

JEFFERSON CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2020

JEFFERSON CENTRAL SCHOOL DISTRICT

Table of Contents

| | |
|---|----------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 - 15 |
| BASIC FINANCIAL STATEMENTS | |
| Statement of Net Position | 17 |
| Statement of Activities and Changes in Net Position | 18 |
| Balance Sheet - Governmental Funds | 19 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position | 20 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds | 21 |
| Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities and Changes in Net Position | 22 |
| Statements of Fiduciary Net Position and Changes in Fiduciary Net Position | 23 |
| NOTES TO THE BASIC FINANCIAL STATEMENTS | 24 - 51 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (non-GAAP basis) and Actual - General Fund | 53 - 54 |
| Change in Net OPEB Liability - Other Post-Employment Benefits | 55 |
| Schedule of District's Proportionate Share of the Net Pension Liability | 56 |
| Schedule of District's Contributions | 57 |
| SUPPLEMENTARY INFORMATION | |
| Schedule of Changes from Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund | 59 |
| Schedule of Capital Projects Fund - Project Expenditures and Financing Resources Invested in Capital Assets, Net of Related Debt | 60 61 |
| 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 | 63 - 64 |
| EXTRACLASSROOM ACTIVITIES | |
| Independent Auditors' Report | 66 - 67 |
| Statement of Assets and Liabilities Arising from Cash Transactions | 68 |
| Statement of Revenues Collected and Expenses Paid | 69 |
| Notes to the Financial Statement | 70 |

This page intentionally blank

Independent Auditors' Report

To the Board of Education
Jefferson Central School District
Jefferson, NY

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 3 - 15, and budgetary comparison information on pages 53-54, schedule of change in total OPEB liability and related ratios on page 55, and schedule of district's proportionate share of net pension liability and district's contributions on pages 56-57 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 Jefferson Central School District's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information schedules on pages 59-61 have 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 **November 3, 2020**, on our consideration of the Jefferson Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson Central School District's internal control over financial reporting and compliance.

Cwynar & Company

November 3, 2020
Norwich, NY

Jefferson Central School District
Management's Discussion and Analysis
For the year ended June 30, 2020

Management's Discussion and Analysis

Jefferson Central School District
Management's Discussion and Analysis
For the year ended 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 district was able to stabilize fund balance and reserve balances due to less than expected expenditures resulting from the COVID-19 pandemic. The COVID-19 pandemic has had a significant impact on State and Federal education funding and is the source of much uncertainty moving into the 2020-2021 school year.

Jefferson Central School District

Management's Discussion and Analysis
For the year ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 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 district-wide statements. The fund financial statements concentrate on the School District's most significant funds with all other non-major funds listed in total in one column.
- The *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 explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Jefferson Central School District

**Management’s Discussion and Analysis
For the year ended June 30, 2020**

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

Major Features of the District-Wide and Fund Financial Statements

| | Fund Financial Statements | | |
|--|---|--|--|
| | District-Wide | Governmental Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance | 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 revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus |
| Type of asset/deferred outflows of resources/liability/deferred inflows of resources information | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term | Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included | All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/out flow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues 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 |

Jefferson Central School District

Management's Discussion and Analysis For the year ended June 30, 2020

District-wide Financial Statements

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

The two district-wide statements report the School District's net position and how it has changed. Net position - the difference between the School District's assets and deferred outflows of resources and the School District's liabilities and deferred inflows of resources - is one way to measure the School District's financial health or *position*.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School District's overall health, you need to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

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

Fund Financial Statements

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

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

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds 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 district-wide statements, additional information at the bottom of the governmental funds statements or in schedules immediately following the balance sheet and revenues and expenditures statement explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Jefferson Central School District
Management's Discussion and Analysis
For the year ended June 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Condensed Statement of Net Position (in Thousands)

| | Governmental Activities and total District | | | |
|---|---|-------------|--------------------------------|------------------------------|
| | 2019 | 2020 | Increase (Decrease) | Percentage Change |
| Assets & Deferred Outflows | | | | |
| Current and Other Assets..... | \$ 2,268 | \$ 2,948 | \$ 680 | 30.0% |
| Capital Assets..... | 8,441 | 8,114 | (326) | -3.9% |
| Total Assets..... | 10,708 | 11,062 | 354 | 3.3% |
| Deferred Outflows of Resources..... | 2,086 | 4,525 | 2,439 | 116.9% |
| Total Assets and Deferred Outflows..... | 12,794 | 15,587 | 2,792 | 21.8% |
| Liabilities & Deferred Inflows | | | | |
| Long-term Liabilities..... | 20,024 | 22,689 | (2,665) | -13.3% |
| Other Liabilities..... | 237 | 493 | (257) | -108.6% |
| Total Liabilities..... | 20,260 | 23,183 | (2,922) | -14.4% |
| Deferred Inflows of Resources..... | 842 | 917 | (75) | -8.9% |
| Total Liabilities and Deferred Inflows..... | 21,102 | 24,099 | (2,997) | -14.2% |
| Net Position | | | | |
| Net investment in Capital Assets..... | 4,361 | 4,652 | 291 | 6.7% |
| Restricted..... | 635 | 636 | 1 | 0.1% |
| Unrestricted..... | (13,304) | (13,801) | (497) | 3.7% |
| Total Net Position..... | \$ (8,308) | \$ (8,513) | \$ (205) | 2.5% |

Analysis of Net Position

Net Position may serve as a useful indicator of the district's financial position. At the end of fiscal year 2020, the District's total liabilities exceeded assets by \$8.5 million.

The largest portion of the Net Position reflects the District's \$4.7 million investment in capital assets. This is substantially all the District's Net Position, this is an increase of \$291 thousand from the prior year. Since the district uses capital assets to provide services, they are not available for future spending. Further, the resources required to pay this debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Long-term liabilities increased by approximately \$2.7million predominantly from the increase in the OPEB liability. One new bond for \$81k was issue by the district for the acquisition of a school bus.

The district records an obligation to pay long-term post employment benefit to comply with accounting standards, however the policy of the State of New York to not allow the district to fund the obligation. The current year increase is \$3 million, the total OPEB liability recorded on the statement of Net Position is \$18.6 million. The net impact of changes in net pension liability, deferred outflows and inflows from the actuarial calculation in accordance with GASB 68 was a \$237 thousand decrease in net position.

Jefferson Central School District
Management's Discussion and Analysis
For the year ended June 30, 2020

Condensed Changes in Net Position from Operating Results

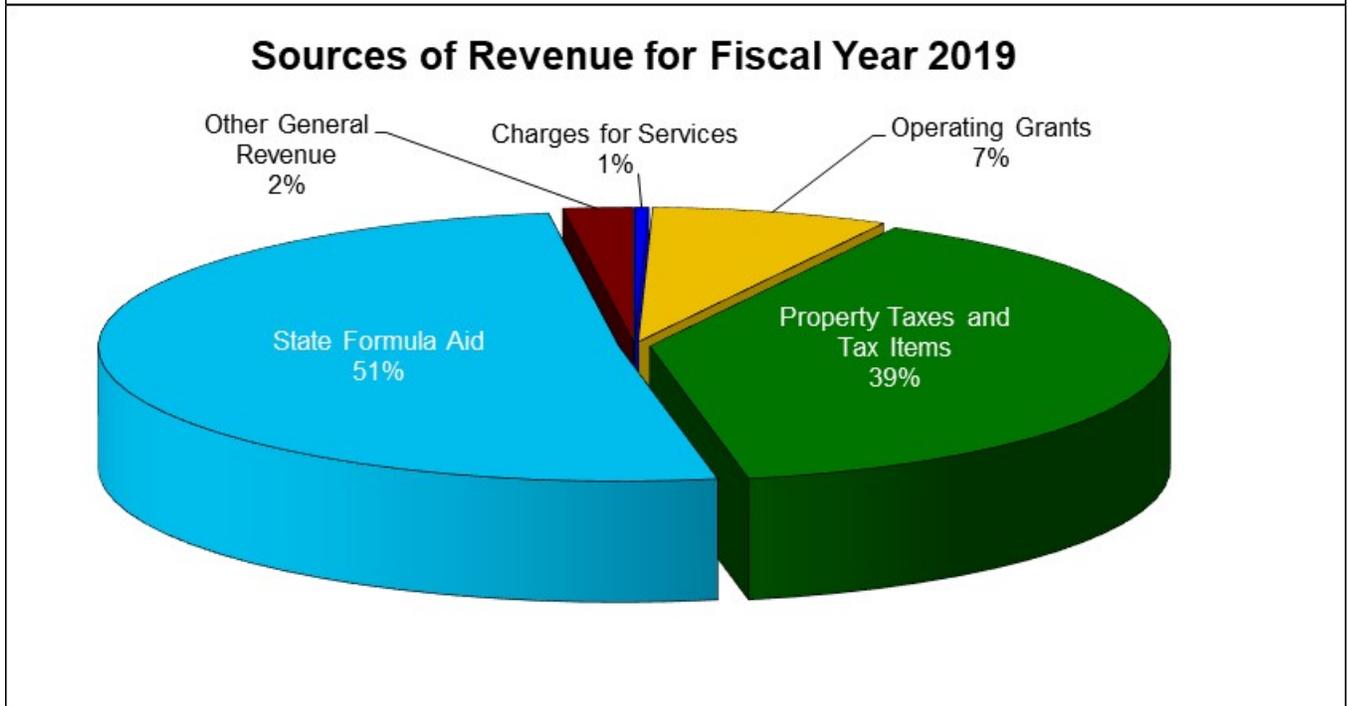
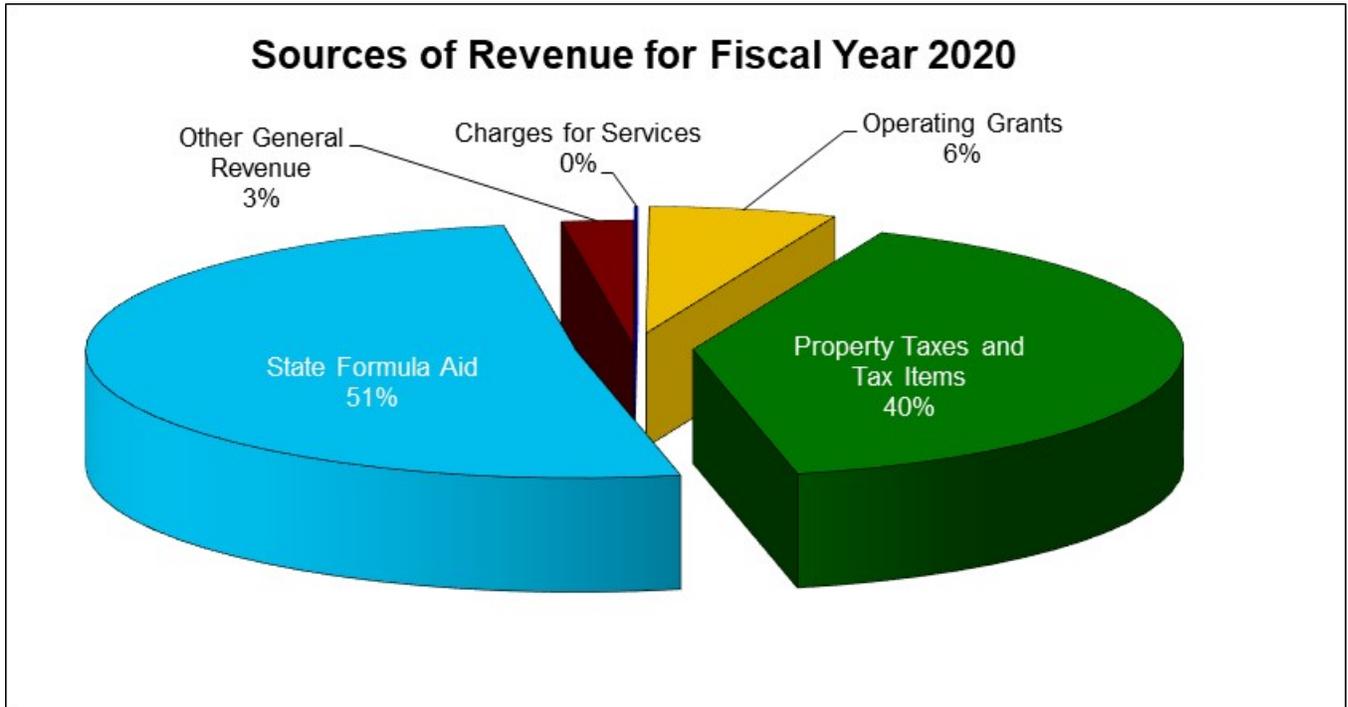
| | <u>Governmental Activities and total District</u> | | | |
|---|---|-----------------|--------------------------------|------------------------------|
| | <u>2019</u> | <u>2020</u> | <u>Increase (Decrease)</u> | <u>Percentage Change</u> |
| Expenses | | | | |
| General Support..... | 1,244 | 1,187 | (57) | -4.6% |
| Instruction..... | 5,565 | 5,402 | (162) | -2.9% |
| Pupil Transportation..... | 395 | 486 | 91 | 23.0% |
| Community Services..... | - | 1 | 1 | |
| Debt Service - Interest..... | 111 | 100 | (11) | -10.1% |
| Cost of Sales - Food..... | 394 | 298 | (95) | -24.2% |
| Total Expenses | <u>7,709</u> | <u>7,475</u> | <u>(234)</u> | -3.0% |
| Revenues | | | | |
| Program Revenues | | | | |
| Charges for Services..... | \$ 32 | \$ 7 | (25) | -77.2% |
| Operating Grants and Contributions..... | 538 | 450 | (88) | -16.3% |
| General Revenues | | | | |
| Property Taxes..... | 2,857 | 2,930 | 73 | 2.6% |
| State Formula Aid..... | 3,712 | 3,710 | (2) | 0.0% |
| Interest Earnings..... | 0 | 0 | - | 0.0% |
| Other..... | 158 | 172 | 14 | 9.1% |
| Total Revenues | <u>7,297</u> | <u>7,270</u> | <u>(27)</u> | -0.4% |
| Change in Net Position..... | <u>\$ (412)</u> | <u>\$ (205)</u> | | |

Analysis of Changes in Net Position

The District's total Net Position decreased by \$205 thousand during 2020. The most significant expense for the district was in providing for instructional services. Instructional and general support expenditures decreased 2.9% and 4.6% mainly due to the changes in the Pension and OPEB actuarial calculations.

Management's Discussion and Analysis
For the year ended June 30, 2020

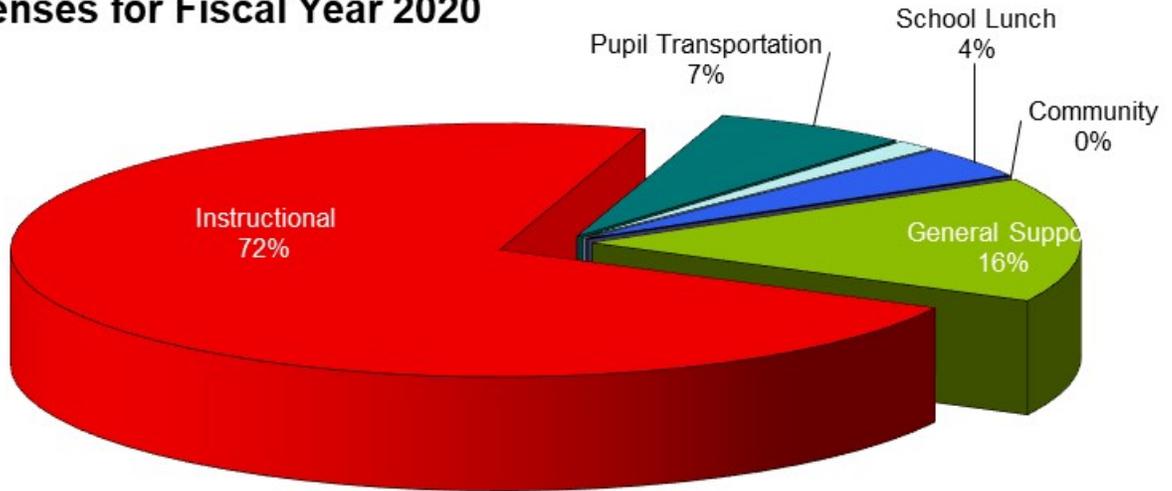
A graphic display of the distribution of revenues for the two years as follows:



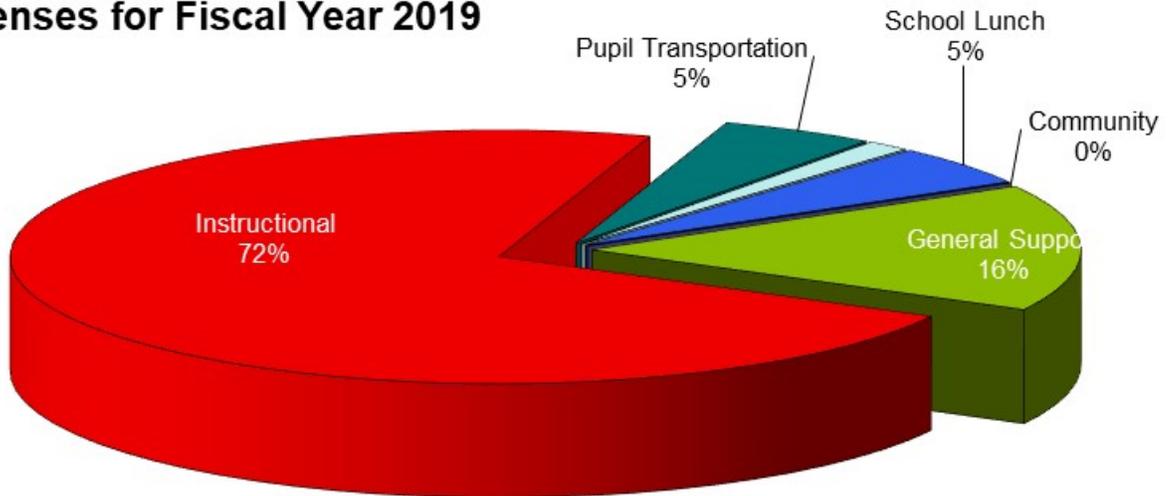
Jefferson Central School District

Management's Discussion and Analysis
For the year ended June 30, 2020

Expenses for Fiscal Year 2020



Expenses for Fiscal Year 2019



Jefferson Central School District
Management's Discussion and Analysis
For the year ended June 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2020, the District governmental funds reported a combined fund balance of \$2.1 million, which is an increase of \$364 thousand from the prior year. A summary of the change in fund balance is as follows:

| General Fund | 2019 | 2020 | Increase (Decrease) |
|---|----------------------------|----------------------------|--------------------------------|
| Restricted for: | | | |
| Unemployment insurance..... | \$ 32,598 | \$ 32,620 | \$ 22 |
| Retirement contributions..... | 367,017 | 367,269 | 252 |
| Liability claims and property loss..... | 30,127 | 30,148 | 21 |
| Employee benefit accrued liability..... | 183,453 | 183,579 | 126 |
| Capital projects..... | 2,482 | 2,483 | 1 |
| Tax certiorari..... | - | - | - |
| Nonspendable - advances..... | - | - | - |
| Assigned to: | | | |
| Encumbrances..... | 184,707 | 138,016 | (46,691) |
| Subsequent year's expenditures..... | 210,594 | 250,894 | 40,300 |
| Unassigned..... | <u>859,834</u> | <u>1,229,383</u> | <u>369,549</u> |
| | <u>1,870,812</u> | <u>2,234,392</u> | <u>363,580</u> |
| School Lunch Fund | | | |
| Nonspendable: | | | |
| Inventory..... | 4,095 | 6,234 | 2,139 |
| Unassigned..... | <u>(80,580)</u> | <u>(126,534)</u> | <u>(45,954)</u> |
| | <u>(76,485)</u> | <u>(120,300)</u> | <u>(43,815)</u> |
| Debt Service Fund | | | |
| Restricted for: | | | |
| Debt service..... | <u>19,769</u> | <u>19,778</u> | <u>9</u> |
| | <u>19,769</u> | <u>19,778</u> | <u>9</u> |
| Capital Projects Fund | | | |
| Unassigned..... | <u>(13,520)</u> | <u>(13,520)</u> | <u>-</u> |
| | <u>(13,520)</u> | <u>(13,520)</u> | <u>-</u> |
| Total Fund Balance..... | <u><u>\$ 1,800,576</u></u> | <u><u>\$ 2,120,350</u></u> | <u><u>\$ 319,774</u></u> |

Jefferson Central School District
Management's Discussion and Analysis
For the year ended June 30, 2020

Change in General Fund's Unassigned Fund Balance

Change in General Fund's unassigned Fund Balance

| | |
|---|---------------------|
| Opening, Unassigned Fund Balance | \$ 859,834 |
| Revenues | 6,832,726 |
| Expenditures | (6,430,779) |
| Other financing sources | - |
| Other financing uses | (38,367) |
| Net (increase) decrease in Restricted Funds | (422) |
| Net (increase) decrease in Nonspendable Funds | - |
| Net (increase) decrease in Assigned Funds | 6,391 |
| Closing, Unassigned Fund Balance | <u>\$ 1,229,383</u> |
| Carryover percentage of Subsequent Operating Budget | 17.41% |

The opening unassigned fund balance is the portion of the District's **June 30, 2019** carryover funds that were not specifically identified to a budget category. This was 12.19 percent of the District's approved 2019-20 operating budget.

Based on the summary of changes shown above, the District will begin the 2020-21 fiscal year with an unassigned fund balance of \$1.2 million or 17.41 percent of the 2020-21 approved operating budget.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District tries to balance the needs of our students with that of our taxpayers. For the 2019-20 fiscal year, the District had minimal tax increases and taxes collected agreed to budgeted levels. The primary reason total revenues exceeded budgeted revenues was the receipt of higher than expected miscellaneous income and refunds.

Actual expenditures came in approximately \$628 thousand less than the final budget for 2019-20. Increases in employee benefits were \$120 thousand less than anticipated. Instruction expenses were \$183 thousand less than budgeted expenses for programs for children with handicapping conditions were \$182 thousand less than expected.

Jefferson Central School District
Management's Discussion and Analysis
For the year ended June 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had invested \$8.1 million in a broad range of capital assets, including land, improvements, buildings, furniture, equipment and vehicles. Depreciation expense for the year was \$393 thousand. The following schedule is the net value of these assets, which includes additions, deletions and depreciation. Additional detail information is included in *Note 6* to the financial statement.

Capital Assets (Net of Depreciation) (In Thousands)

| Governmental Activities and total School District | | | | |
|--|-------------|-------------|----------------------------------|------------------------------|
| | 2019 | 2020 | Increase / (Decrease) | Percentage Change |
| Land, easements & right of way..... | \$ 6 | \$ 6 | - | 0.0% |
| Construction in Progress..... | 309 | 309 | - | 0.0% |
| Outdoor improvements..... | 86 | 77 | (9) | -10.5% |
| Buildings and improvements..... | 7,173 | 6,916 | (257) | -3.6% |
| Furniture, equipment and vehicles..... | 867 | 807 | (60) | -6.9% |
| Total..... | \$ 8,441 | \$ 8,115 | (326) | -3.9% |

Debt Administration

The District has outstanding debt in serial bonds of \$3.5 million. Additional detail information is included in *Note 7* to the financial statement.

Outstanding Long Term Debt (In Thousands)

| Total School District | | | | |
|-------------------------------------|-------------|-------------|----------------------------------|------------------------------|
| | 2019 | 2020 | Increase / (Decrease) | Percentage Change |
| General Obligation Bonds..... | \$ 4,066 | \$ 3,462 | (604) | -14.9% |
| Compensated absences..... | 263 | 234 | (29) | -11.0% |
| Other post employment benefits..... | 15,592 | 18,594 | 3,002 | 19.3% |
| Net pension liability..... | 102 | 400 | 298 | 292.2% |
| Total..... | \$ 20,023 | \$ 22,690 | 2,667 | 13.3% |

Total long-term debt includes all bonds and long-term payroll liabilities. The District has paid \$686 thousand in principal. The constitutional debt limit allows the District to have outstanding debt equal to or less than 10 percent of the full value on the most recent tax roll. At June 30, 2020 the outstanding debt of the District represented approximately 20 percent the debt limit. Other debt represents employee compensated absences, net pension liabilities and other post-employment benefits.

Jefferson Central School District
Management's Discussion and Analysis
For the year ended June 30, 2020

FACTORS BEARING ON THE DISTRICT'S FUTURE

The amount of state aid received by the district in 2020-2021 remains a major question. Initial scheduled aid payments in fiscal year 2020-2021 have been made to districts, but with 20% of those payments withheld due to significant shortfalls within the State budget. If future aid payments are not made in full, this will have a major impact on school budgets, staffing and programs being offered. The way in which school districts are forced to operate due to the ongoing COVID-19 pandemic could also impact school district finances. If the district returns to remote learning, as was the case at the end of 2019-2020, there is a potential for savings due to the building not being occupied.

REQUESTS FOR INFORMATION

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

Tarkan T. Ceng, Ed.D., Superintendent
Jefferson Central School District
1332 State Route 10
Jefferson, Jefferson 12093

Basic Financial Statements

Jefferson Central School District

**Statement of Net Position
June 30, 2020**

ASSETS

| | | |
|--|----|-------------------|
| Cash | | |
| Unrestricted..... | \$ | 1,240,133 |
| Restricted..... | | 635,844 |
| Receivables | | |
| State and federal aid receivable..... | | 375,465 |
| Due from fiduciary funds | | 188,285 |
| Due from other governments..... | | 164,210 |
| Inventories..... | | 6,234 |
| Capital assets..... | | |
| Not being depreciated | | 314,607 |
| Being depreciated, net of accumulated depreciation | | 7,799,588 |
| Net pension assets, proportionate share..... | | 337,369 |
| | | <u>11,061,735</u> |

DEFERRED OUTFLOW OF RESOURCES

| | |
|--|------------------|
| Pensions..... | 1,392,663 |
| Retiree health insurance benefits..... | 3,132,089 |
| | <u>4,524,752</u> |

LIABILITIES

| | | |
|---|--|-------------------|
| Payables | | |
| Accounts payable..... | | 61,758 |
| Accrued expenses..... | | 4,879 |
| Accrued Interest..... | | 3,622 |
| Due To | | |
| Fiduciary Funds..... | | 188,280 |
| Other Governments..... | | 23 |
| Teachers' Retirement System..... | | 200,399 |
| Employees' Retirement System..... | | 22,635 |
| Unearned Credits | | |
| Unearned Revenue..... | | 11,846 |
| Long-term liabilities | | |
| Due and payable within one year | | |
| Bonds payable..... | | 696,968 |
| Due and payable after one year | | |
| Bonds payable..... | | 2,765,000 |
| Compensated absences payable..... | | 233,763 |
| Other postemployment benefits payable..... | | 18,593,537 |
| Net pension liability, proportionate share..... | | 399,818 |
| | | <u>23,182,528</u> |

DEFERRED INFLOW OF RESOURCES

| | |
|--|----------------|
| Pensions..... | 483,231 |
| Retiree health insurance benefits..... | 433,413 |
| | <u>916,644</u> |

NET POSITION

| | |
|--|---------------------|
| Investment in capital assets, net of related debt..... | 4,652,227 |
| Restricted..... | 635,878 |
| Unrestricted (deficit)..... | <u>(13,800,790)</u> |

Jefferson Central School District

**Statement of Net Activities and Changes in Net Position
For the year ended June 30, 2020**

| | | Program Revenues | | Net (Expense) |
|---|--------------|-------------------------|---------------------|---|
| | Expenses | Charges for Services | Operating Grants | Revenue and Changes in Net Position |
| FUNCTIONS/PROGRAMS | | | | |
| General support..... | \$ 1,187,095 | \$ - | \$ - | \$ (1,187,095) |
| Instruction..... | 5,402,366 | - | 350,349 | (5,052,017) |
| Pupil transportation..... | 486,256 | - | - | (486,256) |
| Community..... | 940 | - | - | (940) |
| Debt service interest..... | 100,225 | - | - | (100,225) |
| Foodservice..... | 298,209 | 7,435 | 99,971 | (190,803) |
| | \$ 7,475,091 | \$ 7,435 | \$ 450,320 | \$ (7,017,336) |
| GENERAL REVENUES | | | | |
| Real property taxes..... | | | | \$ 2,597,064 |
| Other tax items..... | | | | 332,850 |
| Use of money and property..... | | | | 434 |
| Sale of property and compensation for loss..... | | | | (21,900) |
| State sources..... | | | | 3,710,074 |
| Federal sources..... | | | | - |
| Miscellaneous..... | | | | 193,926 |
| | | | | 6,812,448 |
| Change in Net Position..... | | | | (204,888) |
| Total Net Position - Beginning of year..... | | | | (8,307,797) |
| Other changes in Net Position..... | | | | - |
| Total Net Position - End of year..... | | | | \$ (8,512,685) |

Jefferson Central School District

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

| | General | Special Aid | School Lunch | Debt Service | Capital Projects | Total Governmental Funds |
|---|---------------------|------------------------|-------------------------|-------------------------|-----------------------------|---|
| ASSETS | | | | | | |
| Cash | | | | | | |
| Unrestricted..... | \$ 1,133,320 | 6,975 | 13,964 | - | 85,874 | \$ 1,240,133 |
| Restricted..... | 616,100 | - | - | 19,744 | - | 635,844 |
| Receivables | | | | | | |
| State and federal aid receivable..... | 77,066 | 277,628 | 20,771 | - | - | 375,465 |
| Due from other funds..... | 351,257 | - | - | 34 | - | 351,291 |
| Due from fiduciary funds..... | 188,285 | - | - | - | - | 188,285 |
| Due from other governments..... | 159,518 | 4,691 | - | - | - | 164,209 |
| Inventories..... | - | - | 6,234 | - | - | 6,234 |
| | <u>\$ 2,525,546</u> | <u>289,294</u> | <u>40,969</u> | <u>19,778</u> | <u>85,874</u> | <u>2,961,461</u> |
| LIABILITIES | | | | | | |
| Payables | | | | | | |
| Accounts payable..... | 61,311 | 130 | 317 | - | - | 61,758 |
| Accrued liabilities..... | 4,110 | 769 | - | - | - | 4,879 |
| Due to: | | | | | | |
| Due to other funds..... | - | 90,968 | 160,929 | - | 99,394 | 351,291 |
| Due to fiduciary funds..... | - | 188,280 | - | - | - | 188,280 |
| Due to other governments..... | - | - | 23 | - | - | 23 |
| Due to Teachers' Retirement System..... | 200,399 | - | - | - | - | 200,399 |
| Due to Employees' Retirement System..... | 22,635 | - | - | - | - | 22,635 |
| Deferred revenues..... | 2,699 | 9,147 | - | - | - | 11,846 |
| | <u>291,154</u> | <u>289,294</u> | <u>161,269</u> | <u>-</u> | <u>99,394</u> | <u>841,111</u> |
| FUND BALANCES | | | | | | |
| Nonspendable..... | - | - | 6,234 | - | - | 6,234 |
| Restricted | 616,100 | - | - | 19,778 | - | 635,878 |
| Assigned | | | | | | |
| Appropriated..... | 250,894 | - | - | - | - | 250,894 |
| Unappropriated..... | 138,016 | - | - | - | - | 138,016 |
| Unassigned..... | 1,229,383 | - | (126,534) | - | (13,520) | 1,089,329 |
| Total Fund Balances..... | <u>2,234,392</u> | <u>-</u> | <u>(120,300)</u> | <u>19,778</u> | <u>(13,520)</u> | <u>2,120,350</u> |
| Total Liabilities, Deferred Inflows and Fund Balances..... | <u>\$ 2,525,546</u> | <u>\$ 289,294</u> | <u>\$ 40,969</u> | <u>\$ 19,778</u> | <u>\$ 85,874</u> | <u>\$ 2,961,461</u> |

Jefferson Central School District

Reconciliation of Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2020

Amounts reported for governmental activities in the statement of net position are different due to the following:

| | | |
|---|----|--------------------|
| Total fund balances - governmental funds..... | \$ | 2,120,350 |
| Capital assets are used in governmental activities are not financial resources and, therefore, are not reported in governmental funds | | |
| Net capital assets recorded in statement of net position..... | | 8,114,195 |
| Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in governmental funds: | | |
| Net pension asset..... | | 337,369 |
| Net pension liability..... | | (399,818) |
| Deferred outflows..... | | 1,392,663 |
| Deferred inflows..... | | (483,231) |
| Other post employment liabilities associated with contractual obligations to retired employees are not current financial resources or obligations and are not reported in governmental funds: | | |
| Other Post Employment Benefits..... | | (18,593,536) |
| Deferred outflows..... | | 3,132,089 |
| Deferred inflows..... | | (433,413) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds: | | |
| Compensated Absences..... | | (233,763) |
| Serial Bonds..... | | (3,461,968) |
| Accrued Interest on Long Term Debt..... | | <u>(3,622)</u> |
| Net Position of Governmental Activities..... | \$ | <u>(8,512,685)</u> |

Jefferson Central School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the year ended June 30, 2020

| | <u>General</u> | <u>Special Aid</u> | <u>School Lunch</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|--|---------------------|------------------------|-------------------------|-------------------------|-----------------------------|---|
| REVENUES | | | | | | |
| Real property taxes..... | \$ 2,597,064 | - | - | - | - | \$ 2,597,064 |
| Other tax items..... | 332,850 | - | - | - | - | 332,850 |
| Use of money and property..... | 425 | - | - | 9 | - | 434 |
| Sale of property and compensation for loss..... | - | - | - | - | - | - |
| State sources..... | 3,710,074 | 31,906 | 41,192 | - | - | 3,783,172 |
| Federal sources..... | - | 318,443 | 58,779 | - | - | 377,222 |
| Sales - school foodservices..... | - | - | 7,435 | - | - | 7,435 |
| Miscellaneous..... | 192,313 | - | 1,613 | - | - | 193,926 |
| | <u>6,832,726</u> | <u>350,349</u> | <u>109,019</u> | <u>9</u> | <u>-</u> | <u>7,292,103</u> |
| EXPENDITURES | | | | | | |
| General support..... | 941,947 | - | 96,526 | - | - | 1,038,473 |
| Instruction..... | 3,009,479 | 340,383 | - | - | - | 3,349,862 |
| Pupil transportation..... | 337,872 | 18,333 | - | - | - | 356,205 |
| Community service..... | 940 | - | - | - | - | 940 |
| Employee benefits..... | 1,353,616 | - | 39,516 | - | - | 1,393,132 |
| Debt service | | | | | | |
| Principal..... | 686,113 | - | - | - | - | 686,113 |
| Interest..... | 100,812 | - | - | - | - | 100,812 |
| Cost of sales..... | - | - | 46,792 | - | - | 46,792 |
| Capital outlay..... | - | - | - | - | 81,968 | 81,968 |
| | <u>6,430,779</u> | <u>358,716</u> | <u>182,834</u> | <u>-</u> | <u>81,968</u> | <u>7,054,297</u> |
| Excess (Deficiency) fo Revenues over Expenditures..... | <u>401,947</u> | <u>(8,367)</u> | <u>(73,815)</u> | <u>9</u> | <u>(81,968)</u> | <u>237,806</u> |
| OTHER FINANCING SOURCES AND (USES) | | | | | | |
| Proceeds from debt..... | - | - | - | - | 81,968 | 81,968 |
| Operating transfers in..... | - | 8,367 | 30,000 | - | - | 38,367 |
| Operating transfers (out)..... | (38,367) | - | - | - | - | (38,367) |
| | <u>(38,367)</u> | <u>8,367</u> | <u>30,000</u> | <u>-</u> | <u>81,968</u> | <u>81,968</u> |
| Net Change in Fund Balances..... | 363,580 | - | (43,815) | 9 | - | 319,774 |
| Fund Balances - Beginning of year..... | 1,870,812 | - | (76,485) | 19,769 | (13,520) | 1,800,576 |
| Fund Balances - End of year..... | <u>\$ 2,234,392</u> | <u>\$ -</u> | <u>\$ (120,300)</u> | <u>\$ 19,778</u> | <u>\$ (13,520)</u> | <u>\$ 2,120,350</u> |

Jefferson Central School District

**Reconciliation of Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the year ended June 30, 2020**

| | |
|--|---------------------|
| Net Changes in Fund Balance - Total Governmental Funds..... | 319,774 |
| <p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown as assets in the statement of net position and depreciation is allocated over their useful lives.</p> | |
| Depreciation expense..... | (392,836) |
| Capital outlays..... | 88,436 |
| <p>Proceeds from the sale of assets are recorded as revenue in the governmental funds, while only the net gain or loss on the sale is reported in the statement of activities.</p> | |
| Proceeds from sale of fixed assets..... | |
| Net gain or loss on sale of fixed assets..... | (21,900) |
| <p>Proceeds of debt refunding and payments to escrow agents as part of debt refunding are reported as other financing sources (uses) in the governmental funds. However, the difference between the amount of the proceeds and the defeasance of the old debt is deferred in the statement of net position and amortized as a component of interest expense over the remaining life of the new debt.</p> | |
| Net amortized interest expense..... | |
| <p>Changes in proportionate share of net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the government funds.</p> | |
| Employees' retirement system..... | (68,301) |
| Teachers' retirement system..... | (168,896) |
| <p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p> | |
| Repayment of Bond Principal..... | 686,113 |
| Proceeds from Debt..... | (81,968) |
| <p>Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> | |
| Change in Compensated Absences..... | 29,292 |
| Change in Other Post Employment Benefits Payable..... | (595,189) |
| Change in accrued Interest..... | 587 |
| Change in Net Position - Governmental Activities..... | <u>\$ (204,888)</u> |

Jefferson Central School District
Statement of Fiduciary Net Position
June 30, 2020

| | Private Purpose Trusts | Agency |
|---------------------------------------|------------------------------|------------|
| ASSETS | | |
| Cash and cash equivalents..... | \$ 16,546 | \$ 32,128 |
| Investments held by brokerage..... | 693,747 | - |
| Due from governmental funds..... | - | 188,280 |
| | \$ 710,293 | \$ 220,408 |
| LIABILITIES | | |
| Extraclassroom activity balances..... | \$ - | 31,370 |
| Other Liabilities..... | - | 753 |
| Due to governmental funds..... | - | 188,285 |
| | - | \$ 220,408 |
| NET POSITION | | |
| Reserved for scholarships..... | \$ 710,293 | |

Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2020

| | Private Purpose Trusts |
|---------------------------------------|------------------------------|
| ADDITIONS | |
| Investment earnings..... | 4,910 |
| Gifts and Contributions..... | 23,039 |
| | 27,949 |
| DEDUCTIONS | |
| Scholarships..... | 15,770 |
| | 15,770 |
| Change in Net Position..... | 12,179 |
| Net Position - Beginning of year..... | 698,114 |
| Net Position - End of Year..... | \$ 710,293 |

Jefferson Central School District

Notes to the Financial Statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A) Reporting Entity

The Jefferson Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 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 District and other organizational entities determined to be includable in the District's financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the 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 District's reporting entity.

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds are included with this report. The district accounts for assets held as an agent for various student organizations in an agency fund.

ii) Scholarship Funds

The Scholarship Funds of the District represent funds of donors. The Board of Education exercises general oversight of these funds. These funds are independent of the District with respect to its financial transactions. Separate audited fiduciary schedules of the Scholarship Funds are included with this report. The district accounts for assets held as an agent for various student organizations in a Trust fund.

Jefferson Central School District

Notes to the Financial Statements

B) Joint Venture

The District is one of several component school districts in the Otsego Northern Catskills Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

During the year, the District was billed \$942,403 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$347,591. Financial statements for BOCES are available from the BOCES administrative office.

C) Basis of Presentation

i) District-wide statements:

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

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

Jefferson Central School District

Notes to the Financial Statements

ii) Fund financial statements:

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. If some funds are treated as non-major, add "All remaining governmental funds are aggregated and reported as non-major funds."

The District reports the following major governmental funds:

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

Special Revenue 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, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

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

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

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D) Measurement focus and basis of accounting

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

Jefferson Central School District

Notes to the Financial Statements

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 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.

E) Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1st, and become a lien on August 31st. Taxes are collected during the period September 2st to October 31st.

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

F) Restricted resources

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

G) Interfund transactions

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

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

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

Refer to note 8 for detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates

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

Jefferson Central School District

Notes to the Financial Statements

potential contingent liabilities and useful lives of long-lived assets.

I) Cash (and cash equivalents)/Investments

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

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

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

J) Investments in Marketable Securities

Investments are accounted for in the fiduciary funds. The District carries investments in marketable securities and all debt securities with readily determinable fair values at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Fiduciary Net Position. Unrealized gains and losses are included in the change in Net Position in the accompanying Statement of Changes in Fiduciary Net Position

K) Receivable (or Accounts receivable)

Receivables (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.

L) Inventories and prepaid items

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

M) Other assets/restricted assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements these same costs are netted against bond proceeds and recognized in the period of issuance.

Jefferson Central School District

Notes to the Financial Statements

N) Capital assets

Capital assets are reported at actual cost for acquisitions subsequent to March 29, 2011. For assets acquired prior to this date, 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 District-wide statements are as follows:

| <u>Classes of Capital Assets</u> | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|-----------------------------------|---------------------------------|----------------------------|------------------------------|
| Land Improvements | \$1,000 | Straight Line | 20 Years |
| Buildings and Improvements | \$1,000 | Straight Line | 20 – 50 Years |
| Furniture, Equipment and Vehicles | \$1,000 | Straight Line | 5 – 20 Years |

Capital assets that are not depreciated include land and construction in progress. Certain infrastructure capital assets are accounted for using the modified approach permitted for eligible assets under GASB 34. The modified approach requires that an asset management system be established which assures that an expenditure amount sufficient to preserve the assets in good condition for proper and efficient functioning is budgeted each year in lieu of depreciation. Accordingly, all expenditures made for those assets, other than additions and improvements that increase capacity or efficiency, are charged to expense in the period incurred instead of calculating depreciation. The school district is required to conduct a condition assessment of these assets at least once every three years.

O) 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 (expense/expenditure) until then. The government has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

Jefferson Central School District

Notes to the Financial Statements

P) Unearned revenues

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

Q) Vested employee benefits

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

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

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

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the 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.

R) Other benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to 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 District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expense.

S) Short-term debt

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

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

Jefferson Central School District

Notes to the Financial Statements

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

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

T) Accrued liabilities and long-term obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the 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.

U) Net Position/Fund Balance

Net Position Flow Assumption:

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. In the absence of a specifically identified use of restricted net position, the District's policy is to use unrestricted net position available prior to using restricted net position.

Fund Balance Flow Assumption:

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

Order of Use of Fund Balance:

Order of Use of Fund Balance: The District's policy is to apply expenditures against unassigned fund balance, assigned fund balance, committed fund balance, restricted fund balance and non-spendable 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 or assigned fund balance. In the general fund, committed fund balance is determine next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Jefferson Central School District

Notes to the Financial Statements

In the district-wide statements there are three classes of Net Position:

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

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.

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 District.

Fund statements:

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

Non-spendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted - 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. All encumbrances of funds other than the General fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

Capital Reserve Fund

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

Repair Reserve Fund

According to General Municipal Law §6-d, must be 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.

Employee Benefit Accrued Liability Reserve Fund

According to General Municipal Law §6-p, must be used 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.

Retirement Contributions Reserve Fund

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local

Jefferson Central School District

Notes to the Financial Statements

Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r.

Insurance Reserve Fund

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for 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.

Unemployment Insurance Payment Reserve Fund

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

Debt Service Reserve Fund

According to General Municipal Law §6-l, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement.

Encumbrances

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

Jefferson Central School District

Notes to the Financial Statements

Restricted fund balance includes the following:

General Fund

| | |
|---|-------------------|
| Restricted for: | |
| Unemployment insurance..... | \$ 32,620 |
| Retirement contributions..... | 367,270 |
| Liability claims and property loss..... | 30,148 |
| Employee benefit accrued liability..... | 183,579 |
| Capital..... | 2,483 |
| Debt Service fund..... | 19,778 |
| Total restricted funds | <u>\$ 635,878</u> |

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

Assigned - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned - Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned. In accordance with state guidelines, unassigned fund balance in the general fund includes the following reserve:

Unassigned Fund Balance

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserve for tax reduction, a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year, encumbrances and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

V) New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2020, the District implemented the following new standard issued by GASB:

| | |
|---|---|
| GASB Statement No. 83, <i>Certain Asset Retirement Obligations</i> | Effective for the year ending June 30, 2020 |
| GASB Statement No. 88, <i>Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements</i> | Effective for the year ending June 30, 2020 |

Jefferson Central School District

Notes to the Financial Statements

W) Future Changes in Accounting Standards

| | |
|--|---|
| GASB has issued Statement No. 84, <i>Fiduciary Activities</i> | Effective for the year ending June 30, 2021 |
| GASB has issued Statement No. 87, <i>Leases</i> | Effective for the year ending June 30, 2022 |
| GASB has issued Statement No. 89, <i>Accounting for Interest Cost Incurred Before the End of a Construction Period</i> | Effective for the year ending June 30, 2021 |
| GASB has issued Statement No. 91, <i>Conduit Debt Obligations</i> | Effective for the year ending June 30, 2023 |

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

Note 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

A) Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference 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.

B) Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

i) Long-term revenue differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues 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.

ii) 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

Jefferson Central School District

Notes to the Financial Statements

purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) 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.

iv) Pension differences:

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

v) OPEB differences:

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

Note 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The 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:

- General Fund

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved 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. No supplemental appropriations occurred during the year.:

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

- Capital Project

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual

Jefferson Central School District

Notes to the Financial Statements

appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

- Special Aid Funds

Budgets are established by grantors and used for individual program fund expenditures. The maximum program amount authorized is based upon the grantor contracts and agreements not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the program.

Encumbrances

Encumbrance accounting is used for budget 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.

The 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 District's budget for the upcoming school year.

Note 4 CASH (AND CASH EQUIVALENTS) – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

Cash

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

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

| | |
|--|---------------------|
| FDIC Insured Deposits..... | 299,599 |
| Uncollateralized..... | \$ - |
| Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name..... | <u>\$ 1,600,740</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 as of year-end includes \$635,844 within the governmental funds and \$48,674 in the fiduciary funds.

Investment and Deposit Policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with Federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

Jefferson Central School District

Notes to the Financial Statements

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- o Interest bearing demand accounts.
- o Certificates of deposit.
- o Obligations of the United States Treasury and United States agencies.
- o Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- o Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- o Obligations issued or fully insured or guaranteed by New York State and its localities.
- o Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

NOTE 5 INVESTMENTS

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

| Description | Cost | Fair Value | Unrealized Gain (Loss) |
|---|------------------|------------------|------------------------|
| Money Market Funds..... | \$ 31,563 | \$ 31,563 | \$ - |
| Government & Fixed income securities..... | 421,463 | 438,761 | 17,298 |
| Mutual Funds..... | 230,921 | 223,423 | (7,498) |
| Total..... | <u>\$683,947</u> | <u>\$693,747</u> | 9,800 |
| Unrealized Gain (Loss) Prior Year..... | | | <u>8,120</u> |
| Net Change in Unrealized Gains (Losses) Current Year..... | | | <u>\$ 1,680</u> |

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Jefferson Central School District

Notes to the Financial Statements

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the District's investments are valued based on Level 1 and 2 of the hierarchy.

The following is a description of the valuation methodologies used for investments measured at fair value:

Cash and cash equivalents: Valued at cost plus accrued interest, which approximates fair market value.

Common stocks and mutual funds: Valued at the net assets value (NAV) of shares held at year end. The NAV is the closing price reported on the open market on which the securities are traded.

Corporate bonds and mortgage assets: Valued at quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted market prices e.g interest rates and yield curves.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

| | Fair Value | Fair Value Measurements Using | | |
|-----------------------|------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| June 30, 2020 | | | | |
| Money Market Funds | \$ 31,563 | \$ 31,563 | \$ - | \$ - |
| Mutual Funds | 223,423 | 223,423 | - | - |
| Government Securities | 250,979 | - | 250,979 | - |
| Corporate Bonds | 187,782 | - | 187,782 | - |

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

Jefferson Central School District

Notes to the Financial Statements

Note 6 CAPITAL ASSETS

General fixed assets are carried at estimated historical cost. The values of these assets, including any donated assets, are measured at the most recent cash or cash equivalent price of the asset as established by an independent appraiser. The most recent appraisal date was March 15, 2019. Maintenance, repairs, and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Any costs related to the asset that are incurred after the appraisal date such as additions, improvements, or replacements are added to the value of the asset if they provide future service potential; otherwise, they are expended in the period of occurrence. Proceeds from dispositions of property are included in income.

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements/ Reclassifications</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|---|---------------------------|
| Governmental activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Land..... | \$ 5,935 | - | - | \$ 5,935 |
| Construction in progress..... | 308,672 | - | - | 308,672 |
| | <u>314,607</u> | <u>-</u> | <u>-</u> | <u>314,607</u> |
| Capital assets that are depreciated: | | | | |
| Buildings..... | 10,662,073 | - | - | 10,662,073 |
| Outdoor improvements..... | 294,357 | - | - | 294,357 |
| Machinery & equipment..... | 1,916,793 | 6,465 | - | 1,923,258 |
| Licensed vehicles..... | 585,503 | 104,468 | (116,458) | 573,513 |
| | <u>13,458,726</u> | <u>110,933</u> | <u>(116,458)</u> | <u>13,453,201</u> |
| Less: Accumulated depreciation..... | 5,332,835 | 392,836 | (72,058) | 5,653,613 |
| Total depreciable and non-depreciable historical cost, net..... | <u>\$ 8,440,498</u> | | | <u>\$ 8,114,195</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------|-------------------|
| General support..... | \$ 11,221 |
| Instruction..... | 282,063 |
| Transportation..... | 16,592 |
| Foodservice..... | 82,960 |
| | <u>\$ 392,836</u> |

The district does not have infrastructure assets as defined by GASB publications.

Note 7 SHORT-TERM DEBT

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

Jefferson Central School District

Notes to the Financial Statements

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

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

There were no transactions in short-term debt for the year.

Note 8 LONG-TERM DEBT

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

| Governmental Activities: | Beginning Balance | Issued | Redeemed | Ending Balance | Amounts Due Within One Year |
|---|------------------------------|------------------|-----------------|---------------------------|--|
| Bonds payable..... | \$ 4,066,113 | 81,968 | 686,113 | \$ 3,461,968 | \$ 696,968 |
| Other liabilities: | | | | | |
| Compensated absences..... | 263,056 | - | 29,293 | 233,763 | - |
| Net pension liability..... | 102,407 | 297,411 | - | 399,818 | - |
| Other post employment benefits..... | 15,592,235 | 3,207,326 | 206,024 | 18,593,537 | - |
| Total long-term liabilities..... | \$ 20,023,811 | 3,586,705 | 921,430 | \$ 22,689,086 | \$ 696,968 |

The following is a summary of maturity of bond indebtedness:

| <u>Description of Issue</u> | <u>Issue Date</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Outstanding at June 30, 2020</u> |
|---------------------------------|-------------------|-----------------------|--------------------------|---|
| Serial Bond | 2012 | 2025 | 1.600% | \$ 3,215,000 |
| Bus Bond | 2015 | 2020 | 2.600% | 20,000 |
| Bus Bond | 2017 | 2021 | 2.300% | 30,000 |
| Bus Bond | 2017 | 2022 | 2.490% | 50,000 |
| Bus Bond | 2018 | 2022 | 3.700% | 65,000 |
| Bus Bond | 2020 | 2025 | 2.190% | 81,968 |
| | | | | <u>\$ 3,461,968</u> |

Principal and interest payments due on bonds payable is as follows:

Jefferson Central School District

Notes to the Financial Statements

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2021 | \$ 696,968 | \$ 86,965 | \$ 783,933 |
| 2022 | 685,000 | 70,964 | 755,964 |
| 2023 | 690,000 | 53,753 | 743,753 |
| 2024 | 695,000 | 36,242 | 731,242 |
| 2025 | 695,000 | 18,812 | 713,812 |
| 2026 | - | - | - |
| Total | \$ 3,461,968 | \$ 266,736 | \$ 3,728,704 |

| | |
|--|-------------------|
| Interest paid | \$ 100,812 |
| Less: interest accrued in the prior year | (4,209) |
| Add: interest accrued in current year | 3,622 |
| | <u>\$ 100,225</u> |

Compensated Absences - Compensated absences represent the value of earned and unused portion of the liability for compensated absences.

Debt Limit- Pursuant to the Local Finance Law, the School District has the power to contract indebtedness for any school district purpose authorized by the legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the School District and subject to certain enumerated deductions such as State aid for building purposes. The Constitutional and statutory method for determining full valuation consist of taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority.

The following table sets forth the computation of the debt limit of the School District and its debt contracting margin:

| | |
|--|-----------------------|
| Full Valuation of Taxable Real Property | <u>\$ 172,446,198</u> |
| Debt Limit (10% of Full Valuation) | \$ 17,244,620 |
| Outstanding Indebtedness (principal portion) | |
| Serial Bonds | 3,461,968 |
| Bond Anticipation Notes | - |
| Total Indebtedness | <u>3,461,968</u> |
| Less: Estimated Building Aid 76% | - |
| Net Debt-Contracting Margin | <u>\$ 13,782,652</u> |
| Percentage of Debt-Contraction Power Exhausted | <u>20.1%</u> |

Jefferson Central School District

Notes to the Financial Statements

Note 9 INTERFUND BALANCES AND EQUITY

| | <u>Receivable</u> | <u>Payable</u> | <u>Revenue</u> | <u>Expense</u> |
|----------------------------------|-------------------|----------------|------------------|----------------|
| General Fund..... | \$ 539,542 | - | \$ - | \$ 38,367 |
| School Food Service Fund..... | - | 160,929 | 30,000 | - |
| Special Aid Fund..... | - | 279,248 | 8,367 | - |
| Capital Projects Fund..... | - | 99,394 | - | - |
| Debt Service Fund..... | <u>34</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Government activities..... | 539,576 | 539,571 | 38,367 | 38,367 |
| Trust and Agency..... | <u>188,280</u> | <u>188,285</u> | <u>-</u> | <u>-</u> |
| Total..... | <u>\$ 727,856</u> | <u>727,856</u> | <u>\$ 38,367</u> | <u>38,367</u> |

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

Note 10 PENSION PLANS

General information: The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer 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.

Provisions and administration: A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

ERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State

Jefferson Central School District

Notes to the Financial Statements

Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

Funding policies: The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30, was:

| <u>Contributions</u> | <u>ERS</u> | <u>TRS</u> |
|----------------------|------------|------------|
| 2020 | \$ 69,850 | \$ 230,191 |
| 2019 | 68,308 | 207,073 |
| 2018 | 73,513 | 239,882 |

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

Since 1989, the ERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District exercised. As a result, the total unpaid liability at the end of the year was \$-0-

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERED OUTFLOWS OF RESOURCES AND DEFERED INFLOWS OF RESOURCES RELATED TO PENSIONS

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

| | <u>ERS</u> | <u>TRS</u> |
|---|--------------|------------|
| Actuarial valuation date..... | 3/31/2020 | 6/30/2019 |
| Net pension liability(asset)..... | \$ (399,818) | \$ 337,369 |
| District's portion of the Plan's total net pension liability(asset)..... | 0.001510% | 0.012986% |

For the year ended June 30, 2020, the District's recognized pension expense of \$68,301 for ERS and the actuarial value \$168,896 for TRS. At June 30, 2020 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Jefferson Central School District

Notes to the Financial Statements

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|--|--------------------------------|---------------------|-------------------------------|-------------------|
| | ERS | TRS | ERS | TRS |
| Differences between expected and actual experience..... | \$ 23,531 | \$ 228,626 | \$ - | \$ 25,087 |
| Changes of assumptions..... | 8,050 | 637,334 | 6,951 | 155,400 |
| Net difference between projected and actual earnings on pension plan investments..... | 204,966 | - | - | 270,552 |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions..... | 24,173 | 35,792 | 13,735 | 11,506 |
| District's contributions subsequent to the measurement date..... | - | 230,191 | - | - |
| | <u>\$ 260,720</u> | <u>\$ 1,131,943</u> | <u>\$ 20,686</u> | <u>\$ 462,545</u> |

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | ERS | TRS |
|-------------|--------|------------|
| Year ended: | | |
| 2020 | \$ - | \$ 157,881 |
| 2021 | 39,485 | 14,935 |
| 2022 | 60,648 | 157,328 |
| 2023 | 77,358 | 108,098 |
| 2024 | 62,543 | 12,267 |
| Thereafter | - | - |

ACTUARIAL ASSUMPTIONS

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

Significant actuarial assumptions used in the valuations were as follows:

| | ERS | TRS |
|--------------------------|-----------------------------------|---------------------------------|
| Measurement date | 3/31/2020 | 6/30/2019 |
| Actuarial valuation date | 4/1/2019 | 6/30/2018 |
| Interest rate | 6.8% | 7.10% |
| Salary scale | 4.2% | 1.9 - 4.72% |
| Decrement tables | April 1, 2010 - March 31, 2015 | July 1, 2009 - June 30, 2014 |
| Inflation rate | 2.5% | 2.20% |

Jefferson Central School District

Notes to the Financial Statements

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System’s experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

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

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

| | <u>ERS</u> | <u>TRS</u> |
|----------------------------|------------|------------|
| Measurement date | 3/31/2020 | 6/30/2019 |
| Asset Type: | | |
| Domestic equities | 4.1% | 6.3% |
| International equities | 6.2% | 7.8% |
| Global equity | n/a | 7.2% |
| Private equity | 6.8% | 9.9% |
| Real estate equity | 5.0% | 4.6% |
| Absolute return strategies | 3.3% | n/a |
| Opportunistic portfolio | 4.7% | n/a |
| Real assets | 6.0% | n/a |
| Domestic fixed income | n/a | 1.3% |
| Global fixed income | n/a | 0.9% |
| Bonds and mortgages | 0.8% | n/a |
| High-yield fixed income | n/a | 3.6% |
| Cash | 0.0% | 0.3% |
| Inflation-indexed bonds | 0.5% | n/a |
| Real estate debt | n/a | 2.9% |

DISCOUNT RATE

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

Jefferson Central School District

Notes to the Financial Statements

SENSITIVITY OF THE PROPORTIONATE SHARE FO THE NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.8% for ERS and 7.1% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (5.8% for ERS and 6.1% for TRS) or 1-percentage point higher (7.8% for ERS and 8.1% for TRS) than the current rate :

| | 1% Decrease (5.8%) | Current Assumption (6.8%) | 1% Increase (7.8%) |
|---|-----------------------|---------------------------------|-----------------------|
| ERS | | | |
| Employer's proportionate share of the net pension asset (liability) | \$ (733,780) | \$ (399,818) | \$ (92,239) |
| | | | |
| | 1% Decrease (6.1%) | Current Assumption (7.1%) | 1% Increase (8.1%) |
| TRS | | | |
| Employer's proportionate share of the net pension asset (liability) | \$ (1,522,846) | \$ 337,369 | \$ 1,897,879 |

PENSION PLAN FIDUCIARY NET POSITION

The components of the current-year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

| | (Dollars in Thousands) | | |
|--|------------------------|----------------|----------------|
| | ERS | TRS | Total |
| Valuation date | 4/1/2019 | 6/30/2018 | |
| Employers' total pension liability | \$ 194,596,261 | \$ 119,879,474 | \$ 314,475,735 |
| Plan Net Position | 168,115,682 | 122,477,481 | 290,593,163 |
| Employers' net pension asset/(liability) | \$ 26,480,579 | \$ (2,598,007) | \$ 23,882,572 |
| Ratio of plan net position to the | | | |
| Employers' total pension asset/(liability) | 86.4% | 102.2% | 92.4% |

PAYABLES TO THE PENSION PLAN

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$22,635.

Jefferson Central School District

Notes to the Financial Statements

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$200,399.

Note 11 POST-EMPLOYMENT BENEFITS

Plan Description - The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided - Owen D. Young CSD provides medical and prescription drug benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for employee services rendered. An employee's total compensation package includes not only the salaries and benefits received during active service, but all compensation and benefits received for their services during postemployment. Nevertheless, both types of benefits constitute compensation for employee services.

The District provides post-employment coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

Employees Covered by Benefit Terms – At June 30, 2020, the following employees were covered by the benefit terms:

| | |
|--|-------|
| Inactive Members of Beneficiaries Currently Receiving Benefits | 42 |
| Inactive Employees Entitled to but not yet Receiving Benefits | - |
| Actives Members | 49 |
| | <hr/> |
| | 91 |

Total OPEB Liability

The District's total OPEB liability of \$18,593,537 as measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

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

Discount Rate:

A discount rate of 2.74% was used based on the Bond Buyer General Obligation 20-Bond Municipal Index as of June 30, 2020.

Since the OPEB plan is not funded, the selection of the discount rate is consistent with the GASB 75 standards discounting unfunded liabilities based on a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Inflation

2.4%

Jefferson Central School District

Notes to the Financial Statements

Medical Trend:

5.4% initially scaling down to 3.94% over 60 years.

| | |
|--|----------------------|
| | <u>6/30/2020</u> |
| Total OPEB Liability at Beginning of Year..... | \$ 15,592,235 |
| Changes for the year: | |
| Service Cost..... | 290,133 |
| Interest..... | 274,547 |
| Change in Benefit terms..... | - |
| Difference between expected and actual experience..... | 83,491 |
| Changes in assumptions or other inputs..... | 2,559,155 |
| Benefit payments..... | <u>(206,024)</u> |
| | 3,001,302 |
| Balance at the End of the year..... | <u>\$ 18,593,537</u> |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74 percent) or 1 percentage point higher (3.74 percent) than the current discount rate:

| | | | |
|----------------------|----------------------|-------------------|--------------------|
| | <u>Discount Rate</u> | | |
| | | Baseline | |
| | <u>1% Decrease</u> | <u>Rate 2.74%</u> | <u>1% Increase</u> |
| Total OPEB Liability | \$ 22,473,892 | \$ 18,593,537 | \$ 15,583,444 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.4 percent) or 1 percentage point higher (6.4 percent) than the current healthcare cost trend rate:

| | | | |
|----------------------|------------------------------------|------------------------|--------------------|
| | <u>Healthcare Cost Trend Rates</u> | | |
| | | Baseline Rate | |
| | <u>1% Decrease</u> | <u>5.4% Decreasing</u> | <u>1% Increase</u> |
| Total OPEB Liability | \$ 15,231,485 | \$ 18,593,537 | \$ 23,049,331 |

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$595,189. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Jefferson Central School District

Notes to the Financial Statements

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ 76,533 | \$ - |
| Changes of assumption or other inputs..... | 3,055,556 | (433,413) |
| | <u>\$ 3,132,089</u> | <u>\$ (433,413)</u> |

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

| | Amount |
|--------------------------------|---------------------|
| Year ending June 30, 2020..... | \$ 473,065 |
| 2021..... | \$ 473,065 |
| 2022..... | \$ 473,065 |
| 2023..... | \$ 473,065 |
| 2024..... | \$ 516,587 |
| Thereafter..... | \$ 289,829 |
| | <u>\$ 2,698,676</u> |

Note 12 RISK MANAGEMENT

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

Note 13 CONTINGENCIES AND COMMITMENTS

Potential Grantor Liability:

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

Contingent Liability for Sick Leave:

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). T

Potential Liability to New York State:

The District has received state aid revenue sharing and grants, which are subject to audit by New York State Comptroller's Office. Such audits may result in adjustments to revenues. Based on prior audits, the district's administration believes any adjustments will be immaterial.

Jefferson Central School District

Notes to the Financial Statements

Note 14 EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

None of the funds had an excess of actual expenditures over budget for the year.

Note 15 DONOR RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of student scholarships. The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donors.

Note 16 TAX ABATEMENTS

The District does not have any property tax abatement agreements in place as of June 30, 2020. The District is not subject to any tax abatement agreements entered into by other governmental entities as of June 30, 2020.

Note 17 SUBSEQUENT EVENTS

The District has evaluated subsequent events through the issuance date of the financial statements. On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date of this filing, the District has implemented a plan to open the District for in-person and remote learning for the 2020-21 school year. We cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact financial position and results of operations on a long-term basis. New York State has reduced state aid by 20% for the 2020-21 school year. The District has planned for necessary budget cuts and use of reserves if needed to make up for the state aid shortfall.

Required Supplementary Information

Jefferson Central School District

**Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (non-GAAP basis) and Actual – General Fund
For the year ended June 30, 2020**

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Final Budget Variance With Budgetary Actual |
|---|---------------------|---------------------|-----------------------------|---|
| REVENUES | | | | |
| Local Sources | | | | |
| Real property taxes..... | 2,918,650 | 2,918,650 | \$ 2,597,064 | \$ (321,586) |
| Other tax items..... | 5,000 | 5,000 | 332,850 | 327,850 |
| Charges for services..... | 0 | 0 | - | - |
| Use of money and property..... | 300 | 300 | 425 | 125 |
| Miscellaneous..... | 124,286 | 124,286 | 192,313 | 68,027 |
| | <u>3,048,236</u> | <u>3,048,236</u> | <u>3,122,652</u> | <u>74,416</u> |
| State Sources..... | | | | |
| Medicaid Reimbursement..... | 3,679,363 | 3,679,363 | 3,710,074 | 30,711 |
| Federal sources..... | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Revenues..... | <u>6,727,599</u> | <u>6,727,599</u> | <u>6,832,726</u> | <u>105,127</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers from other funds..... | 19,676 | 19,676 | - | |
| Appropriated reserves | 53,000 | 237,708 | - | |
| Appropriated fund balances..... | 250,894 | 250,894 | - | |
| | <u>250,894</u> | <u>250,894</u> | <u>-</u> | |
| Total Revenues & Other Financing Sources..... | <u>\$ 7,051,169</u> | <u>\$ 7,235,877</u> | <u>\$ 6,832,726</u> | |

Jefferson Central School District

**Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (non-GAAP basis) and Actual – General Fund
For the year ended June 30, 2020**

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Year-end Encumbrances | Final Budget Variance With Budgetary Actual and Encumbrances |
|--|---------------------|---------------------|-----------------------------|--------------------------|---|
| EXPENDITURES | | | | | |
| General Support | | | | | |
| Board of education..... | \$ 10,568 | \$ 9,056 | \$ 7,464 | \$ - | \$ 1,592 |
| Central administration..... | 176,476 | 191,748 | 191,355 | - | 393 |
| Finance..... | 148,982 | 166,431 | 165,390 | 208 | 833 |
| Staff..... | 35,337 | 36,792 | 25,562 | 121 | 11,109 |
| Central services..... | 450,551 | 471,598 | 414,309 | 37,401 | 19,888 |
| Special items..... | 131,906 | 138,826 | 137,867 | 169 | 790 |
| Total General Support..... | <u>953,820</u> | <u>1,014,451</u> | <u>941,947</u> | <u>37,899</u> | <u>34,605</u> |
| Instruction | | | | | |
| Instruction, administration, and improvement..... | 106,592 | 157,272 | 124,464 | - | 32,808 |
| Teaching - regular school..... | 1,689,004 | 1,827,694 | 1,673,479 | 4,040 | 150,175 |
| Programs for children with handicapping conditions..... | 1,209,079 | 1,091,437 | 815,959 | 93,277 | 182,201 |
| Instructional media..... | 132,268 | 138,729 | 132,156 | 1,000 | 5,573 |
| Pupil services..... | 306,687 | 307,446 | 263,421 | - | 44,025 |
| Total Instruction..... | <u>3,443,630</u> | <u>3,522,578</u> | <u>3,009,479</u> | <u>98,317</u> | <u>414,782</u> |
| Pupil Transportation..... | 313,313 | 379,594 | 337,872 | 1 | 41,721 |
| Community services..... | - | 940 | 940 | - | - |
| Employee Benefits..... | 1,521,945 | 1,475,163 | 1,353,616 | 1,800 | 119,747 |
| Debt Service - principal..... | 670,920 | 690,920 | 686,113 | - | 4,807 |
| Debt Service - interest..... | 112,541 | 113,863 | 100,812 | - | 13,051 |
| | 7,016,169 | 7,197,509 | 6,430,779 | 138,017 | 628,713 |
| OTHER FINANCING USES | | | | | |
| Transfers to other funds..... | 35,000 | 38,368 | 38,367 | - | 1 |
| Total Expenditures and Other Uses..... | <u>\$ 7,051,169</u> | <u>\$ 7,235,877</u> | <u>\$ 6,469,146</u> | <u>\$ 138,017</u> | <u>\$ 628,714</u> |
| Net change in fund balances..... | | | 363,580 | | |
| Fund balance - beginning..... | | | 1,870,812 | | |
| Fund balance - ending..... | | | <u>\$ 2,234,392</u> | | |

Jefferson Central School District

**Changes in Total OPEB Liability and Related Ratios
For the year ended June 30, 2020**

| | <u>6/30/2020</u> | <u>6/30/2019</u> |
|--|----------------------|----------------------|
| Total OPEB Liability Beginning of Year..... | \$ 15,592,235 | \$ 13,984,746 |
| Changes in total OPEB Liability: | | |
| Service Cost..... | 290,133 | 500,600 |
| Interest..... | 274,547 | 553,900 |
| Changes in benefit terms..... | - | - |
| Differences between expected and actual experience..... | 83,491 | - |
| Changes in assumptions or other inputs..... | 2,559,155 | 901,681 |
| Benefit payments..... | (206,024) | (348,692) |
| Total OPEB Liability atEnd of Year (a)..... | <u>\$ 18,593,537</u> | <u>\$ 15,592,235</u> |
| | | |
| Covered Payroll..... | \$ 2,150,049 | \$ 2,300,127 |
| Net OPEB Liability as a percentage of Covered Payroll..... | 864.8% | 677.9% |

Note:

The District does not have assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

Ten years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

Jefferson Central School District

**Schedule of District's Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2020**

NYSLRS PENSION PLAN

| | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> | <u>6/30/2017</u> | <u>6/30/2016</u> | <u>6/30/2015</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| District's proportion of the net pension liability (asset)..... | 0.0015% | 0.0014% | 0.0016% | 0.0018% | 0.0023% | 0.0022% |
| District's proportionate share of the net pension liability (asset)..... | \$ 399,818 | \$ 102,407 | \$ 51,714 | \$ 170,696 | \$ 368,164 | \$ 57,444 |
| District's covered-employee payroll..... | \$ 525,053 | \$ 500,514 | \$ 476,725 | \$ 557,074 | \$ 547,030 | \$ 539,056 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll..... | 76.1% | 20.5% | 10.8% | 30.6% | 67.3% | 10.7% |
| Plan fiduciary net position as a percentage of total pension liability..... | 86.4% | 96.3% | 98.2% | 94.7% | 90.7% | 97.9% |

TRS PENSION PLAN

| | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> | <u>6/30/2017</u> | <u>6/30/2016</u> | <u>6/30/2015</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| District's proportion of the net pension liability (asset)..... | 0.0130% | 0.0129% | 0.0129% | 0.0137% | 0.0136% | 0.0137% |
| District's proportionate share of the net pension liability (asset)..... | \$ (337,369) | \$ (234,567) | \$ (98,175) | \$ 147,199 | \$ (1,407,707) | \$ (1,522,719) |
| District's covered-employee payroll..... | \$ 2,167,524 | \$ 2,112,990 | \$ 2,046,775 | \$ 2,120,762 | \$ 2,039,309 | \$ 2,074,109 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll..... | -15.56% | -11.10% | -4.80% | 6.94% | -69.03% | -73.42% |
| Plan fiduciary net position as a percentage of total pension liability..... | 102.17% | 101.50% | 100.66% | 99.01% | 110.46% | 111.50% |

Jefferson Central School District

**Schedule of District's Contributions
For the year ended June 30, 2020**

NYSLRS PENSION PLAN

| | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 |
|--|------------|------------|------------|------------|------------|------------|
| Contractually required contribution..... | \$ 69,850 | \$ 68,308 | \$ 73,513 | \$ 80,604 | \$ 105,269 | \$ 93,140 |
| Contributions in relation to the contractually required contribution..... | \$ 69,850 | \$ 68,308 | \$ 73,513 | \$ 80,604 | \$ 105,269 | \$ 93,140 |
| Contribution deficiency (excess)..... | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll..... | \$ 525,053 | \$ 500,514 | \$ 476,725 | \$ 557,074 | \$ 797,486 | \$ 539,056 |
| Contributions as a percentage of covered-employee payroll..... | 13.3% | 13.6% | 15.4% | 14.5% | 13.2% | 17.3% |

TRS PENSION PLAN

| | 6/30/2020 | 6/30/2019 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution..... | \$ 230,191 | \$ 207,073 | \$ 239,882 | \$ 281,213 | \$ 356,879 | \$ 328,124 |
| Contributions in relation to the contractually required contribution..... | \$ 230,191 | \$ 207,073 | \$ 239,882 | \$ 281,213 | \$ 356,879 | \$ 328,124 |
| Contribution deficiency (excess)..... | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll..... | \$ 2,167,524 | \$ 2,112,990 | \$ 2,046,775 | \$ 2,120,762 | \$ 2,039,309 | \$ 2,074,109 |
| Contributions as a percentage of covered-employee payroll..... | 10.62% | 9.80% | 11.72% | 13.26% | 17.50% | 15.82% |

Supplementary Information

Jefferson 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, 2020**

Change from Adopted Budget to Revised Budget

| | | |
|--|----|------------------|
| Adopted Budget..... | \$ | 7,051,169 |
| Add: Prior year's encumbrances..... | | 184,708 |
| Original budget..... | | <u>7,235,877</u> |
| Budget revision: | | |
| None..... | | <u>-</u> |
| Final budget..... | \$ | <u>7,235,877</u> |
| Next year's budget is a voter approved budget..... | \$ | <u>7,060,189</u> |

Section 1318 of Real Property Tax Law Limit Calculation

| | | |
|--|--|------------------|
| Subsequent year's voter-approved budget..... | | 7,060,189 |
| Maximum allowed percentage carryover..... | | <u>4.0%</u> |
| Limit of unexpended surplus funds..... | | 282,408 |
| General fund balance | | |
| Restricted..... | | 616,100 |
| Nonspendable..... | | - |
| Assigned..... | | 388,910 |
| Unassigned..... | | <u>1,229,382</u> |
| | | 2,234,392 |
| Less: | | |
| Restricted funds are not subject to the law..... | | (616,100) |
| Appropriated for subsequent year's budget in assigned..... | | (250,894) |
| Encumbrances included in assigned..... | | <u>(138,016)</u> |
| | | (1,005,010) |
| General fund balance subject to limit..... | | <u>1,229,382</u> |
| Amount of carryover over the limit..... | | <u>(946,974)</u> |
| Calculated actual percentage..... | | 17.41% |

Jefferson Central School District

**Schedule of Project Expenditures-
Capital Projects Fund
For the year ended June 30, 2020**

| PROJECT TITLE | Original Appropriation | Revised Appropriation | Expenditures | | | Unexpended Balance |
|---------------------------|---------------------------|--------------------------|----------------|-----------------|-------------------|-----------------------|
| | | | Prior Years | Current Year | Total | |
| Emergency Stairwells | \$ 80,000 | 80,000 | 78,963 | - | \$ 78,963 | 1,037 |
| Connectivity & Technology | 145,495 | 145,495 | 151,320 | - | 151,320 | (5,825) |
| Bus Purchase | 81,113 | 81,113 | - | 81,968 | 81,968 | (855) |
| | <u>\$ 306,608</u> | <u>306,608</u> | <u>230,283</u> | <u>81,968</u> | <u>\$ 312,251</u> | <u>(5,643)</u> |

| PROJECT TITLE | Methods of Financing | | | | Fund Balance 6/30/2020 |
|---------------------------|----------------------------|---------------|------------------|-------------------|------------------------------|
| | Proceeds of Obligations | State Aid | Local Sources | Total | |
| Emergency Stairwells | \$ - | - | 80,000 | \$ 80,000 | \$ 1,037 |
| Connectivity & Technology | - | 98,547 | 38,216 | 136,763 | (14,557) |
| Bus Purchase | 81,968 | - | - | 81,968 | - |
| | <u>\$ 81,968</u> | <u>98,547</u> | <u>118,216</u> | <u>\$ 298,731</u> | <u>\$ (13,520)</u> |

Jefferson Central School District
Invested in Capital Assets, Net of Related Debt
June 30, 2020

| | |
|--|----------------------------|
| Capital assets, net..... | \$ 8,114,195 |
| Deduct: | |
| Serial bonds..... | (3,461,968) |
| | <hr/> |
| Investment in capital assets, net of related debt..... | <u><u>\$ 4,652,227</u></u> |

**Report on Internal Control and Compliance in Accordance with Government
Auditing Standards**

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

To the Board of Education
Jefferson Central School District
Jefferson, NY

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 Jefferson Central School District as of and for the year ended June 30, 2020, which collectively comprise the School District's basic financial statements and have issued our report thereon dated **November 3, 2020**.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Cwynar, & Company

November 3, 2020
Norwich, New York

Extra Classroom Activity Funds

Independent Auditor's Report

Board of Education
Jefferson Central School District
Extraclassroom Activity Funds
Jefferson, NY

We have audited the accompanying financial statements of the Extraclassroom Activity Funds of Jefferson Central School District (a New York State School District), which comprise the statement of assets, liabilities, and fund equity—cash basis as of June 30, 2020 and the related statement of cash receipts and disbursements—cash basis for the year then ended, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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. 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 qualified audit opinion.

Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Extraclassroom Activity Funds of Jefferson Central School District as of June 30, 2020, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Norwich, NY
November 3, 2020

Jefferson Central School District
Extra Classroom Activity Funds
Statement of Assets and Liabilities Arising from Cash Transactions
June 30, 2020

ASSETS

| | |
|-----------------------|---------------|
| Cash in checking..... | \$ 31,370 |
| | <u>31,370</u> |

LIABILITIES AND FUND BALANCE

| | |
|-------------------|------------------|
| Fund balance..... | 31,370 |
| | <u>\$ 31,370</u> |

Jefferson Central School District

**Extra Classroom Activity Funds
Statement of Revenues Collected and Expenses Paid
June 30, 2020**

| Activity | Fund Balance June 30, 2019 | Receipts | Disbursements | Fund Balance June 30, 2020 |
|-----------------------------|---------------------------------------|-----------------|----------------------|---------------------------------------|
| Art Club..... | \$ 2,303 | 326 | 852 | \$ 1,777 |
| Band Booster..... | 1,209 | 2,094 | 1,058 | 2,245 |
| Cheerleaders..... | 1,532 | 68 | - | 1,600 |
| Community Service..... | 682 | 30 | - | 712 |
| Elementary Club..... | 1,762 | 3,577 | 2,054 | 3,285 |
| Foods Club..... | 82 | - | - | 82 |
| Frost Valley..... | 116 | - | - | 116 |
| Jounor Honor Society..... | 483 | - | - | 483 |
| Library Fund..... | 13 | - | - | 13 |
| Math Honor Society..... | 795 | 100 | - | 895 |
| Music Fund..... | 342 | 1,770 | 1,201 | 911 |
| Natonial Honor Society..... | - | 1,237 | 1,173 | 64 |
| Play Fund..... | 4,055 | 3,293 | 3,396 | 3,952 |
| Prom Committee..... | 980 | 395 | 400 | 975 |
| Student Senate..... | 464 | 623 | 330 | 757 |
| Varsity Club..... | 2,597 | 1,475 | 1,535 | 2,537 |
| Year Book..... | 9,142 | 3,370 | 1,546 | 10,966 |
| Totals..... | \$ 26,557 | 18,358 | 13,545 | \$ 31,370 |

Jefferson Central School District

**Extra Classroom Activities Funds
Note to the Financial Statement**

Note 1 ACCOUNTING POLICY

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Jefferson Central School District. Consequently, such transactions are not included in the financial statements of the School District.

The accounts of the Extraclassroom Activity Fund of the Jefferson Central School District are maintained on a cash basis, and the statement of cash receipts, disbursements and transfers reflects only cash received, disbursed, and transferred between funds. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statement.