296	-	-	(4,238,296)
School lunch	700,182	181,579	424,737	(93,866)
Debt service - interest	<u>490,227</u>	<u>-</u>	<u>-</u>	<u>(490,227)</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 62,133,066</u>	<u>\$ 2,079,749</u>	<u>\$ 3,286,538</u>	<u>(56,766,779)</u>
GENERAL REVENUE:				
Real property taxes				14,378,040
Other tax items				2,816,120
Use of money and property				99,515
Sale of property and compensation for loss				7,440
Miscellaneous				496,807
State sources				20,484,369
Medicaid				95,624
Federal sources				<u>956,353</u>
TOTAL GENERAL REVENUE				<u>39,334,268</u>
CHANGE IN NET POSITION				(17,432,511)
NET POSITION - beginning of year				<u>(101,046,108)</u>
TOTAL NET POSITION - end of year				<u>\$ (118,478,619)</u>

The accompanying notes are an integral part of these financial statements.

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
ASSETS						
Cash and cash equivalents - Unrestricted	\$ 6,200,570	\$ 1,221,750	\$ 18,902	\$ 132,485	\$ 25,119	\$ 7,598,826
Cash and cash equivalents - Restricted	6,180,499	-	-	-	-	6,180,499
Due from other funds	2,244,823	76,147	-	-	750,998	3,071,968
Due from other governments	157,994	-	-	-	-	157,994
State and federal aid receivable	1,163,058	787,012	25,971	-	-	1,976,041
Other receivable	6,002	16,955	-	-	-	22,957
Inventory	-	-	39,665	-	-	39,665
TOTAL ASSETS	\$ 15,952,946	\$ 2,101,864	\$ 84,538	\$ 132,485	\$ 776,117	\$ 19,047,950
LIABILITIES AND FUND BALANCES						
Accounts payable and accrued liabilities	\$ 470,379	\$ -	\$ 2,496	\$ -	\$ -	\$ 472,875
Bond anticipation notes	-	-	-	1,677,473	-	1,677,473
Due to other funds	944,438	1,999,530	126,000	2,000	-	3,071,968
Due to other governments	-	67,214	3	-	-	67,217
Due to Teachers' Retirement System	1,344,581	-	-	-	-	1,344,581
Due to Employees' Retirement System	148,137	-	-	-	-	148,137
Unearned revenue	-	35,120	-	-	-	35,120
TOTAL LIABILITIES	2,907,535	2,101,864	128,499	1,679,473	-	6,817,371
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	225,893	-	-	-	-	225,893
FUND BALANCE						
Non-spendable						
Reserve for inventory	-	-	39,665	-	-	39,665
Restricted						
Debt Service	-	-	-	-	776,117	776,117
Capital	3,000,000	-	-	-	-	3,000,000
Retirement contributions - ERS	1,200,260	-	-	-	-	1,200,260
Retirement contributions - TRS	533,547	-	-	-	-	533,547
Employee benefits and accrued liabilities	1,013,817	-	-	-	-	1,013,817
Unemployment	75,000	-	-	-	-	75,000
Repairs	357,875	-	-	-	-	357,875
Total restricted fund balance	6,180,499	-	-	-	776,117	6,956,616
Assigned						
Appropriated	379,086	-	-	-	-	379,086
Appropriated for subsequent year's expenditures	2,190,000	-	-	-	-	2,190,000
Total assigned fund balance	2,569,086	-	-	-	-	2,569,086
Unassigned	4,069,933	-	(83,626)	(1,546,988)	-	2,439,319
TOTAL FUND BALANCE	12,819,518	-	(43,961)	(1,546,988)	776,117	12,004,686
TOTAL LIABILITIES AND FUND BALANCE	\$ 15,952,946	\$ 2,101,864	\$ 84,538	\$ 132,485	\$ 776,117	\$ 19,047,950

The accompanying notes are an integral part of these financial statements.

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION JUNE 30, 2020

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

Total governmental fund balance	\$ 12,004,686
Investment in serial bond borrowings in community library	225,000
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	34,665,866
Pension related government-wide activities are not recorded at the fund level:	
Deferred outflows of resources	82,552,282
Net pension liability - ERS	(3,335,233)
Net pension asset - TRS	2,099,058
Deferred inflows of resources	(6,916,082)
State aid revenue in the statement of activities is recognized as revenue in the government-wide statements but is not recognized as revenue under the modified accrual basis of accounting in the fund financial statements	225,893
Bonds payable are not due and payable in the current period and; therefore, are not reported in the funds	(8,445,000)
Compensated absences at year-end in government-wide statements under full accrual accounting	(1,221,409)
Other postemployment benefits liability are not due and payable in the current period and, therefore, are not reported in the funds	(230,266,120)
Interest payable at year end in the government-wide statements under full accrual accounting	<u>(67,560)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (118,478,619)</u>

The accompanying notes are an integral part of these financial statements.

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

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

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
REVENUE:						
Real property taxes	\$ 14,483,040	\$ -	\$ -	\$ -	\$ -	\$ 14,483,040
Other tax items	2,816,120	-	-	-	-	2,816,120
Charges for services	1,898,170	-	-	-	-	1,898,170
Use of money and property	93,231	-	24	98	6,162	99,515
Sale of property and compensation for loss	7,440	-	-	-	-	7,440
Miscellaneous	418,360	77,949	498	-	-	496,807
State sources	21,214,829	745,509	14,075	1,145,864	-	23,120,277
Federal sources	-	970,428	410,662	-	-	1,381,090
Medicaid	95,624	-	-	-	-	95,624
Sales	-	-	181,579	-	-	181,579
Total revenue	<u>41,026,814</u>	<u>1,793,886</u>	<u>606,838</u>	<u>1,145,962</u>	<u>6,162</u>	<u>44,579,662</u>
EXPENDITURES:						
General support	3,373,463	-	-	-	-	3,373,463
Instruction	18,029,505	1,833,616	-	-	-	19,863,121
Pupil transportation	1,556,703	-	-	-	-	1,556,703
Employee benefits	12,663,116	-	414,639	-	-	13,077,755
Debt service - Principal	529,912	-	-	-	3,065,000	3,594,912
Debt service - Interest	50,607	-	-	-	484,138	534,745
Capital outlays	-	-	-	1,090,480	-	1,090,480
School lunch	-	-	285,543	-	-	285,543
Total expenditures	<u>36,203,306</u>	<u>1,833,616</u>	<u>700,182</u>	<u>1,090,480</u>	<u>3,549,138</u>	<u>43,376,722</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>4,823,508</u>	<u>(39,730)</u>	<u>(93,344)</u>	<u>55,482</u>	<u>(3,542,976)</u>	<u>1,202,940</u>
OTHER SOURCES AND (USES):						
BANs redeemed from appropriations	-	-	-	529,912	-	529,912
Operating transfers in	-	39,730	25,000	50,000	3,549,138	3,663,868
Operating transfers (out)	<u>(3,663,868)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,663,868)</u>
Total other sources (uses)	<u>(3,663,868)</u>	<u>39,730</u>	<u>25,000</u>	<u>579,912</u>	<u>3,549,138</u>	<u>529,912</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,159,640	-	(68,344)	635,394	6,162	1,732,852
FUND BALANCE - beginning of year	<u>11,659,878</u>	<u>-</u>	<u>24,383</u>	<u>(2,182,382)</u>	<u>769,955</u>	<u>10,271,834</u>
FUND BALANCE - end of year	<u>\$ 12,819,518</u>	<u>\$ -</u>	<u>\$ (43,961)</u>	<u>\$ (1,546,988)</u>	<u>\$ 776,117</u>	<u>\$ 12,004,686</u>

The accompanying notes are an integral part of these financial statements.

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

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

Net changes in fund balance - Total governmental funds	\$ 1,732,852
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	1,090,480
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(1,961,652)
State aid revenue in the statement of activities is recognized as revenue in the government-wide statements but is not recognized as revenue under the modified accrual basis of accounting in the fund financial statements	225,893
Pension expense resulting from GASB 68 related reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(1,992,778)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net assets	3,594,912
BANs redeemed from appropriations are recorded as revenue in the government funds, but are not recorded in the statement of activities	(529,912)
Other postemployment benefits expense resulting from GASB 75 related reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(19,288,276)
Accrued compensated absences do not require the expenditure of current resources and are, therefore not reported as expenditures in the governmental funds	(243,548)
Accrued interest expense does not require the expenditure of current resources and is, therefore, not reported as an expenditure in the governmental funds	44,518
Collection from community library is recognized as a reduction in receivable in the statement of net position as opposed to tax revenue in the governmental funds	<u>(105,000)</u>
Change in net position - Governmental activities	<u>\$ (17,432,511)</u>

The accompanying notes are an integral part of these statements.

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020**

	Agency	Private Purpose Trust
ASSETS:		
Cash	\$ 202,892	\$ -
Restricted cash	116,776	123,742
Due from other funds	<u>-</u>	<u>52,259</u>
 Total assets	 <u>\$ 319,668</u>	 <u>\$ 176,001</u>
LIABILITIES:		
Extraclassroom activity balances	\$ 116,776	\$ -
Due to other funds	52,259	-
Other liabilities	<u>150,633</u>	<u>-</u>
 Total liabilities	 <u>\$ 319,668</u>	 <u>-</u>
NET POSITION:		
Restricted for scholarships		<u>\$ 176,001</u>

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT**STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Private Purpose Trust
ADDITIONS:	
Gifts and donations	\$ 25,760
Investment earnings	<u>146</u>
 Total additions	 <u>25,906</u>
DEDUCTIONS:	
Scholarships and awards	<u>15,845</u>
 NET INCREASE	 10,061
 NET POSITION - beginning of year	 <u>165,940</u>
 NET POSITION - end of year	 <u>\$ 176,001</u>

The accompanying notes are an integral part of these financial statements.

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

1. NATURE OF OPERATIONS

Cobleskill-Richmondville Central School District (School District) provides free public K-12 education to students living within its geographic boundaries.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

The Cobleskill-Richmondville Central School District is governed by the Laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The 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 reporting entity of the School District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity* as amended by GASB 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Extraclassroom Activity Funds

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

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

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

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

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

Basis of Presentation

The School District's financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund level financial statements which provide more detailed information.

Government-Wide Statements

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

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

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

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

Governmental Fund Types

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

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

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

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

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Debt Service Fund: This fund accounts for the accumulation of resources and payment of principal and interest on long-term general obligation debt of the governmental activities.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds because their resources do not belong to the School District and are not available to be used.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Types (Continued)

There are two classes of fiduciary funds:

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

Use of Estimates

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

Measurement Focus and Basis of Accounting

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

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

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

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

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

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. 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, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but no in the School District's name.

The School District participates in NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law, whereby the School District holds a portion of the investments in cooperation with other participants. At June 30, 2020, the School District held \$7,980,409 in NYCLASS consisting of various investments in securities issued by the United States and its agencies. NYCLASS is rated 'AAAm' from Standard & Poor's Global Ratings. Amounts held with both NYCLASS are highly liquid and the amount held represents the cost of the investment pool shares, which are considered to approximate fair value. Additional information concerning NYCLASS, including the annual report, can be found on its website www.newyorkclass.org.

Restricted Cash

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

Investment in Community Library Renovations

Cobleskill-Richmondville Central School District is the taxing authority for the Community Library. As the taxing authority, the School District issued a 15 year \$1,300,000 serial bond at a variable interest rate of 3.75% to 4.125% for the reconstruction and renovation of the community library on March 1, 2007. As of June 30, 2020, the School District has offsetting amounts due from the Library and bonds payable owned on the Library's behalf of \$225,000.

Property Taxes

Real property taxes are levied annually by the board of education no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1 to November 30.

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

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

Inventories

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

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

Interfund Transactions

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

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

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

Capital Assets

Capital assets are reported at actual cost for acquisitions if actual cost information is available cost. If actual cost information is not available, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	SL	30-50
Furniture and equipment	5,000	SL	5-10
Vehicles	5,000	SL	5-10

Deferred Outflows and Inflows of Resources

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources (Continued)

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

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

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

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

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

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

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

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

Vested Employee Benefits

Compensated absences:

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

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

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

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

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

Other benefits:

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits

In addition to providing pension benefits, the School District provides post-employment health insurance coverage and survivor benefits to its retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. 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 School District recognizes the costs of providing health insurance by recording its share of insurance premiums as an expenditure.

In accordance with the provisions of generally accepted accounting principles, the School District has recorded within the government-wide statement of net position the required other postemployment benefits accrual totaling \$230,266,120 as of June 30, 2020. The financial disclosures relating to the School District's other post-employment benefits are reflected in Note 13.

Unearned Revenues

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

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

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

Short-Term Debt

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

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

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

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

Restricted Resources

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

Equity Classifications

Government-Wide Statements

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

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

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

Restricted net position consists of the following:

Debt service	\$ 776,117
Capital	3,000,000
Retirement contributions - ERS	1,200,260
Retirement contributions - TRS	533,547
Employee benefits	1,013,817
Unemployment	75,000
Repairs	<u>357,875</u>
Total restricted net position	<u>\$ 6,956,616</u>

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

Fund Balance – Reservations and Designations

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

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Fund Balance – Reservations and Designations (Continued)

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

Capital

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

Repair

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

Workers' Compensation

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

Retirement Contribution

Reserve for retirement contribution (GMU §6-r) is used for the purpose of financing retirement contributions. This reserve must 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.

Unemployment Insurance

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Fund Balance – Reservations and Designations (Continued)

Unemployment Insurance (Continued)

If the School District elects to convert to tax, (contribution), basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund under restricted fund balance.

Tax Reduction

Reserve for tax reduction (Education Law §1604(36) and §1709(37)) is used for the gradual use of the proceeds of the sale of the school district real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the School District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. The reserve is accounted for in the general fund under restricted fund balance.

Debt Service

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

Insurance

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

Liability Claims and Property Loss

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

Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Fund Balance – Reservations and Designations (Continued)

Tax Certiorari (Continued)

Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund under restricted fund balance.

Insurance Recoveries

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

Employee Benefit Accrued Liability

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

Encumbrances

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

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2020.

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$379,086.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

As of June 30, 2020, the School District's encumbrances were classified as follows:

Assigned fund balance:

General support	\$ 44,246
Instruction	228,625
Pupil transportation	54,196
Employee benefits	<u>52,019</u>

Total encumbrances \$ 379,086

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

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

Order of Fund Balance Spending Policy

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

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

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

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

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

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

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

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown below represent:

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension Differences

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

OPEB Differences

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets (Continued)

Appropriations authorized for the current year are increased by the planned use of specific reserves and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The School District made no supplemental appropriations during the year.

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

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

Fund Balances

The School District's unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the School District's budget for the upcoming school year. The School District plans to address this issue in future budgets.

Fund Deficits

The capital projects fund has a fund deficit of \$1,546,988 which will be funded when the School District redeems BANs from appropriations or obtains permanent financing.

The school lunch fund has a fund deficit of \$43,961 which will be funded by future contributions from the general fund.

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

5. CUSTODIAL CREDIT, CONCENTRATION OF CREDIT RISK

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

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

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	<u>\$ 6,944,787</u>	<u>\$ 6,242,325</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the school district's name	\$ 6,444,787	
Covered by FDIC insurance	<u>500,000</u>	
Total	<u>\$ 6,944,787</u>	

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

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

General fund:

Capital	\$ 3,000,000
Retirement contributions - ERS	1,200,260
Retirement contributions - TRS	533,547
Employee benefits and accrued liabilities	1,013,817
Unemployment	75,000
Repairs	<u>357,875</u>
Subtotal	<u>\$ 6,180,499</u>

6. PARTICIPATION IN BOCES

During the year, the School District was billed \$2,567,501 for BOCES administrative and program costs.

The School District's share of BOCES aid amounted to \$1,089,423.

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

7. TAX ABATEMENTS

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

The School District has two (2) real property tax abatement agreements that are entered into by the Schoharie County Industrial Development Agency (IDA) and two (2) real property tax abatement agreements that are entered into by Village of Cobleskill. These agreements provide for abatement of real property taxes in exchange for payment in lieu of taxes (PILOT) in accordance with the IDA's Tax Exemption Policy. PILOTS are granted in accordance with various activities such as new affordable housing construction, purchase of an existing facility, or the improvement or expansion of an existing facility. There are also policies for recapture of PILOTS should the applicant not meet certain criteria.

The following are the PILOT agreements and the percentage of real property tax that has been abated for the year ended June 30, 2020:

<u>Agreement with</u>	<u>Purpose</u>	<u>Assessment</u>	<u>Tax Rate</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Amount of Tax Abated</u>
Schoharie County IDA	Industrial Development	\$ 36,452,699	29.075952	\$ 1,059,897	\$ 702,021	\$ 357,876
Schoharie County IDA	Industrial Development	1,641,170	21.082688	\$ 34,600	\$ -	\$ 34,600
Village of Cobleskill	Affordable housing	972,000	24.925836	\$ 24,228	5,767	\$ 18,461
Village of Cobleskill	Affordable housing	2,360,000	20.186743	\$ 47,641	13,114	\$ 34,527
Total				<u>\$ 1,166,366</u>	<u>\$ 720,902</u>	<u>\$ 445,464</u>

8. CAPITAL ASSETS

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

	July 1, 2019 <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	June 30, 2020 <u>Balance</u>
Governmental activities:				
Non-depreciated construction in progress	\$ 475,591	382,055	\$ -	\$ 857,646
Capital assets that are depreciated:				
Buildings and improvements	58,137,030	-	-	58,137,030
Furniture and equipment	4,127,030	148,787	-	4,275,817
Vehicles	<u>5,707,777</u>	<u>559,638</u>	<u>732,716</u>	<u>5,534,699</u>
Total depreciable historical cost	<u>67,971,837</u>	<u>708,425</u>	<u>732,716</u>	<u>67,947,546</u>
Less accumulated depreciation:				
Buildings	24,404,592	1,235,177	-	25,639,769
Furniture and equipment	3,786,446	111,341	-	3,897,787
Vehicles	<u>4,719,352</u>	<u>615,134</u>	<u>732,716</u>	<u>4,601,770</u>
Total accumulated depreciation	<u>32,910,390</u>	<u>1,961,652</u>	<u>732,716</u>	<u>34,139,326</u>
Total depreciable cost, net	<u>\$ 35,537,038</u>	<u>\$ (871,172)</u>	<u>\$ -</u>	<u>\$ 34,665,866</u>

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

General support	\$ 134,652
Instruction	1,077,214
Cost of sales	134,652
Pupil transportation	<u>615,134</u>
	<u>\$ 1,961,652</u>

9. SHORT-TERM DEBT

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

<u>Type</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	11/1/2019	3.00%	\$ 1,686,895	\$ -	\$ 1,686,895	\$ -
BAN	10/31/2020	1.38%	<u>-</u>	<u>1,677,473</u>	<u>-</u>	<u>1,677,473</u>
			<u>\$ 1,686,895</u>	<u>\$ 1,677,473</u>	<u>\$ 1,686,895</u>	<u>\$ 1,677,473</u>

10. LONG-TERM DEBT

Interest on debt for the year was composed of:

Interest paid	\$ 534,745
Less: Interest accrued in the prior year	(112,078)
Plus: Interest accrued in the current year	<u>67,560</u>
Total expense	<u>\$ 490,227</u>

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

	Beginning Balance <u>7/1/2019</u>	<u>Issued</u>	<u>Redeemed</u>	Ending Balance <u>6/30/2020</u>	Amounts Due Within <u>One Year</u>	Long-term <u>Portion</u>
Government activities:						
Bonds and notes payable:						
General obligation debt:						
Serial bond - 2007	\$ 330,000	\$ -	\$ 105,000	\$ 225,000	\$ 110,000	\$ 115,000
Serial bond - 2011	3,845,000	-	1,895,000	1,950,000	1,950,000	-
Serial bond - 2012	4,710,000	-	580,000	4,130,000	605,000	3,525,000
Serial bond - 2015	<u>2,625,000</u>	<u>-</u>	<u>485,000</u>	<u>2,140,000</u>	<u>505,000</u>	<u>1,635,000</u>
Total bonds	11,510,000	-	3,065,000	8,445,000	3,170,000	5,275,000
Other liabilities:						
Compensated absences	977,861	243,548	- (A)	1,221,409	-	1,221,409
Net pension liability - ERS	902,793	2,432,440	-	3,335,233	-	3,335,233
Other postemployment benefits	<u>170,988,882</u>	<u>63,699,293</u>	<u>4,422,055</u>	<u>230,266,120</u>	<u>-</u>	<u>230,266,120</u>
Total other liabilities	<u>172,869,536</u>	<u>66,375,281</u>	<u>4,422,055</u>	<u>234,822,762</u>	<u>-</u>	<u>234,822,762</u>
Total long-term liabilities	<u>\$184,379,536</u>	<u>\$ 66,375,281</u>	<u>\$ 7,487,055</u>	<u>\$243,267,762</u>	<u>\$ 3,170,000</u>	<u>\$240,097,762</u>

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

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

10. LONG-TERM DEBT (Continued)

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

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
Serial bond	2007	2022	4.05%	\$ 225,000
Serial bond	2011	2021	2.50%	1,950,000
Serial bond	2012	2026	3.00%	4,130,000
Serial bond	2015	2020	3.00%	<u>2,140,000</u>
Total				<u>\$ 8,445,000</u>

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

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,170,000	\$ 374,156	\$ 3,544,156
2022	1,280,000	235,894	1,515,894
2023	1,210,000	177,750	1,387,750
2024	1,270,000	122,300	1,392,300
2025	740,000	75,750	815,750
2026	<u>775,000</u>	<u>38,750</u>	<u>813,750</u>
Total	<u>\$ 8,445,000</u>	<u>\$ 1,024,600</u>	<u>\$ 9,469,600</u>

11. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditures</u>
General fund	\$ 2,244,823	\$ 944,438	\$ -	\$ 3,663,868
Special aid fund	76,147	1,999,530	39,730	-
School lunch fund	-	126,000	25,000	-
Capital projects fund	-	2,000	50,000	-
Debt service	750,998	-	3,549,138	-
Agency fund	-	52,259	-	-
Private purpose trust	<u>52,259</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total government activities	<u>\$ 3,124,227</u>	<u>\$ 3,124,227</u>	<u>\$ 3,663,868</u>	<u>\$ 3,663,868</u>

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

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

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

12. PENSION PLANS

New York State Employee Retirement System

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

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

Contributions

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

2020	\$591,921
2019	\$572,715
2018	\$549,079

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

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

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

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

12. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

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

This law requires participating employers to make payments on the current basis while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. The School District had no unpaid liability at the end of the fiscal year.

- Chapter 105 of the Laws of 2010 of the State of New York authorizes local governments to make available a retirement benefit incentive program. The costs of the program will be billed and paid over five years beginning February 1, 2012. The School District had no retirement incentive liability at year end.

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 a liability of \$3,335,233 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020, the School District's proportion was 0.025950 percent, which was a decrease of 0.000147 percent from its proportion measured June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$1,202,505. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 196,292	\$ -
Changes of Assumptions	67,156	57,988
Net difference between projected and actual earnings on pension plan investments	1,709,802	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	148,024	11,338
Contributions subsequent to the measurement date	148,137	-
	<u>\$ 2,269,411</u>	<u>\$ 69,326</u>

12. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

The School District recognized \$148,137 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2020 which will be recognized on a reduction of the net pension liability in the year ended June 30, 2021.

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

Plan's Year Ended March 31:

2021	\$	377,500
2022		519,945
2023		643,793
2024		510,710
Thereafter		-
	\$	<u>2,051,948</u>

Actuarial Assumptions

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

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	4.2% indexed by service
Projected COLAs	1.3% compounded annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	6.8% compounded annually, net of investment expenses

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

12. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019 are summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate or return</u>
Domestic Equity	36.0%	4.05%
International Equity	14.0%	6.15%
Private Equity	10.0%	6.75%
Real Estate	10.0%	4.95%
Absolute Return Strategies	2.0%	3.25%
Opportunistic Portfolio	3.0%	4.65%
Real Asset	3.0%	5.95%
Bonds and Mortgages	17.0%	0.75%
Cash	1.0%	0.00%
Inflation-indexed Bonds	4.0%	0.50%
	<u>100.0%</u>	

Discount Rate

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

Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1 % Decrease (5.8%)</u>	<u>Current Assumption (6.8%)</u>	<u>1% Increase (7.8%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 6,121,094	\$ 3,335,233	\$ 769,443

12. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

Pension Plan Fiduciary Net Position

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

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$194,596,261,000	\$ 24,509,403	0.0125950%
Net position	(168,115,682,000)	(21,174,170)	0.0125950%
Net pension liability (asset)	<u>\$ 26,480,579,000</u>	<u>\$ 3,335,233</u>	0.0125950%
Fiduciary net position as a percentage of total pension liability	86.39%	86.39%	

New York State Teacher Retirement System

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

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

Contributions

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

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

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

2020	\$1,226,056
2019	\$1,432,212
2018	\$1,535,814

12. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

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

At June 30, 2020, the School District reported an asset of \$2,099,058 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of that date. The School District's proportion of the net pension asset was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020 the School District's proportion was 0.080795 percent, which was a decrease of 0.000189 percent from its proportion measured June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$2,592,429. At June 30, 2020 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,422,478	\$ 156,090
Changes of Assumptions	3,965,402	966,877
Net difference between projected and actual earnings on pension plan investments	-	1,683,337
Changes in proportion and differences between the District's contributions and proportionate share of contributions	82,202	86,180
Contributions subsequent to the measurement date	1,344,581	-
	<u>\$ 6,814,663</u>	<u>\$ 2,892,484</u>

The School District recognized \$1,344,581 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended 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:

Plan's Year Ended June 30:	
2020	\$ 946,226
2021	56,839
2022	942,784
2023	617,346
2024	80,698
Thereafter	(66,295)
	<u>\$ 2,577,598</u>

12. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

Actuarial Assumptions

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

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

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

The actuarial assumptions used in the June 30, 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

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

12. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

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

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate or return</u>
Domestic Equity	33.0%	6.3%
International Equity	16.0%	7.8%
Global Equity	4.0%	7.2%
Real Estate Equity	11.0%	4.6%
Private Equities	8.0%	9.9%
Domestic Fixed Income	16.0%	1.3%
Global Bonds	2.0%	0.9%
Private Debt	1.0%	6.5%
Real Estate Debt	7.0%	2.9%
High-Yield Bonds	1.0%	3.6%
Cash Equivalents	1.0%	0.3%
	<u>100.0%</u>	

Discount Rate

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

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

The following presents the net pension liability (asset) of the School District calculated using the discount rate of 7.10 percent, as well as what the School Districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1 percent lower (6.10%) or 1 percent higher (8.10 %) than the current rate:

	<u>1 % Decrease (6.10%)</u>	<u>Current Assumption (7.10%)</u>	<u>1% Increase (8.10%)</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 9,474,931	\$ (2,099,058)	\$ (11,808,329)

12. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

Pension Plan Fiduciary Net Position

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

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$119,879,473,882	\$ 96,856,624	0.080795%
Net position	(122,477,480,654)	(98,955,680)	0.080795%
Net pension liability (asset)	<u>\$ (2,598,006,772)</u>	<u>\$ (2,099,058)</u>	0.080795%
Fiduciary net position as a percentage of total pension liability	102.17%	102.17%	

13. OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Plan Description

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

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

Benefits Provided

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries	
currently receiving benefits	276
Active employees	<u>385</u>
Total participants	<u>661</u>

Total OPEB Liability

The School District's total OPEB liability of \$230,266,120 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2018.

13. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Discount Rate	2.21%
Salary Increases	Vary by pension retirement system membership
Healthcare Cost Trend Rates:	
Medical	5.40% in 2019 decreasing to an ultimate rate of 3.84% by 2075
Part B Reimbursement	6.49% for 2019 decreasing to an ultimate rate of 3.84% by 2075

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

Mortality rates are based on recent mortality tables published by Society of Actuaries' Scale (Pub-2010) projected fully generationally using MP 2019.

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 170,988,882
Changes for the Year	
Service cost	6,181,195
Interest	6,141,732
Changes of benefit terms	-
Changes in assumptions or other inputs	50,956,834
Differences between expected and actual experience	419,532
Benefit payments	<u>(4,422,055)</u>
Net changes	<u>59,277,238</u>
Balance at June 30, 2020	<u>\$ 230,266,120</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% in 2019 to 2.21% in 2020.

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 percent lower (1.21%) or 1 percent higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Current Discount (2.21%)	1% Increase (3.21%)
Total OPEB Liability	<u>\$283,771,576</u>	<u>\$230,266,120</u>	<u>\$189,564,334</u>

13. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percent lower (4.40%) or 1 percent higher (6.40%) than the current healthcare cost trend rate:

	Healthcare	
	1%	1%
	Decrease	Increase
	Current	
	(5.40%)	
	<u>\$183,317,619</u>	<u>\$294,253,077</u>
	<u>\$230,266,120</u>	

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 \$23,710,331. 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
Changes of assumptions	\$ 70,489,672	\$ 3,954,272
Differences between expected and actual experience	<u>2,978,536</u>	<u>-</u>
Total	<u>\$ 73,468,208</u>	<u>\$ 3,954,272</u>

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

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2021	\$ 11,387,404
2022	11,387,404
2023	11,387,404
2024	11,387,404
2025	11,719,617
Thereafter	<u>12,244,703</u>
	<u>\$ 69,513,936</u>

14. RISK MANAGEMENT

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

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

Claims are recognized as expenditures when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. At June 30, 2020, management estimates there are no outstanding claims liabilities.

15. CONTINGENCIES AND COMMITMENTS

Other Contingencies

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

COVID-19 PANDEMIC

As of the date of this report, the United States is in the midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). The School District was closed effective March 16, 2020 and did not re-open during the 2020 academic year. The School District has developed a re-opening plan for the 2020-2021 school year and will resume educating students in September. Instruction will be a mix of in-person and virtual education.

During March 2020, the NYS Governor put NYS on pause and shut down large portions of the economy. Businesses throughout NYS remain closed or are operating significantly below their capacity. New York State has publicly stated that COVID-19 will have a significant negative impact on its revenues and its 2020-21 budget. In August 2020 the New York State Department of Education notified all School Districts that effective immediately all future payments of state aid will be reduced by a 20% withholding and that this withholding may become a permanent reduction in aid. As a result, at June 30, 2020, the School District has recorded a deferred inflow of resources in the amount of \$225,893 in the General fund.

It is difficult at this time to predict with certainty the full effect this impact may have on future State aid payments to the School District. However, at this time it appears that NYS will be withholding 20% of substantially all aid payments for the foreseeable future. The School District is current analyzing the effects such a reduction will have on its fiscal 2021 operations

REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Budgetary Actual and Encumbrances
REVENUE					
Local sources:					
Real property taxes	\$ 16,527,322	\$ 16,527,322	\$ 14,483,040	\$ -	\$ (2,044,282)
Other tax items	765,136	765,136	2,816,120	-	2,050,984
Charges for services	1,977,442	1,977,442	1,898,170	-	(79,272)
Use of money and property	70,000	70,000	93,231	-	23,231
Sale of property and compensation for loss	-	-	7,440	-	7,440
Miscellaneous	157,500	157,500	418,360	-	260,860
Total local sources	19,497,400	19,497,400	19,716,361	-	218,961
Medicaid	50,000	50,000	95,624	-	45,624
State sources	21,156,533	21,156,533	21,214,829	-	58,296
Total revenue	40,703,933	40,703,933	41,026,814	-	322,881

(Continued)

See independent auditor's report

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	18,400	18,910	13,069	1,389	4,452
Central administration	237,430	237,572	231,361	239	5,972
Finance	320,193	348,173	323,954	16,128	8,091
Staff	177,198	176,856	142,299	600	33,957
Central services	2,604,116	2,682,005	2,359,555	25,890	296,560
Special items	337,448	316,171	303,225	-	12,946
Total general support	3,694,785	3,779,687	3,373,463	44,246	361,978
INSTRUCTION:					
Instruction, administration, and improvement	1,173,787	1,356,123	1,227,924	4,464	123,735
Teaching - Regular school	8,742,795	8,814,085	8,409,252	69,764	335,069
Programs for children with handicapping conditions	5,492,074	5,250,904	4,564,699	112,894	573,311
Occupational education	904,849	966,394	966,394	-	-
Teaching - Special schools	65,552	68,689	52,670	-	16,019
Instructional media	930,118	1,000,339	887,330	1,944	111,065
Pupil services	2,043,412	2,084,277	1,921,236	39,559	123,482
Total instruction	19,352,587	19,540,811	18,029,505	228,625	1,282,681
Pupil transportation	2,105,078	2,105,078	1,556,703	54,196	494,179
Employee benefits	13,206,826	13,137,261	12,663,116	52,019	422,126
Debt service	580,519	580,519	580,519	-	-
Total expenditures	38,939,795	39,143,356	36,203,306	379,086	2,560,964
OTHER FINANCING SOURCES					
Transfers to other funds	3,654,138	3,663,868	3,663,868	-	-
Total expenditures and other financing sources	42,593,933	42,807,224	39,867,174	379,086	2,560,964
NET CHANGE IN FUND BALANCE	(1,890,000)	(2,103,291)	1,159,640	(379,086)	2,883,845
FUND BALANCE - beginning of year	11,659,878	11,659,878	11,659,878	-	-
FUND BALANCE - end of year	\$ 9,769,878	\$ 9,556,587	\$ 12,819,518	\$ (379,086)	\$ 2,883,845

See independent auditor's report

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of the net pension liability (asset)	0.0125950%	0.0127418%	0.0126968%	0.0128811%	0.0127561%	-				
Proportionate share of the net pension liability (asset)	\$ 3,335.2	\$ 903	\$ -	\$ 1,210.3	\$ 2,047.4	431				
Covered-employee payroll	\$ 4,312.2	\$ 4,176.0	\$ 4,049.7	\$ 4,247.7	\$ 4,067.7	4,089				
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	77.34%	21.62%	0.00%	28.49%	50.33%	-				
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.39%	96.27%	98.24%	94.70%	90.68%	1				

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

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of the net pension liability (asset)	0.0807950%	0.0809840%	0.0816050%	0.0795940%	0.0808050%	0.0809550%				
Proportionate share of the net pension liability (asset)	\$ (2,099.1)	\$ (1,464)	\$ -	\$ 852.5	\$ (8,393.0)	\$ (9,017.9)				
Covered-employee payroll	\$ 13,838.1	\$ 13,486.0	\$ 13,191.4	\$ 12,931.6	\$ 12,137.9	\$ 11,958.3				
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-15.17%	-10.86%	0.00%	6.59%	-69.15%	-75.41%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%				

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

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 570.1	\$ 572.7	\$ 576.3	\$ 586.0	\$ 624.5	\$ 694.0				
Contributions in relation to the contractually required contribution	570.1	572.7	576.3	586.0	624.5	694.0				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Covered-employee payroll	\$ 4,312.2	\$ 4,176.0	\$ 4,049.7	\$ 4,049.7	\$ 4,247.7	\$ 4,089.2				
Contributions as a percentage of covered-employee payroll	13.22%	13.71%	14.23%	14.47%	14.70%	16.97%				

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

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,226.1	\$ 1,432.2	\$ 1,292.8	\$ 1,515.6	\$ 2,127.8	\$ 1,943.2				
Contributions in relation to the contractually required contribution	1,226.1	1,432.2	1,292.8	1,515.6	2,127.8	1,943.2				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Covered-employee payroll	\$ 13,838.1	\$ 13,486.0	\$ 13,191.4	\$ 13,191.4	\$ 12,137.9	\$ 11,958.3				
Contributions as a percentage of covered-employee payroll	8.86%	10.62%	9.80%	11.49%	17.53%	16.25%				

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

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total OPEB Liability										
Service cost	\$ 6,181,195	\$ 3,389,541	\$ 3,553,376							
Interest	6,141,732	5,016,950	4,606,772							
Changes of benefit terms	-	(639,258)	-							
Differences between expected and actual experience	419,532	3,491,915	-							
Changes in assumptions	50,956,834	35,749,848	(6,526,163)							
Benefit payments	(4,422,055)	(4,492,385)	(3,684,967)							
Total change in total OPEB liability	59,277,238	42,516,611	(2,050,982)							
Total OPEB liability - beginning	170,988,882	128,472,271	130,523,253							
Total OPEB liability - ending	\$ 230,266,120	\$ 170,988,882	\$ 128,472,271							
 Covered-employee payroll	 \$ 17,549,638	 \$ 16,817,606	 \$ 16,891,758							
 Total OPEB liability as a percentage of covered-employee payroll	 1312.1%	 1016.7%	 760.6%							

Notes to schedule:

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

Discount rate	2.21%	3.51%	3.87%
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Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

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

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

The healthcare trend cost rates have been reset to an initial rate of 5.40% for 2018 decreasing to an ultimate rate of 3.84% by 2075 and beyond.

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

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

SUPPLEMENTAL INFORMATION (UNAUDITED)

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

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

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 42,593,933	
Add: Prior year's encumbrances	<u>213,286</u>	
Original budget	42,807,219	
Budget revision	<u>5</u>	
Final budget	<u>\$ 42,807,224</u>	

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-2021 voter-approved expenditure budget	\$ 43,039,365	
Maximum allowed (4% of 2020-2021 budget)		<u>\$ 1,721,575</u>

General Fund, Fund Balance Subject to Section 1318 of Real Property Tax Law :*

Total fund balance:	<u>\$ 12,819,518</u>
---------------------	----------------------

Less:

Restricted fund balance	\$ 6,180,499	
Assigned fund balance:		
Appropriated fund balance	2,190,000	
Encumbrances included in committed and assigned fund balance	<u>379,086</u>	
Total adjustments	<u>\$ 8,749,585</u>	

General Fund, Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 4,069,933</u>
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Actual percentage	9.46%
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* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of General Fund, fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Capital project						
Equipment Network Access	\$ 647,843	\$ 655,156	\$ 573,036	\$ 77,198	\$ 650,234	\$ 4,922
Network Upgrade - Contractual	187,336	180,023	53,987	89,930	143,917	36,106
Equipment Internet Connect	44,682	44,682	-	44,045	44,045	637
Equipment Security System	284,500	208,565	-	207,734	207,734	831
Contractual Security System	24,000	99,935	-	99,935	99,935	-
Contractual District	12,000	12,000	-	12,000	12,000	-
Bus purchases	589,593	589,593	-	559,638	559,638	29,955
	<u>\$ 1,789,954</u>	<u>\$ 1,789,954</u>	<u>\$ 627,023</u>	<u>\$ 1,090,480</u>	<u>\$ 1,717,503</u>	<u>\$ 72,451</u>

See independent auditor's report

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED) JUNE 30, 2020

Capital assets, net		\$ 34,665,866
Deduct:		
Short-term portion of bonds payable	3,170,000	
Long-term portion of bonds payable	5,275,000	
Bond anticipation notes	1,677,473	
Less: upsent bond proceeds	<u>(132,485)</u>	
Total deductions		<u>9,989,988</u>
Net investment in capital assets		<u>\$ 24,675,878</u>

REQUIRED REPORTS UNDER UNIFORM GUIDANCE

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

September 30, 2020

To the Board of Education of
Cobleskill-Richmondville Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cobleskill-Richmondville Central School District (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 30, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

(Continued)

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

(Continued)

Compliance and Other Matters

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

District's Response to Finding

The School District's response to the findings 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 statements 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.

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

September 30, 2020

To the Board of Education of
Cobleskill-Richmondville Central School District:

Report on Compliance for Each Major Federal Program

We have audited Cobleskill-Richmondville Central School District's (School District) compliance with the types of compliance requirements described in the *Uniform Guidance 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 program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's 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.

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(Continued)

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

(Continued)

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of 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.

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S Department of Agriculture</u>			
National School Lunch Program (food donations)	10.555	^ N/A	\$ 51,500
<u>Passed through New York State Dept. of Education</u>			
School Breakfast Program	10.553	^ N/A	99,640
National School Lunch Program	10.555	^ N/A	<u>259,522</u>
Total U.S. Department of Agriculture			<u>410,662</u>
<u>U.S. Department of Education</u>			
<u>Pass-Through New York State Dept. of Education</u>			
Title I grants to local educational agencies	84.010	0021-20-2765	396,082
IDEA - Part B, Section 611	84.027	0032-20-1187	455,468
IDEA - Part B, Section 619	84.173	0033-20-1187	<u>23,500</u>
Special Education Cluster (IDEA)			478,968
ESEA Title II Part A, Improving Teacher Quality grant	84.367	0147-20-2765	68,660
Student Support and Academic Enrichment Program	84.424	0204-20-2765	<u>26,823</u>
Total U.S. Department of Education			<u>970,533</u>
Total Expenditures of Federal Awards			<u>\$ 1,381,195</u>

^ Child Nutrition Cluster

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

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

1. GENERAL

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Cobleskill-Richmondville Central School District (School District), under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows for the School District.

2. BASIS OF ACCOUNTING

Expenditures reported in the Schedule are presented in conformity with accounting principles generally accepted in the United States and amounts presented are derived from the School District's general ledger.

The School District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. SUBRECIPIENTS

No amounts were provided to subrecipients.

4. OTHER DISCLOSURES

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

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

5. FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2020, the School District accepted \$51,500 in commodities.

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

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

Section I - Summary of Auditor's Results

Financial Statements

Type of independent auditor's report issued on whether the financial statements were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified not considered to be material weaknesses?

_____ yes X None reported

Noncompliance material to financial statements noted?

 X yes _____ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified not considered to be material weaknesses?

_____ yes X None reported

Type of independent auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?

_____ yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553; 10.555

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

COBLESKILL-RICHMONDVILLE CENTRAL SCHOOL DISTRICT

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

Section II - Financial Statement Findings

Finding #2020-001 – Stewardship and Compliance

Criteria

The School District's unreserved, unrestricted fund balance was outside the New York State Real Property Tax Law 1318 limit, which restricts it to an amount not greater than 4% of the School District's budget for the upcoming year.

Condition

General fund unrestricted fund balance exceeded 4% of the subsequent year's budget.

Questioned Costs

None

Cause and Effect

The current year surplus resulted in School District unrestricted fund balance exceeding limitations.

Recommendation

We recommend that management take the excess fund balance into consideration when preparing next year's budget.

Management's response

District management will ensure the excess fund balance is considered when preparing next year's budget. Additionally, the School District plans to be proactive and use excess fund balance to help mitigate the large increase in net debt service payments that will be coming up over the next few years.

Section III – Federal Award Findings and Questioned Costs

No findings or questioned costs to be reported.