

AVOCA CENTRAL SCHOOL DISTRICT
AUDIT REPORTING PACKAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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2020 REPORTING PACKAGE

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AVOCA CENTRAL SCHOOL DISTRICT

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

***WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS***

Avoca Central School District

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INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Avoca Central School District
Avoca, New York**

We have audited the accompanying financial statements of the governmental activities and each major fund of **Avoca 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 **Avoca Central School District's** basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the **Avoca Central School District** as of June 30, 2020, as displayed in the District's basic 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 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 the *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 financial position of the governmental activities, each major fund and aggregate remaining fund information of the **Avoca 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.

Report on Summarized Comparative Information

We have previously audited the **Avoca Central School District's** June 30, 2019 financial statements, and our report dated October 15, 2019, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 through 9), budgetary comparison information (pages 37 through 38), schedule of changes in the District's net OPEB liability and related ratios (page 44), schedule of District contributions – OPEB (page 45), the schedule of the District's contributions for defined benefit pension plans (page 46), and schedule of the District's share of the net pension asset/liability (page 47), 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 **Avoca Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules (pages 39 through 43) listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2020 on our consideration of **Avoca Central School District's** internal control over financial reporting and 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 the effectiveness of **Avoca Central School District's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Avoca Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 15, 2020**

I. Discussion and Analysis

The following is a discussion and analysis of the *Avoca Central School District's* financial performance for the year ended June 30, 2020. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is 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 District's financial statements, which follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the *Avoca Central School District* during the fiscal year ended June 30, 2020:

- Overall net position of the District decreased during the current year in the amount of \$418,000 from operations as compared to an increase of \$49,000 during the prior fiscal year.
- The District's total revenue decreased approximately 4% from \$13,971,000 for the year ended June 30, 2019 to \$13,367,000 for the year ended June 30, 2020. This decrease was primarily the result of a decrease in state building aid.
- The District's total expenses decreased approximately 1% from \$13,922,000 during the year ended June 30, 2019 to \$13,785,000 during the year ended June 30, 2020. This decrease was primarily the result of decreases OPEB expense and contractual expenses. These decreases were partially offset by an increase in Teacher's Retirement System (TRS) and Employee Retirement System (ERS) expense related to an actuarial update.
- The District had capital outlays during the current year in the amount of \$6,265,000, which primarily related to costs associated with the capital projects and vehicle purchases.

III. 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 *Avoca Central School District*.

**III. Overview of the Financial Statements
(continued)**

A. Reporting the School District as a Whole (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. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 10) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the District. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 11) shows the amounts of program-specific and general District revenue used to support the District's various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including general support, instruction, transportation, administration, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities. The District only had governmental activities during the current fiscal year.

The two district-wide statements report the School District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements):

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. Governmental Funds

Most of the 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 the balances left at year-end that are available for spending. Consequently the governmental funds

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements)(continued):

1. Governmental Funds (continued)

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 District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

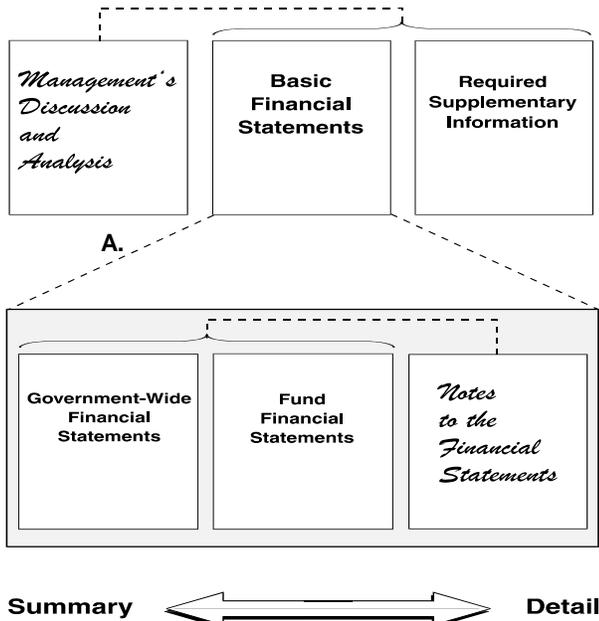
2. Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The 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 District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, all assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the 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

Figure A-2 - Required Components of the District's Annual Financial Report



IV. Financial Analysis of the School District as a Whole (continued)

Changes in Net Position (continued)

The total cost of all programs and services of the District decreased 1% to \$13,785,000. The District's expenses cover a range of services, with 68% related to instruction and 17% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities decreased approximately 4%, while total expenses decreased 1%. The District's total net position decreased approximately \$418,000 or 7% from operations during the fiscal year ended June 30, 2020.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$13,367,000 for the fiscal year ended June 30, 2020. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 18% of the District's total revenue for governmental activities increased approximately 0% during the year ended June 30, 2020 as a result of no change in the tax levy.
- The District's most significant revenue is state sources which represent \$9,843,000 or 73% of total governmental revenue. The District state sources decreased 4% due to a decrease in state building aid.
- During the year ended June 30, 2020, the District saw a decrease in program revenue in the amount of \$93,000, which mostly resulted from a decrease in charges for services, which decreased by \$68,000 along with a decrease in operating grants and contributions which decreased \$25,000. These changes were the result of a reduction in tuition billings due to less out-of-district students.

IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was approximately \$5,739,000. The components of net position include: net investment in capital assets, of \$14,663,000; restricted net position of \$3,466,000; and unrestricted net deficit of \$12,390,000.

Changes in Net Position

The District's total government-wide revenue decreased by approximately 4%, to \$13,367,000. Approximately 18%, 6% and 73% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

IV. Financial Analysis of the School District as a Whole (continued)

Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; general support, instruction, transportation, debt service and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$13,785,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support decreased by approximately \$13,000 or 1% as a result of decreased costs in the contractual maintenance and utility costs and OPEB expense, offset by an increase in TRS and ERS expense related to an actuarial update.
- The District's instruction costs decreased by approximately \$100,000 or 1% which was the result of decreases in salaries, contractual expenses, and OPEB expense. These decreases were partially offset by an increase in TRS and ERS expense related to an actuarial update.
- Debt service of the District increased approximately \$34,000 during the year ended June 30, 2020 which related to the increase in interest expense.
- Transportation costs of the District decreased 4% or \$51,000 during the year ended June 30, 2020 due to decreases in contractual expenses, materials and supplies, and OPEB expense.
- The District's cost of sales (food service fund) totaled \$359,000 during the current year as compared to \$368,000 during the fiscal year ended June 30, 2019. This decrease was the result of less meals served during the COVID-19 Pandemic.
- The District received approximately \$820,000 of operating grants and charges for services from its state and federal grants and tuition which subsidized certain programs of the District.
- Most of the District's net costs (\$13 million) were financed by real property taxes and state aid.

Figure A-3 – Condensed Statement of Net Position

<i>Avoca Central School District</i>			
<i>Condensed Statement of Net Position (in thousands of dollars)</i>			
	Governmental Activities and Total District-wide		
	2020	2019	% Change
Assets			
Current and other assets	\$ 10,639	\$ 11,110	-4%
Capital assets	26,983	22,153	22%
Total assets	<u>37,622</u>	<u>33,263</u>	13%
Deferred outflows of resources			
Deferred outflows related to bonds	378	527	-28%
Deferred outflows related to pensions and OPEB	11,372	3,214	254%
Deferred outflows of resources and assets	<u>\$ 49,372</u>	<u>\$ 37,004</u>	33%
Liabilities			
Other liabilities	\$ 1,662	\$ 5,869	-72%
Long-term liabilities	35,176	23,846	48%
Total liabilities	<u>36,838</u>	<u>29,715</u>	24%
Deferred inflows of resources			
Deferred inflows related to pensions and OPEB	6,795	1,133	500%
Deferred inflows of resources and liabilities	<u>43,633</u>	<u>30,848</u>	41%
Net position			
Net investment in capital assets	14,663	14,254	3%
Restricted	3,466	3,319	4%
Unrestricted (deficit)	(12,390)	(11,417)	9%
Total net position	5,739	6,156	-7%
Total liabilities, deferred inflows of resources and net position	<u>\$ 49,372</u>	<u>\$ 37,004</u>	33%

Figure A-4 – Changes in Net Position

<i>Avoca Central School District</i>			
<i>Changes in Net Position from Operating Results (in thousands of Dollars)</i>			
	Governmental Activities and Total District-wide		
	2020	2019	% Change
Revenue			
Program revenue			
Charges for services	\$ 39	\$ 107	-64%
Operating grants and contributions	781	806	-3%
General revenue			
Real property taxes	2,434	2,433	0%
Use of money & property	107	103	4%
Sale of property & comp for loss	(50)	(59)	-15%
State sources	9,843	10,264	-4%
Federal sources	47	104	100%
Miscellaneous	166	213	-22%
Total revenue	<u>13,367</u>	<u>13,971</u>	-4%
Expenses			
General support	2,177	2,190	-1%
Instruction	9,587	9,687	-1%
Transportation	1,279	1,330	-4%
Community services	15	13	13%
Debt service - interest	368	334	10%
Cost of sales	359	368	-2%
Total expenses	<u>13,785</u>	<u>13,922</u>	-1%
Change in net position	<u>\$ (418)</u>	<u>\$ 49</u>	

**AVOCA CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Figure A-5 – Sources of Revenue

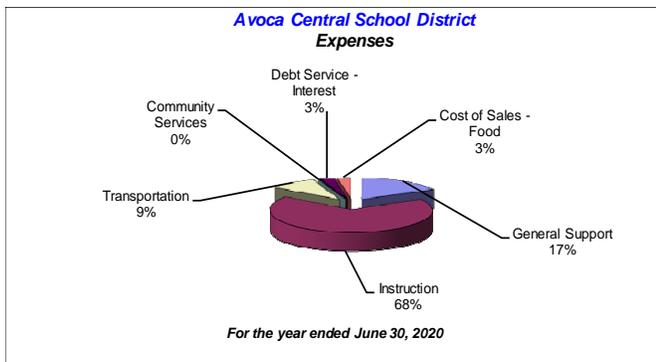
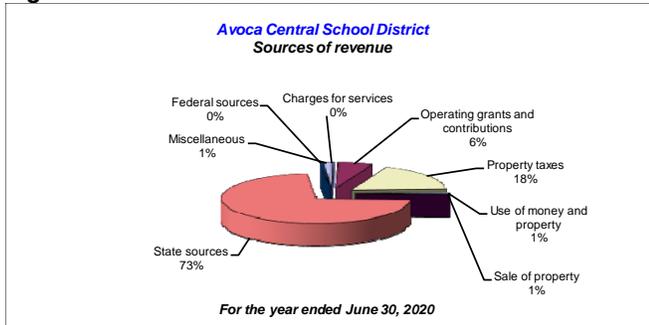


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District			
	2020		2019	
Expenditures supported with general revenue (from taxes & other sources)	\$ 12,965	94%	\$ 13,009	93%
Expenditures supported with program revenue	820	6%	913	7%
Total expenditures related to governmental activities	\$ 13,785	100%	\$ 13,922	100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2020	2019	Change	2020	2019	Change
General support	\$ 2,177	\$ 2,190	\$ (13)	\$ 2,177	\$ 2,190	\$ (13)
Instruction	9,587	9,687	(100)	9,139	9,152	(13)
Transportation	1,279	1,330	(51)	1,279	1,330	(51)
Community services	15	13	2	15	13	2
Debt service - interest	368	334	34	368	334	34
Cost of sales - food	359	368	(9)	(13)	(10)	(3)
Total	\$ 13,785	\$ 13,922	\$ (137)	\$ 12,965	\$ 13,009	\$ (44)

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund revenues exceeded its expenditures by approximately \$367,000.
- The District's general fund unassigned fund balance equated to approximately \$2,052,000 as of June 30, 2020.
- The District has many fund balance reserves during the year ended June 30, 2020, and had a total restricted fund balance of approximately \$2,806,000.
- The District's total assets decreased approximately \$875,000 as of June 30, 2020, primarily due to a decrease in cash offset by an increase in due from other funds. The District's liabilities decreased approximately \$1,242,000, primarily from a decrease in due to other funds.
- Total revenue in the District's general fund decreased \$625,000, which was primarily related to a decrease in State building aid.
- Total expenditures in the District's general fund decreased \$1,063,000 which was primarily related to decreases in debt service costs and transfers to the capital projects fund, as well as decreases in contractual expenditures and TRS expenditures.

Food Service Fund

- The District's food service fund experienced a \$11,000 increase in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$372,000 during 2020 as compared with \$378,000 in 2019. Expenditures in the food service fund decreased approximately \$44,000. These decreases resulted from the serving of less meals under the COVID-19 pandemic.

**V. Financial Analysis of the School District's Funds
(continued)**

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$32,000 which resulted from a decrease in Summer School and Title I funding.

Capital Projects Fund

- The District had expenditures in the amount of approximately \$6,179,000 in capital projects during the year ended June 30, 2020, which was primarily related to costs associated with the construction project, capital outlay project and vehicle purchases.

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes budget transfers. Actual expenditures were approximately \$764,000, below the revised budget. The most significant positive variances were in the areas of instruction and employee benefits which totaled \$312,000, and \$221,000, respectively, below that which were budgeted. Similarly, resources available for appropriations were approximately \$24,000 above the final budgeted amount. Significant variance of revenue items consisted of local sources, which was approximately \$110,000, above the revised budget.

Figure A-9 – Budget vs. Actual Comparison

<i>Avoca Central School District</i>					
General Fund - Budget vs Actual Comparison (in thousands of dollars)					
	Revised Budget	Actual	Difference	%	
Revenue					
Local sources	\$ 2,592	\$ 2,702	\$ 110	4%	
State sources	9,890	9,778	(112)	-1%	
Federal sources	40	48	8	19%	
Other sources	-	18	18	n/a	
Total revenue	\$ 12,522	\$ 12,546	\$ 24	0%	
Expenditures					
General support	\$ 1,579	\$ 1,522	\$ 57	4%	
Instruction	5,928	5,616	312	5%	
Transportation	800	630	170	21%	
Community Services	19	15	4	21%	
Employee benefits	2,700	2,479	221	8%	
Debt service	1,817	1,817	-	0%	
Operating transfers	100	100	-	0%	
Total expenditures	\$ 12,943	\$ 12,179	\$ 764	6%	

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2020, the District had invested approximately \$26,983,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2020, totaled approximately \$6,265,000 and consisted primarily of capital project costs and vehicle purchases. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-term Debt

As depicted in Figure A-11, as of June 30, 2020, the District had approximately \$35,175,000 in bonds, other post-employment benefits, net pension liabilities and compensated absences, a decrease of approximately 48% as compared with the previous year. The increase in bonds payable was the result of the District issuing a new serial bond in the current year. The District also issued installment purchase debt in the current year. Other post-employment benefits and ERS liability increased during the year related to a calculation performed by the third-party actuary.

Figure A-10 – Capital Assets

<i>Avoca Central School District</i>			
Capital Assets (net of depreciation)			
	Governmental Activities & Total District-wide		
	2020	2019	Change
Land	\$ 75,792	\$ 75,792	0%
Cost basis	49,991,390	43,888,195	14%
Accumulated depreciation	(23,084,152)	(21,810,843)	6%
Total Capital Assets, net	\$ 26,983,030	\$ 22,153,144	22%

Figure A-11 – Outstanding Long-term Liabilities

<i>Avoca Central School District</i>			
Outstanding Long-Term Debt and Liabilities			
	Governmental Activities & Total District-wide		
	2020	2019	Change
Bonds payable	\$ 14,271,022	\$ 7,492,282	90%
Installment purchase debt	781,813	-	
Net pension liabilities - ERS	887,368	227,462	290%
Other post-employment benefits	18,943,278	15,835,907	20%
Compensated absences	291,877	290,211	1%
Total Long-Term Debt	\$ 35,175,358	\$ 23,845,862	48%

VIII. Factors Bearing on the District's Future

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

- The District is uncertain as to the level of state aid. In the upcoming years as a result of the pandemic. New York State enacted a 2020-21 budget provision that provides for three time periods during the State's fiscal year at which time the Division of Budget will evaluate revenue against the budget projections and potentially adjust State aid to school districts that could potentially result in midyear cuts. In addition, 2020-21 State aid includes a reduced "Pandemic Adjustment", which is being offset with Federal Stimulus funds.

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Avoca Central School District
17-29 Oliver Street
District Administrative Offices
Attention: Mr. Matthew Pfleegor
School Business Administrator
Avoca, New York 14809

AVOCA CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

Schedule 1

Page 10

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents		
Unrestricted	\$ 1,890,662	\$ 2,563,009
Restricted	3,466,367	3,318,675
Receivables		
State and federal aid	431,631	396,121
Other receivables	10,323	39,083
Due from other governments	297,178	551,785
Due from other fiduciary funds	34,575	34,575
Inventories	22,930	14,863
Net pension asset - NYS Teachers' Retirement System	615,609	416,979
Cash to be used towards capital projects	3,870,818	3,774,951
Capital assets, net	26,983,030	22,153,144
Total assets	<u>37,623,123</u>	<u>33,263,185</u>
Deferred Outflows of Resources		
Deferred outflows related to bond refunding	378,061	526,533
Deferred outflows related to pensions	2,547,244	2,397,210
Deferred outflows related to OPEB	8,823,748	816,841
Total deferred outflows of resources	<u>11,749,053</u>	<u>3,740,584</u>
Total assets and deferred outflows of resources	<u>\$ 49,372,176</u>	<u>\$ 37,003,769</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,220,435	\$ 366,393
Accrued liabilities	25,446	14,739
Accrued interest	11,000	13,000
Due to other governments	1,260	1,533
Due to retirement systems	404,246	473,470
Bond anticipation notes payable	-	5,000,000
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	1,645,000	1,225,000
Portion due or payable after one year		
Bonds payable	12,626,022	6,267,282
Installment purchase debt	781,813	-
Net pension liability - NYS Employees' Retirement System	887,368	227,462
Other post-employment benefits	18,943,278	15,835,907
Compensated absences	291,877	290,211
Total liabilities	<u>36,837,745</u>	<u>29,714,997</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	888,661	606,146
Deferred inflows related to OPEB	5,907,267	526,481
Total deferred inflows of resources	<u>6,795,928</u>	<u>1,132,627</u>
Total liabilities and deferred inflows of resources	<u>43,633,673</u>	<u>30,847,624</u>
Net Position		
Net investment in capital assets	14,662,607	14,253,787
Restricted	3,466,367	3,318,675
Unrestricted (deficit)	<u>(12,390,471)</u>	<u>(11,416,317)</u>
Total net position	<u>5,738,503</u>	<u>6,156,145</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 49,372,176</u>	<u>\$ 37,003,769</u>

See accompanying independent auditor's report and notes to financial statements.

AVOCA CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 2

Page 11

	Expenses	Indirect Expenses Allocation	Program Revenues		2020 Net (Expense) Revenue and Changes in Net Position	2019 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants		
Functions/Programs						
General support	\$ 1,979,455	\$ 197,495	\$ -	\$ -	\$ (2,176,950)	\$ (2,190,180)
Instruction	8,798,741	788,654	17,413	430,191	(9,139,791)	(9,151,906)
Pupil transportation	891,801	387,312	-	-	(1,279,113)	(1,330,188)
Community services	14,655	-	-	-	(14,655)	(12,776)
Debt service	367,742	-	-	-	(367,742)	(333,618)
Food service program	359,441	-	21,491	350,546	12,596	9,853
Depreciation	1,373,461	(1,373,461)	-	-	-	-
Total functions and programs	\$ 13,785,296	\$ -	\$ 38,904	\$ 780,737	(12,965,655)	(13,008,815)
General Revenues						
Real property taxes					2,433,693	2,433,020
Use of money and property					107,247	102,836
Sale of property and compensation for loss					(50,040)	(59,171)
Miscellaneous					166,547	213,066
State sources					9,842,979	10,264,209
Federal sources					47,587	104,086
Total general revenues					12,548,013	13,058,046
Change in net position					(417,642)	49,231
Net position - beginning of year					6,156,145	6,106,914
Net position - end of year					\$ 5,738,503	\$ 6,156,145

AVOCA CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2020

Schedule 3

Page 12

	Governmental Funds						2020	2019
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total	
Assets								
Unrestricted cash and cash equivalents	\$ 1,903,973	\$ 8,590	\$ 3,374	\$ -	\$ -	\$ 1,915,937	\$ 2,902,536	
Restricted cash and cash equivalents	2,806,321	-	-	634,771	3,870,818	7,311,910	6,754,099	
Due from other funds	386,984	-	-	43,027	7,149	437,160	1,825,367	
State and federal aid receivable	172,930	229,662	29,039	-	-	431,631	396,121	
Other receivables	8,748	-	1,575	-	-	10,323	39,083	
Due from other governments	257,061	-	40,117	-	-	297,178	551,785	
Inventories	-	-	22,930	-	-	22,930	14,863	
Total assets	\$ 5,536,017	\$ 238,252	\$ 97,035	\$ 677,798	\$ 3,877,967	\$ 10,427,069	\$ 12,483,854	
Liabilities and Fund Equity								
Liabilities								
Accounts payable	\$ 116,975	\$ 932	\$ -	\$ -	\$ 1,102,528	\$ 1,220,435	\$ 366,393	
Accrued liabilities	23,186	-	2,260	-	-	25,446	14,739	
Bond anticipation notes payable	-	-	-	-	-	-	5,000,000	
Due to other funds	40,091	237,320	64,395	17,752	43,027	402,585	1,790,792	
Due to other governments	-	-	1,260	-	-	1,260	1,533	
Due to Teachers' Retirement System	365,222	-	-	-	-	365,222	434,557	
Due to Employees' Retirement System	39,024	-	-	-	-	39,024	38,913	
Total liabilities	584,498	238,252	67,915	17,752	1,145,555	2,053,972	7,646,927	
Fund Equity								
Nonspendable	-	-	22,930	-	-	22,930	14,863	
Restricted	2,806,321	-	-	660,046	-	3,466,367	3,318,675	
Assigned	93,143	-	6,190	-	2,732,412	2,831,745	30,670	
Unassigned	2,052,055	-	-	-	-	2,052,055	1,472,719	
Total fund equity	4,951,519	-	29,120	660,046	2,732,412	8,373,097	4,836,927	
Total liabilities and fund equity	\$ 5,536,017	\$ 238,252	\$ 97,035	\$ 677,798	\$ 3,877,967	\$ 10,427,069	\$ 12,483,854	

AVOCA CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 4

Page 13

	Governmental Funds					2020	2019
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Revenue							
Real property taxes	\$ 2,433,693	\$ -	\$ -	\$ -	\$ -	\$ 2,433,693	\$ 2,433,020
Charges for services	17,413	-	-	-	-	17,413	73,426
Use of money and property	73,713	-	9	33,534	-	107,256	102,841
Sale of property and compensation for loss	11,134	-	-	-	-	11,134	19,686
Miscellaneous	166,547	-	7,619	-	-	174,166	224,437
State sources	9,777,724	117,768	48,636	-	65,255	10,009,383	10,450,098
Federal sources	47,587	312,423	277,720	-	-	637,730	703,746
Surplus food	-	-	24,190	-	-	24,190	20,359
Sales (school food service)	-	-	13,863	-	-	13,863	22,581
Total revenue	12,527,811	430,191	372,037	33,534	65,255	13,428,828	14,050,194
Expenditures							
General support	1,522,263	14,985	93,811	-	-	1,631,059	1,697,782
Instruction	5,614,706	415,206	-	-	-	6,029,912	6,310,901
Pupil transportation	630,315	-	-	-	136,137	766,452	995,127
Community services	14,655	-	-	-	-	14,655	12,776
Employee benefits	2,479,424	-	60,154	-	-	2,539,578	2,611,587
Debt service							
Principal	1,405,000	-	-	-	-	1,405,000	1,915,000
Interest	412,250	-	-	-	-	412,250	385,563
Capital outlay	-	-	-	-	6,042,985	6,042,985	1,010,316
Cost of sales	-	-	115,704	-	-	115,704	134,561
Other expenses	-	-	91,596	-	-	91,596	123,545
Total expenditures	12,078,613	430,191	361,265	-	6,179,122	19,049,191	15,197,158
Excess (deficiency) of revenue over expenditures	449,198	-	10,772	33,534	(6,113,867)	(5,620,363)	(1,146,964)
Other sources and uses							
BANs redeemed from appropriations	-	-	-	-	180,000	180,000	-
Premium earned on serial bonds	-	-	-	3,179	1,306,541	1,309,720	-
Issuance of serial bonds	-	-	-	-	6,885,000	6,885,000	-
Issuance of installment purchase debt	-	-	-	-	781,813	781,813	-
Operating transfers in	17,752	-	-	-	100,000	117,752	258,680
Operating transfers out	(100,000)	-	-	(17,752)	-	(117,752)	(258,680)
Total other sources	(82,248)	-	-	(14,573)	9,253,354	9,156,533	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	366,950	-	10,772	18,961	3,139,487	3,536,170	(1,146,964)
Fund equity (deficit), beginning of year	4,584,569	-	18,348	641,085	(407,075)	4,836,927	5,983,891
Fund equity, end of year	\$ 4,951,519	\$ -	\$ 29,120	\$ 660,046	\$ 2,732,412	\$ 8,373,097	\$ 4,836,927

See accompanying independent auditor's report and notes to financial statements.

AVOCA CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2020

Schedule 5

Page 14

	Private Purpose Trusts	Agency Funds	Total 6/30/2020	(Memo only) Total 6/30/2019
Assets				
Cash	\$ 13,807	\$ 140,110	\$ 153,917	\$ 174,851
Total assets	\$ 13,807	\$ 140,110	\$ 153,917	\$ 174,851
Liabilities				
Accrued liabilities	\$ -	\$ 11,638	\$ 11,638	\$ 31,862
Due to governmental funds	-	34,575	34,575	34,575
Student extraclassroom activity funds	-	93,897	93,897	92,400
Total liabilities	-	140,110	140,110	158,837
Net Position				
Reserved for scholarships	13,807	-	13,807	16,014
Total liabilities and net position	\$ 13,807	\$ 140,110	\$ 153,917	\$ 174,851

AVOCA CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 6

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	6/30/2020	(Memo only)	6/30/2019
Additions			
Gifts and contributions	\$ 1,841	\$	3,961
Interest earnings	2		4
Total additions	<u>1,843</u>		<u>3,965</u>
Deductions			
Scholarships awarded	<u>4,050</u>		<u>1,850</u>
Total deductions	<u>4,050</u>		<u>1,850</u>
Change in net position	(2,207)		2,115
Net position - beginning of year	<u>16,014</u>		<u>13,899</u>
Net position - end of year	<u>\$ 13,807</u>	\$	<u>16,014</u>

AVOCA CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

Total fund balances - governmental funds \$ 8,373,097

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:		
Cost of the assets	\$ 50,067,182	
Accumulated depreciation	<u>(23,084,152)</u>	26,983,030
District's proportionate share of the net pension asset is reported on the statement of net position, whereas in the governmental funds pension costs are based on required contributions.		615,609
Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(11,000)
Deferred outflows from the refunding of debt is reported on the statement of net position and is amortized over the refunded debt. In the governmental funds the total sources and payments related to the refunding are recognized in the combined statement of revenue, expense and changes in fund equity.		378,061
District's proportionate share of actuarial calculated pension expense and net amortization of deferred outflows and inflows related to pension are recorded in the statement of activities, whereas in the governmental funds pension expense is based on District's required contribution to pension plans.		1,658,583
Deferred inflows/outflows of resources related to actuarial OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds OPEB expense is based on required contributions.		2,916,481
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:		
Bonds payable	(14,271,022)	
Installment purchase debt	(781,813)	
Net pension liability - ERS	(887,368)	
Other post-employment benefits	(18,943,278)	
Compensated absences	<u>(291,877)</u>	<u>(35,175,358)</u>
Total net position - governmental activities		<u><u>\$ 5,738,503</u></u>

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 9,227,847	\$ -	\$ -	\$ (3,870,818)	\$ 5,357,029
Due from other funds	437,160	-	-	(402,585)	34,575
State and federal aid receivable	431,631	-	-	-	431,631
Other receivables	10,323	-	-	-	10,323
Due from other governments	297,178	-	-	-	297,178
Inventories	22,930	-	-	-	22,930
Net pension asset	-	615,609	-	-	615,609
Cash to be used towards capital projects	-	-	-	3,870,818	3,870,818
Capital assets, net	-	26,983,030	-	-	26,983,030
Total assets	10,427,069	27,598,639	-	(402,585)	37,623,123
Deferred Outflows of Resources					
Deferred outflows related to bond refunding	-	378,061	-	-	378,061
Deferred outflows related to pensions	-	2,547,244	-	-	2,547,244
Deferred outflows related to OPEB	-	8,823,748	-	-	8,823,748
Total assets and deferred outflows of resources	\$ 10,427,069	\$ 39,347,692	\$ -	\$ (402,585)	\$ 49,372,176
Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position					
Liabilities					
Accounts payable	\$ 1,220,435	\$ -	\$ -	\$ -	\$ 1,220,435
Accrued liabilities	25,446	-	-	-	25,446
Accrued interest	-	-	11,000	-	11,000
Due to other funds	402,585	-	-	(402,585)	-
Due to other governments	1,260	-	-	-	1,260
Due to retirement systems	404,246	-	-	-	404,246
Bonds payable	-	-	14,271,022	-	14,271,022
Installment purchase debt	-	-	781,813	-	781,813
Net pension liability-ERS	-	-	887,368	-	887,368
Other post-employment benefits	-	-	18,943,278	-	18,943,278
Compensated absences	-	-	291,877	-	291,877
Total liabilities	2,053,972	-	35,186,358	(402,585)	36,837,745
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	-	888,661	-	888,661
Deferred inflows related to OPEB	-	-	5,907,267	-	5,907,267
Total liabilities and deferred inflows of resources	2,053,972	-	41,982,286	(402,585)	43,633,673
Fund equity and net position	8,373,097	39,347,692	(41,982,286)	-	5,738,503
Total liabilities, deferred inflows of resources, and fund equity and net position	\$ 10,427,069	\$ 39,347,692	\$ -	\$ (402,585)	\$ 49,372,176

AVOCA CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Total net change in fund balances - governmental funds	\$ 3,536,170
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:	
Capital outlays	\$ 6,264,521
Depreciation expense	<u>(1,373,461)</u>
	4,891,060
Disposal of equipment with remaining book value is reported as a loss in the statement of activities, whereas this transaction has no effect on revenue or expenditures reported in the governmental funds.	(61,174)
Repayment of bond (including refunding) and bond anticipation notes redeemed from appropriations are recorded as an expenditure in the governmental funds, but the repayment reduces long-term and short-term liabilities in the statement of net position.	1,405,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when its due, and thus required the use of current financial resources. In the state of activities, however, interest expense is recognized as it accrues, regardless of when it is due. In addition, premiums on bond anticipation notes and bonds are recorded as revenue in the governmental funds, whereas in the statement of activities, premiums are amortized into interest expense. Lastly, amortization of deferred outflows related to bond refundings are also reflected in the statement of activities.	44,508
Bond anticipation notes redeemed from appropriations is recorded as revenue and other sources in the governmental funds, whereas the repayment reduces short-term liabilities in the statement of net position.	(180,000)
District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds pension expense is based on District's required contribution to pension plans.	(593,757)
District's actuarial calculated OPEB expense and net amortization of deferred outflows and inflows related to OPEB are recorded in the statement of activities, whereas in the governmental funds OPEB expense is based on District's required contribution to OPEB plan.	(481,250)
Proceeds from issuance of bonds (including bond premiums) and installment purchase debt are recorded as revenue in the governmental funds. However, in the statement of activities, proceeds from the issuance of bonds and installment purchase debt is not recorded as revenue but rather the amount is recorded as a liability in the statement of net position.	(8,976,533)
In the statement of activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences changed by this amount.	<u>(1,666)</u>
Change in net position of governmental activities	\$ <u>(417,642)</u>

See accompanying independent auditor's report and notes to financial statements.

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 2,433,693	\$ -	\$ -	\$ -	\$ 2,433,693
Charges for services	17,413	-	-	(17,413)	-
Use of money and property	107,256	-	-	(9)	107,247
Sale of property and compensation for loss	11,134	(61,174)	-	-	(50,040)
Miscellaneous	174,166	-	-	(7,619)	166,547
State sources	10,009,383	-	-	(166,404)	9,842,979
Federal sources	637,730	-	-	(590,143)	47,587
Surplus food	24,190	-	-	(24,190)	-
Sales (school food service)	13,863	-	-	(13,863)	-
Total revenue	13,428,828	(61,174)	-	(819,641)	12,548,013
Expenditures					
General support	1,631,059	145,586	-	400,305	2,176,950
Instruction	6,029,912	787,513	1,666	2,320,700	9,139,791
Pupil transportation	766,452	220,650	-	292,011	1,279,113
Community services	14,655	-	-	-	14,655
Employee benefits	2,539,578	-	1,075,007	(3,614,585)	-
Debt service	1,817,250	-	(1,449,508)	-	367,742
Capital outlay	6,042,985	(6,042,985)	-	-	-
Cost of sales and other expense	207,300	(1,824)	-	(218,072)	(12,596)
Total expenditures	19,049,191	(4,891,060)	(372,835)	(819,641)	12,965,655
Excess (deficiency) of revenue over expenditures	(5,620,363)	4,829,886	372,835	-	(417,642)
Other sources and uses					
BANs redeemed from appropriations	180,000	-	(180,000)	-	-
Issuance of serial bonds	6,885,000	-	(6,885,000)	-	-
Issuance of installment purchase debt	781,813	-	(781,813)	-	-
Premium earned on serial bonds	1,309,720	-	(1,309,720)	-	-
Operating transfers in	117,752	-	-	(117,752)	-
Operating transfers out	(117,752)	-	-	117,752	-
Total other sources	9,156,533	-	(9,156,533)	-	-
Net change for year	\$ 3,536,170	\$ 4,829,886	\$ (8,783,698)	\$ -	\$ (417,642)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

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

A. Reporting Entity

The financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

1. The Extraclassroom Activity Funds

The extraclassroom activity funds of the **Avoca Central School District** represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are available at the District's offices.

B. Joint Venture

The **Avoca Central School District** is a component of the Supervisory District of the Steuben and Allegany Counties 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Joint Venture (continued)

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of the administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year, the District was billed \$1,925,000 for BOCES administration, program and capital costs. The District's share of BOCES aid and refunds amounted to \$819,000 for the year ended June 30, 2020. Financial statements for the Steuben and Allegany Counties BOCES are available at the BOCES administrative offices.

C. Basis of Presentation

1. 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 double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

1. District-wide Statements (continued)

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.

2. 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.

The District reports the following major governmental funds:

General - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid - is used to account for the proceeds of specific revenue sources such as Federal and State grants that are legally restricted to expenditures for specified purposes, whose funds are restricted as to use. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

Food Service - is used to account for all revenue and expenditures pertaining to the cafeteria operations.

Capital Projects - is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Debt Service - is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

Fiduciary Fund Types - This fund is used to account for fiduciary activities. 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. Included in the Fiduciary Fund are Private Purpose Trust Funds and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting. Private Purpose Trust Funds are accounted for on the accrual basis of accounting.

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. Non-exchange 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.

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 the current period, except for real property taxes, which are considered to be available if they 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

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

E. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments of three months or less are considered as cash equivalents. 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.

F. Inventory

Inventories of food in the School Food Service Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase.

G. Investments

Investments are stated at current market value.

H. Due To/From Other Funds

The amounts reported on the Statement of Net Position for due to and from other funds represents amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

I. Capital Assets

Capital assets are reported at historical cost or estimated historical cost. 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 as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets (continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 500	Straight-line	15-50 years
Land improvements	\$ 500	Straight-line	15-50 years
Furniture and equipment	\$ 500	Straight-line	5-25 years
Transportation vehicles	\$ 500	Straight-line	5-7 years

J. Deferred Inflows and Outflows 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 District has several items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the governmental wide Statement of Net Position. 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. The third item is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date. The fourth item relates to OPEB reporting in the district-wide Statement of Net Position. This represents the actuarial changes in assumptions and other inputs, along with benefits paid 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, represent an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has several items that qualify for reporting in this category. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS and TRS Systems) 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. The next item relates to OPEB reporting in the district-wide Statement of Net Position. This represents the actuarial changes in assumptions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Unearned Revenue

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

L. Post-Employment Benefits

The District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. The cost of providing retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums (for retirees and their dependents) as an expenditure in the general fund in the year paid.

M. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). The District had nonspendable fund balance in the food service fund in the amount of \$22,930 as of June 30, 2020.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted Fund Balance includes the following categories:

1. Reserve for Unemployment

This reserve is used to accumulate funds to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants. 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 be either transferred to another reserve or the excess applied to the appropriations next succeeding fiscal year's budget. If the District elects to convert to tax basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is recorded in the General Fund.

2. Reserve for Employee Benefits

The purpose of this reserve is to reserve funds for the payment of any accrued employee benefit due an employee upon termination of service. This reserve fund may be established by a majority vote of the board of education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

3. Reserve for Debt Service

This reserve is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose. These reserves are accounted for in the Debt Service Fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

M. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

4. Reserve for Insurance Recoveries

This reserve contains the difference between the insurance recovery received for the destruction of District property and the cost of replacement. This reserve is recorded in the in the General Fund.

5. Reserve for Retirement Contribution

The purpose of this reserve is to reserve funds to finance the cost of future retirement contributions. This reserve fund may be established by a majority vote of the board of education. This reserve is recorded in the General Fund.

6. Reserve for TRS Contributions Sub-Fund

This reserve is used to accumulate funds for teachers' retirement system contributions. The reserve is limited annually by 2% and in total 10% of teachers' retirement system salaries. The reserve may be established by a majority vote of the Board of Education and is accounted for in the General Fund.

7. Tax Certiorari Reserve

Tax Certiorari Reserve is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amounts which might reasonable be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

8. Reserve for Workers' Compensation

This reserve is used to accumulate funds for the purpose of paying for compensation benefits and other expenditures authorized under Article 2 of the New York State Workers' Compensation Law, and for payment of expenditures of administering this self-insurance program.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

M. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

**8. Reserve for Workers' Compensation
(continued)**

Excess reserve amounts may be either transferred to another reserve or applied to the appropriations for the next succeeding fiscal year's budget. The reserve is accounted for in the General Fund.

9. Capital Reserve

This reserve is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserves and payments from the reserves. This reserve is accounted for in the General Fund.

10. Capital Reserve - Transportation

This reserve is used to accumulate funds to finance all or a portion of future transportation equipment purchases. Voter authorization is required for both the establishment of the reserves and payments from the reserves. This reserve is accounted for in the General Fund.

11. Reserve for Endowment Scholarships

This reserve is used to account for endowments, scholarships and other funds held in trust by the School District. These monies and earnings must be used for the specific purpose of the original contribution.

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2020.

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Equity (continued)

1. Governmental Funds (continued)

D. Assigned (continued)

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. Encumbrance reserve totaled \$16,220 as of June 30, 2020.

2. Appropriated Fund Balance

General Fund – The amount of \$76,923 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2021 as allowed by section 1318 of the Real Property Tax Law.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

2. Government-wide financial statements

A. Net Investment in Capital Assets

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Equity (continued)

2. Government-wide financial statements (continued)

C. Unrestricted

This category represents net position of the District not restricted for any other purpose.

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

N. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Budgetary Procedures and Budgetary Accounting (continued)

2. Budget Basis for Accounting

Budgets are adopted annually on a basis consistent with the fund financial statements and the modified accrual basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The budget and actual comparison for the Food Service Fund reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

Budgetary controls for the special revenue (other than School Food Service Fund) and capital funds are established in accordance with the applicable grant agreement or authorized project limit which may cover a period other than the District's fiscal year. Consequently, the budgets for such funds have been excluded from the combined schedule of revenue, Expenditures and changes in fund equity - budget and actual.

Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The District did not make any supplemental appropriations during the year ended June 30, 2020.

O. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on October 31.

2. Enforcement

Uncollected real property taxes are subsequently enforced by the Counties, in which the School District is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the forthcoming April 1.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers to provide services and construct assets.

Q. Deferred Compensation Plan

Avoca Central School District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b) - Tax Sheltered Annuities (TSA). The plan is available to all school employees and permits them to defer taxation on a portion of their salary until future years. The deferred portion is withheld by the District and disbursed to the employees' TSA plan administrator. The TSA plans are owned by the individuals and held in trust by the plan administrator. The School District has a fiduciary responsibility for funds withheld and remittance to trustees.

R. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

S. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

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 differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (continued)

B. Statement of Revenues, Expenditures and Changes in Fund Equity 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:

1. 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.

2. Long-term Asset Transactions Differences

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

3. Long-term Liability 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.

4. 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 to the pension systems.

5. 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 - DETAIL NOTES ON ALL FUNDS

A. Cash

The *Avoca Central School District's* investment policies are governed by State statutes. School District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The District treasurer is authorized to use demand accounts and certificates of deposits. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

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 with regards to custodial credit risk, New York State statutes govern the District's investment policies and as of June 30, 2020, the District's bank deposits were fully collateralized.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit 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 School Districts.

B. Deposits

Deposits are valued at cost or cost plus interest and are categorized as either:

- (1) Insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
- (3) Uncollateralized

Total financial institution (bank) balances at June 30, 2020 per the bank (including certificates of deposits) were approximately \$8,826,000. Deposits are categorized as follows:

<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>
\$ 750,000	\$ 8,076,000	\$ -	\$ 8,826,000

The District also had \$550,012 in deposits with a fiscal agent related to the energy performance contract at June 30, 2020.

**AVOCA CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C. Investments

The following is a summary of the carrying value of the District's investments as of June 30, 2020. These investments are classified as cash and cash equivalents on the Statement of Net Position and combined balance sheet.

	<u>Carrying Value</u>
Certificates of Deposit:	
General Fund – 3.30% matures on 08/31/2020	\$ 523,055
General Fund – 2.40% matures on 07/08/2020	1,283,119
	<u>\$ 1,806,174</u>

All of the District's investments are valued based on level 1 of the fair value hierarchy.

D. Interfund Transactions

Interfund balances as of June 30, 2020 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 386,984	\$ 40,091
School Lunch Fund	-	64,395
Special Aid Fund	-	237,320
Debt Service Fund	43,027	17,752
Capital Fund	7,149	43,027
Agency Fund	-	34,575
Total	<u>\$ 437,160</u>	<u>\$ 437,160</u>

	<u>Interfund Revenue</u>	<u>Interfund Expense</u>
General Fund	\$ 17,752	\$ 100,000
Debt Service Fund	-	17,752
Capital Fund	100,000	-
Total	<u>\$ 117,752</u>	<u>\$ 117,752</u>

During the year ended June 30, 2020, the District transferred \$100,000 from the general fund to the capital projects fund to finance the capital outlay project (\$100,000). Also during the year the District transferred \$17,752 of prior year BAN premiums from the debt service fund to the general fund to pay down current debt payments.

E. Receivables (continued)

Receivables at June 30, 2020 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

E. Receivables (continued)

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Aid	State and Federal Aid	\$ 229,662
General	State and Federal Aid	172,930
General	Other receivables	8,748
Food Service	State and Federal Aid	29,039
Food Service	Other receivables	1,575
Food Service	Due from Other Governments	40,117
General	Due from Other Governments	257,061
		<u>\$ 739,132</u>

Beginning in August 2020, the New York State Division of Budget began withholding 20% of general, excess cost and BOCES aid payments which could be converted to permanent reductions, depending on the size and timing of new Federal aid, if any. As a result, due from State and Federal aid receivable and due from other governments reported in the general fund balance sheet and district-wide statement of net position have been adjusted to reflect the 20% withholding.

F. Capital Assets

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

	<u>Beginning Balance 06/30/19</u>	<u>Net Change</u>	<u>Ending Balance 06/30/20</u>
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 75,792	\$ -	\$ 75,792
Construction in Progress	1,166,246	5,950,244	7,116,490
Capital assets that are depreciated:			
Buildings and improvements	40,283,241	92,741	40,375,982
Furniture, equipment, and vehicles	2,438,708	60,210	2,498,918
Total historical cost	<u>43,963,987</u>	<u>6,103,195</u>	<u>50,067,182</u>
Less accumulated depreciation:			
Buildings and improvements	20,494,233	1,168,128	21,662,361
Furniture, Equipment, and Vehicles	1,316,610	105,181	1,421,791
Total accumulated depreciation	<u>21,810,843</u>	<u>\$ 1,273,309</u>	<u>23,084,152</u>
Total net book value	<u>\$ 22,153,144</u>		<u>\$ 26,983,030</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

F. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General support	\$	197,495
Instruction		788,654
Pupil transportation		387,312
		\$ 1,373,461

During the current year, the District had capital additions in the amount of \$6,264,521.

G. Liabilities

I. Pension Plans

1. Plan Descriptions and Benefits Provided

a. Teachers' Retirement System (TRS)

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

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided (continued)

b. Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

2. Contributions

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 percent 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 ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

2. Contributions (continued)

For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Year	TRS	ERS
2020	\$ 350,000	\$ 128,000
2019	423,000	125,000
2018	374,000	133,000

The School District contributions made to the Systems were equal to 100% of the contributions required for each year.

Since 1989, the TRS' 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.

Over the years, State Legislature authorized local governments to make available retirement incentive programs to qualifying employees. The District had no expenditures incurred or liability accrued related to the retirement incentive liabilities as of and for the year ended June 30, 2020.

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred 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.

	ERS	TRS
Actuarial measurement date	3/31/2020	6/30/2019
Net pension asset/(liability)	\$ (887,368)	\$ 615,609
District's portion of the Plan's total net pension asset/(liability)	.0033510%	.023695%

For the year ended June 30, 2020, the District recognized pension expense of \$307,381 for ERS and \$762,376 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:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 52,225	\$ 417,182	\$ -	\$ 45,778
Changes of assumptions	17,867	1,162,967	15,428	283,564
Net difference between projected and actual earnings on pension plan investments	454,908	-	-	493,686
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	18,899	33,746	10,384	39,821
District's contributions subsequent to the measurement date	39,024	350,426	-	-
Total	\$ 582,923	\$ 1,964,321	\$ 25,812	\$ 862,849

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

	ERS		TRS	
Year ending:				
2021	\$	88,263	\$	279,580
2022		129,509		18,742
2023		166,853		278,571
2024		133,461		182,609
2025		-		18,601
Thereafter		-		(27,057)

4. Actuarial Assumptions

The total pension asset (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 asset (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	3/31/20	6/30/19
Actuarial valuation date	4/1/19	6/30/18
Interest rate	6.8%	7.10%
Salary scale	4.2% average	1.90% - 4.72%
	4/1/10 – 3/31/15	7/1/09 – 6/30/14
	System's	System's
Decrement tables	Experience	Experience
Inflation rate	2.5%	2.20%

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

4. Actuarial Assumptions (continued)

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-2018. For TRS, annuitant mortality rates are based on member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2018, applied on a generational basis. Active members' mortality rates are based on plan members' experience.

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, 2018 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:

Measurement date	ERS 3/31/20	Expected Rate of Return	TRS 6/30/19	Expected Rate of Return
Asset Type:				
Domestic equity	36%	4.05%	33%	6.3%
International equity	14%	6.15%	16%	7.8%
Global equity	-%	-%	4%	7.2%
Private equity	10%	6.75%	8%	9.9%
Real estate	10%	4.95%	11%	4.6%
Absolute return strategies	2%	3.25%	-%	-%
Opportunistic portfolio	3%	4.65%	-%	-%
Real assets	3%	5.95%	-%	-%
Domestic fixed income securities	-%	-%	16%	1.3%
Global fixed income securities	-%	-%	2%	0.9%
High-yield fixed income	-%	-%	1%	3.6%
Bonds and Mortgages	17%	0.75%	-%	-%
Cash and short-term	1%	-%	1%	0.3%
Inflation-indexed bonds	4%	0.50%	-%	-%
Real estate debt	-%	-%	7%	2.9%
Private debt	-%	-%	1%	6.5%
Total:	<u>100%</u>		<u>100%</u>	

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

5. Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.10% 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 asset (liability).

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 6.8% for ERS and 7.10% 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 6.10% for TRS) or 1-percentage point higher (7.8% for ERS and 8.10% 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)	\$ (1,628,571)	\$ (887,368)	\$ 204,717
	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
TRS			
Employer's proportionate share of net pension asset/ (liability)	\$ (2,778,793)	\$ 615,609	\$ 3,463,129

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

I. Pension Plans (continued)

7. Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measured dates, were as follows:

	(In thousands)	
	ERS	TRS
Measurement date	3/31/20	6/30/19
Employers' total pension liability	\$ 194,596,261	\$ 119,879,474
Plan Net Position	\$ 168,115,682	\$ 122,477,481
Employers' net pension asset (liability)	\$ (26,480,579)	\$ 2,598,007
Ratio of plan net position to be Employers' total pension asset (liability)	86.39%	102.20%

8. 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 \$39,024.

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 \$365,222 (employer contributions \$350,426 and employee contributions of \$14,796).

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

II. Other Post-Employment Benefits

Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the District and specified in the District's employment contracts.

Change in Measurement Date

The District opted to change their measurement date from June 30 to December 31 after the fiscal year ending June 30, 2019. The current year's calculations were performed using a valuation date of January 1, 2019 for reporting the District's full accrual financial statements for a measurement date of December 31, 2019.

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2020, the plan had total active employees of 102 and retirees of 53.

Total OPEB Liability

The District's total OPEB liability of \$18,943,278 was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019. The previous July 1, 2017 valuation was measured on June 30, 2019.

Actuarial Methods and Other Inputs

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40% per year
	Vary by pension retirement system membership (New York State Teachers Retirement System (TRS) or Employees Retirement System (ERS))
Salary increases	2.74% as of December 31, 2019
Discount rate	2019 – 5.4% reduced to an ultimate rate of 3.94% by 2075.
Healthcare cost trend rates	District pays 50% for single and 50% for family – based on years of service and credited months
Retirees' share of benefit-related costs	

The discount rate was based on the Bond Buyer 20-year Bond GO Index.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

II. Other Post-Employment Benefits (continued)

Actuarial Methods and Other Inputs(continued)

Mortality rates were based on the Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using MP-2019.

Changes in the Total OPEB Liability

Service cost	\$ 251,780
Interest	278,986
Differences between expected and actual experience	(5,844,855)
Changes in assumptions	8,527,410
Benefit payments	(105,950)
Net changes	3,107,371
Net OPEB liability – beginning of year	15,835,907
Net OPEB liability – end of year	<u>\$ 18,943,278</u>

Changes in assumptions reflect a change in the discount rate from 3.51% in June 2019 to 2.74% in December 2019. Also health care trend rates were 5.4% - 3.94% in December 2019 and 5.5% - 3.84% in June 2019. Mortality rates based on Scale MP-2019 in December 2019 and Scale RP-2015 in June 2019.

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%) or 1 percentage point higher (3.74%) that the current discount rate:

	1% Decrease (1.74%)	Current Assumption (2.74%)	1% Increase (3.74%)
Total OPEB liability	<u>\$ 23,259,902</u>	<u>\$ 18,943,278</u>	<u>\$ 15,631,157</u>

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 or 1 percentage point higher that the current healthcare cost trend rates:

	1% Decrease (4.4%-2.94%)	Current Assumption (5.4%- 3.94%)	1% Increase (6.4%-4.94%)
Total OPEB liability	<u>\$ 15,063,233</u>	<u>\$ 18,943,278</u>	<u>\$ 24,229,466</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

II. Other Post-Employment Benefits (continued)

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$737,200. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ 5,427,365
District's contributions subsequent to the measurement	150,000	--
Changes in assumptions	8,673,748	479,902
Total	\$ 8,823,748	\$ 5,907,267

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

Measurement Period Ended December:	
2020	\$ 412,869
2021	412,869
2022	412,869
2023	412,869
2024	412,869
Thereafter	702,136

III. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes (BANs)

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. Such notes may be classified as part of the financial statements when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

III. Indebtedness (continued)

1. Short-Term Debt (continued)

a. Bond Anticipation Notes (BANs) (continued)

On June 11, 2019, the District issued bond anticipation notes of \$5,000,000. The notes carries an interest rate of 2.0% and matured on June 26, 2020. The bond anticipation notes were issued to pay for current capital project expenditures. Interest on BANs totaled \$100,000 during the year ended June 30, 2020.

On June 26, 2020, the bond anticipation notes were paid in full through the issuance of a new serial bond and through BANs redeemed from appropriations of \$180,000.

2. Long-Term Debt

a. Debt Limit

At June 30, 2020, the total indebtedness represents approximately 70% of its debt limit.

b. Serial Bonds

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

c. Changes

The changes in the School District's indebtedness during the year ended June 30, 2020 are summarized as follows:

	Balance June 30, 2020	Balance June 30, 2019	Amounts Due Within One Year
Serial bonds	\$14,271,022	\$ 7,492,282	\$ 1,645,000
Installment Purchase Debt	781,813	-	-
Other post-employment benefits	18,943,278	15,835,907	-
Compensated absences	291,877	290,211	-
Net pension liability-ERS	887,368	227,462	-
	\$ 35,175,358	\$ 23,845,862	\$ 1,645,000

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

III. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Changes (continued)

During the current year, the District made principal payments in the amount of \$1,225,000, as well as amortization of premiums in the amount of \$190,980. The District also acquired new serial bonds in the amount of \$6,885,000 with premiums of \$1,309,720. The District also entered into an equipment lease related to the energy performance contract in the amount of \$781,813. The net change in compensated absences was an increase of \$1,666. The net change in other post-employment benefits was an increase of \$3,107,371. The ERS had an increase in net pension liability in the amount of \$659,906.

d. Summary

The following is a summary of maturity of the District's serial bonds:

Description of Issue	Outstanding June 30, 2020
Serial Bonds, issued in 2016 with a maturity date of June, 2028, bonds carry interest at 2.00% - 5.00%.	\$ 5,590,000
Plus: Unamortized premium on bonds	486,302
Serial Bonds, issued in 2020 through DASNY Serial Bond, issued in 2020 with a maturity date of June, 2035, bonds carry interest of 2.736%.	6,885,000
Plus: Unamortized premium on bonds	1,309,720
Installment Purchase Debt related to energy performance project, issued in 2020 with a maturity date of June 2035, carries interest of 2.842%.	781,813
	<u>15,052,835</u>
	\$ 15,052,835

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

III. Indebtedness (continued)

2. Long-Term Debt (continued)

e. Maturity

The following is a summary of maturing debt service requirements for serial bonds and installment purchase debt.

Year	Serial Bonds – 2016	
	Principal	Interest
2021	\$ 1,265,000	\$ 267,850
2022	1,330,000	204,600
2023	1,400,000	138,850
2024	755,000	78,300
2025	195,000	41,000
2026-2028	645,000	64,500
Total	<u>\$ 5,590,000</u>	<u>\$ 795,100</u>

Year	DASNY Serial Bonds – 2020	
	Principal	Interest
2021	\$ 380,000	\$ 334,750
2022	610,000	310,000
2023	580,000	280,250
2024	485,000	253,625
2025	410,000	231,250
2026-2030	2,180,000	828,000
2031-2035	2,240,000	287,000
Total	<u>\$ 6,885,000</u>	<u>\$ 2,524,875</u>

Year	Installment Purchase Debt - 2020	
	Principal	Interest
2021	\$ -	\$ 21,641
2022	46,186	21,893
2023	47,507	20,571
2024	48,867	19,212
2025	50,266	17,813
2026-2030	273,751	66,643
2031-2035	315,236	25,159
Total	<u>\$ 781,813</u>	<u>\$ 192,932</u>

f. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$312,250 for the year ended June 30, 2020.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

G. Liabilities (continued)

III. Indebtedness (continued)

3. Advanced Bond Refunding

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

As a result of a difference between the carrying value of the refunded debt and reacquisition price of the new debt, a deferred outflows of resources in the amount of \$1,275,000 was recognized, of which \$148,472 was amortized during the current year, with the remaining balance of \$378,061 as of June 30, 2020 to be amortized through June 30, 2028.

4. Premiums, Debt Issuance Costs and Amortization

Net premiums resulting from bond and other debt refinancing are being amortized over the life of the relating debt using the interest method. These premiums are accordingly included in the outstanding principal balances for the bonds. Debt issuance costs related to the bonds were expensed in accordance with GASB 65.

H. Fund Equity

I. Fund Equity Components

The District's fund equity is comprised of various components. The District's fund equity includes reserves established for the following purposes:

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

H. Fund Equity (continued)

I. Fund Equity Components (continued)

Category/ Fund	Reservation Purposes	Balance June 30, 2020
Nonspendable		
Food Service	Reserve for inventory	\$ 22,930
Restricted:		
General	Reserve for insurance recoveries	\$ 50,000
	Reserve for employee benefits	610,596
	Capital reserve	506,451
	Capital reserve – transportation	749,335
	Reserve for unemployment	92,666
	Reserve for tax certiorari	5,000
	Reserve for workers' compensation	232,893
	Reserve for TRS retirement contributions sub fund	75,348
	Reserve for retirement contributions	484,032
		<u>\$ 2,806,321</u>
Debt Service	Reserve for debt service	\$ 660,046
Fiduciary Fund	Reserve for endowment Scholarships	\$ 13,807
Assigned:		
General	Appropriated fund equity	\$ 76,923
	Reserve for encumbrances	16,220
		<u>\$ 93,143</u>
Capital	Fund equity	\$ 2,732,412
Food Service	Fund equity	\$ 6,190

II. District-wide Net Position

Net position of the District includes restricted net position of \$3,466,367 which represent restricted amounts in the general fund as presented above.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Commitments and Contingencies

1. Risk Financing and Related Insurance

1. General Information

The *Avoca Central School District* is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. 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.

2. Risk Sharing Pools

For its employee health coverage, *Avoca Central School District* is a participant in the Steuben Area Schools Plan, a public entity risk pool operated for the benefit of 9 individual school districts. The School District pays monthly premiums to the Plan for this health coverage.

The Plan is authorized to assess supplemental premiums to the participating districts. The Plan provides coverage for its members up to \$250,000 per insured event. The Steuben Area Schools Plan obtains independent coverage for insured events in excess of this amount.

The District participates in the Steuben-Allegany Area Schools Self-Insured Workers' Compensation Plan, a risk-sharing pool, to insure Worker's Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risk related to workers' compensation.

The *Avoca Central School District* has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Commitments and Contingencies (continued)

II. Federal and State Grants

The District has received grants reported in the special aid fund which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, will not be material.

III. Compensated Absences

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with provisions of Governmental Accounting Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$1,717,000 at June 30, 2020 for accumulating, non-vesting sick leave.

IV. Litigation

The District, in the normal course of its operations, is involved in litigation. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the District's financial position.

J. Tax Abatements

The Steuben County Industrial Development Agency entered into a property tax abatement program (Payment in Lieu of Taxes – PILOT) with a Corporation in the Avoca Central School District's tax jurisdiction for the purpose of an alternative energy project. The term of the PILOT is 20 years with the agreement expiring on December 31, 2028. Payments under the agreement are \$500 during 2009 and increase gradually each year up to \$8,259 in 2028. At this time, the District is unable to quantify the amount of taxes that have been abated under this program.

NOTE 4 - CAPITAL PROJECTS

On December 19, 2017, the voters of the District authorized a new capital project in the amount of \$9,035,000. Total expenditures incurred during the year ended June 30, 2020 were \$5,494,837.

The District also had a capital outlay project during the current year and incurred expenditures totaling \$92,741.

The District also had an energy performance contract project that began during the current year. Total expenditures incurred during the year ended June 30, 2020 were \$231,801.

Furthermore, the District has costs associated with its Smart Schools Bond Act project in the amount of \$223,606 during the year ended June 30, 2020.

Lastly, during the current year, the District purchased transportation vehicles in the amount of \$136,137.

NOTE 5 – COVID 19 PANDEMIC

In March 2020, the World Health Organization declared the novel strain of COVID-19 (coronavirus) a global pandemic and has become increasingly widespread in the United States. The coronavirus outbreak has had a significant impact on financial markets and general economic conditions. As a result, the District was forced to close its school buildings and move to a remote learning environment for the remainder of the school year. The District froze certain spending but maintained the majority of its workforce and contracted services. The District also provided free breakfast and lunches to all students (except those who opted out) through the Federal Summer Food Service Program.

Also, in March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed which provides funding and emergency assistance to Organizations including public school Districts. The New York State Department of Education has allocated approximately \$118,000 of CARES Act assistance to the District which is for the funding period of March 13, 2020 through September 30, 2022. As of June 30, 2020 the District has not applied any expenditures against this funding. In addition, 2020-21 State aid includes a reduced "Pandemic Adjustment" which is being offset with Federal Stimulus funds.

NOTE 5 – COVID 19 PANDEMIC (continued)

Lastly, New York State enacted 2020-21 budget grants the authority to the Division of Budget (DOB) Director to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by DOB which includes the ability to withhold and reduce specific local aid payments during the fiscal year. The State budget is deemed out of balance for the fiscal year, and the Director's powers are activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during the year (April 1-30, May 1-June 30, and July 1-December 31).

Given the uncertainty regarding the COVID-19 Pandemic, the overall financial impact to the District cannot be reasonably predicted or estimated at this time.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 15, 2020, which is the date the financial statements were available to be issued.

For the 2020-21 year, the District is following its reopening plan that was submitted to New York State in July 2020. The District will continue to evaluate the plan and make necessary changes based on District assessments, along with County and State guidance.

SUPPLEMENTARY INFORMATION

AVOCA CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Adopted Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 2,415,879	\$ 2,415,879	\$ 2,414,968	\$ (911)
Real property tax items	17,195	17,195	18,725	1,530
Charges for services	17,000	17,000	17,413	413
Use of money and property	25,000	25,000	73,713	48,713
Sale of property and compensation for loss	1,000	1,000	11,134	10,134
Miscellaneous	115,500	115,500	166,547	51,047
State Sources:				
Basic formula	9,047,775	9,047,775	8,967,916	(79,859)
BOCES	700,000	700,000	667,454	(32,546)
Textbooks	35,094	35,094	25,281	(9,813)
All other aid	107,718	107,718	117,073	9,355
Federal Sources:				
Medicaid reimbursement	40,000	40,000	47,587	7,587
Other Sources:				
Operating transfer in	-	-	17,752	17,752
Total revenue and other sources	12,522,161	12,522,161	<u>\$ 12,545,563</u>	<u>\$ 23,402</u>
Appropriated reserves	394,110	394,110		
Appropriated fund equity and carryover encumbrances	26,893	26,893		
Total revenue, other sources and appropriated fund equity	<u>\$ 12,943,164</u>	<u>\$ 12,943,164</u>		

	Adopted Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 34,500	\$ 53,135	\$ 52,003	\$ -	\$ 1,132
Central administration	198,167	199,541	198,929	-	612
Finance	272,273	283,116	274,772	-	8,344
Staff	13,000	58,256	57,287	-	969
Central services	725,984	736,957	694,393	3,950	38,614
Special items	244,723	247,647	244,879	-	2,768
Instructional:					
Instruction, administration and improvement	280,156	289,169	276,398	-	12,771
Teaching - regular school	2,837,165	2,875,078	2,815,353	9,021	50,704
Programs for children with handicapping conditions	1,372,048	1,262,635	1,144,850	-	117,785
Teaching - special schools	23,000	20,000	19,074	-	926
Occupational education	405,672	402,972	398,421	-	4,551
Instructional media	431,012	500,805	441,521	491	58,793
Pupil services	589,230	577,983	519,089	-	58,894
Pupil Transportation	816,636	799,699	630,315	2,758	166,626
Employee Benefits	2,729,915	2,700,421	2,479,424	-	220,997
Community Service	18,500	18,500	14,655	-	3,845
Debt Service:					
Debt service principal	1,225,000	1,405,000	1,405,000	-	-
Debt service interest	626,183	412,250	412,250	-	-
Total expenditures	12,843,164	12,843,164	12,078,613	16,220	748,331
Other Uses:					
Transfer to other funds	100,000	100,000	100,000	-	-
Total other uses	100,000	100,000	100,000	-	-
Total expenditures and other uses	\$ 12,943,164	\$ 12,943,164	12,178,613	\$ 16,220	\$ 748,331
Excess of revenue and other sources over expenditures and other uses			\$ 366,950		

AVOCA CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS1A

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	School Food Service Fund		
	Budget		Variance
	(Amended)	Actual	Fav. (Unf.)
Revenue			
State sources	\$ 49,900	\$ 48,636	\$ (1,264)
Federal sources	293,600	277,720	(15,880)
Sales	22,000	13,863	(8,137)
Miscellaneous	10,000	7,619	(2,381)
Surplus food	35,000	24,190	(10,810)
Use of money and property	6	9	3
Total revenue	<u>410,506</u>	<u>372,037</u>	<u>(38,469)</u>
Expenditures			
General support	95,262	93,811	1,451
Employee benefits	61,345	60,154	1,191
Cost of sales	159,794	115,704	44,090
Other expenses	95,929	91,596	4,333
Total expenditures	<u>412,330</u>	<u>361,265</u>	<u>51,065</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (1,824)</u>	10,772	<u>\$ 12,596</u>
Fund equity, beginning of year		<u>18,348</u>	
Fund equity, end of year		<u>\$ 29,120</u>	

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2020

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 12,943,164
Additions:	
Prior year encumbrances	<u>-</u>
Original Budget	12,943,164
Budget Revisions:	<u>-</u>
Final budget	<u><u>\$ 12,943,164</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter-approved expenditure budget	\$ 13,699,380
Maximum allowed (4% of 2020-21 budget)	\$ 547,975
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:	
Unrestricted fund balance:	
Assigned fund balance	\$ 93,143
Unassigned fund balance	<u>2,052,055</u>
Total unrestricted fund balance	<u>2,145,198</u>
Less:	
Appropriated fund balance	76,923
Encumbrances included in committed and assigned fund balance	<u>16,220</u>
Total adjustments	<u>93,143</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 2,052,055</u></u>
Actual percentage	<u><u>15.0%</u></u>

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

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS3

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Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended (Overexpended) Balance	Methods of financing				Fund Balance June 30, 2020
			Prior Years	Current Year	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
Construction project (\$9.035M)	\$ 9,035,000	\$ 9,035,000	\$ 1,166,245	\$ 5,494,837	\$ 6,661,082	\$ 136,137	\$ 8,371,541	\$ 46,229	\$ 619,219	\$ 9,036,989	\$ 2,375,907
Energy Performance Contract	781,813	781,813	-	231,801	231,801	550,012	781,813	-	-	781,813	550,012
Smart School Bond Act Project	723,986	723,986	-	223,606	223,606	500,380	-	19,026	-	19,026	(204,580)
Capital outlay project 2017-18	100,000	100,000	97,000	-	97,000	3,000	-	-	100,000	100,000	3,000
Capital outlay project 2018-19	100,000	100,000	99,186	-	99,186	814	-	-	100,000	100,000	814
Capital outlay project 2019-20	100,000	100,000	-	92,741	92,741	7,259	-	-	100,000	100,000	7,259
Transportation vehicles - current year	168,000	168,000	-	136,137	136,137	31,863	-	-	136,137	136,137	-
	<u>\$ 11,008,799</u>	<u>\$ 11,008,799</u>	<u>\$ 1,362,431</u>	<u>\$ 6,179,122</u>	<u>\$ 7,541,553</u>	<u>\$ 1,229,465</u>	<u>\$ 9,153,354</u>	<u>\$ 65,255</u>	<u>\$ 1,055,356</u>	<u>\$ 10,273,965</u>	<u>2,732,412</u>
											Fund equity as of June 30, 2020 <u>\$ 2,732,412</u>

See accompanying independent auditor's report.

AVOCA CENTRAL SCHOOL DISTRICT
BUDGET COMPARISON STATEMENT FOR STATE AND
OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS4A

Page 41

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school	N/A	19-20	\$ 22,228	22,228	\$ 22,228
Universal Pre-kindergarten	0409-20-7026	19-20	95,540	95,540	95,540
BOCES aid - food service fund	N/A	19-20	N/A	40,117	40,117
Summer food service program	N/A	19-20	N/A	4,141	4,141
School breakfast programs	N/A	19-20	N/A	1,841	1,841
School lunch programs	N/A	19-20	N/A	2,537	2,537
				<u>\$ 166,404</u>	<u>\$ 166,404</u>

AVOCA CENTRAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS4B

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Avoca Central School District** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Basis of Accounting

The basis of accounting varies by Federal program consistent with underlying regulations pertaining to each program. The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for applicable program and periods. The amounts reported in there Federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Note 2 - Non-monetary Federal Program

The accompanying **Avoca Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2020, the District reported in the Schedule of Federal Awards \$24,190 of donated commodities at fair market value received and disbursed.

Note 3 – Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance in the current year.

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS4C

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Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
US Department of Education:					
Direct Grant:					
Small, Rural School Achievement Program	84.358A	S358A197656	\$ 32,426	\$ 6,045	\$ 6,045
Passed through NYS					
Department of Education:					
Title I	84.010A	0021-20-2840	127,242	125,450	125,450
Title II, Part A	84.367A	0147-20-2840	20,943	20,814	20,814
Title IV - SSAE	84.424A	0204-20-2840	10,478	10,478	10,478
IDEA, Part B Public Law 94-142 *	84.027A	0032-20-0854	129,814	127,872	127,872
IDEA, Pre-school Public Law 99-457 *	84.173A	0033-20-0854	6,779	6,779	6,779
Passed through NYS					
Department of Education:					
National School Lunch Program **	10.555	N/A	N/A	115,004	115,004
National School Breakfast Program **	10.553	N/A	N/A	41,580	41,580
Summer Food Service Program **	10.559	N/A	N/A	16,950	16,950
COVID-19 - Summer Food Service Program **	10.559	N/A	N/A	97,566	97,566
National School Snack Program **	10.555	N/A	N/A	6,620	6,620
Child Nutrition Equipment Assistance Grants	10.579	0005-19-0056	20,000	14,985	14,985
Passed through NYS					
Office of General Services:					
National School Lunch Program					
Noncash assistance (Donated Commodities) **	10.555	N/A	N/A	24,190	24,190
Total expenditures and revenue				\$ 614,333	\$ 614,333

* Constitutes a cluster of Federal programs

** Constitutes a cluster of Federal programs

Note: Total Federal Awards did not exceed \$750,000 and therefore, a single audit was not required during 2019-20 fiscal year in accordance with the Uniform Guidance.

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2020

Schedule SS5

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Capital Assets	\$	26,983,030
Less:		
Serial bonds		(14,271,022)
Energy performance, included in debt		(781,813)
Plus:		
Assets to be used for capital improvements, net of related liabilities		<u>2,732,412</u>
Net investment in capital assets	\$	<u><u>14,662,607</u></u>

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30, 2018 THROUGH JUNE 30, 2020

Schedule SS6

Page 44

For the year ended June 30,	2020	2019	2018
Total OPEB Liability			
Service cost	251,780	485,287	465,898
Interest	278,986	559,014	514,017
Differences between expected and actual experience	(5,844,855)	-	-
Changes in assumptions	8,527,410	939,645	(712,795)
Benefit payments	(105,950)	(213,090)	(560,098)
Net change in total OPEB liability	3,107,371	1,770,856	(292,978)
Total OPEB liability - beginning	15,835,907	14,065,051	3,347,548
Prior period adjustment	-	-	11,010,481
Total OPEB liability - ending	\$ 18,943,278	\$ 15,835,907	\$ 14,065,051
 Plan fiduciary net position			
Contributions - employer	\$ 105,950	\$ 213,090	\$ 560,098
Net investment income	-	-	-
Benefit payments	(105,950)	(213,090)	(560,098)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending	\$ -	\$ -	\$ -
 District's net OPEB liability	 \$ 18,943,278	 \$ 15,835,907	 \$ 14,065,051
 Plan fiduciary net position as a percentage of total OPEB liability	 0.00%	 0.00%	 0.00%
 Covered-employee payroll	 \$ 4,767,202	 \$ 4,219,321	 \$ 4,336,344
 District's net OPEB liability as a percentage of covered-employee payroll	 397.37%	 375.32%	 324.35%

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate 2.74% effective 12/31/19 changing from 3.51% as of 6/30/19.
 Health care trend rates were 5.4% - 3.94% in December 2019 and 5.5% - 3.84% in June 2019
 Mortality rates based on Scale MP-2019 in December 2019 and Scale RP-2015 in June 2019.

Change in measurement date: The District opted to change their measurement date from June 30 to December 31 after the fiscal year ending June 30, 2019. The current year's calculations were performed using a valuation date of January 1, 2019 for reporting the District's full accrual financial statements with a measurement date of December 31, 2019.

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB
FOR THE YEARS ENDED JUNE 30, 2018 THROUGH JUNE 30, 2020

Schedule SS7

Page 45

For the year ended June 30,	2020	2019	2018
Actuarially determined contributions	\$ 105,950	\$ 213,090	\$ 560,098
Contributions in relation to the actuarially determined contribution	(105,950)	(213,090)	(560,098)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,767,202	\$ 4,219,321	\$ 4,336,344
Contributions as a percentage of District's covered-employee payroll	2.22%	5.05%	12.92%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, 2019 and measured as of December 31, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	2.74% as of December 31, 2019
Inflation	2.40% per year
Healthcare cost trend rates	2019 - 5.4%. Rates expected to decrease each year thereafter with an ultimate rate of 3.94% after 2075.
Salary increases	10.00% - 2.72%
Mortality	4/1/10 - 3/31/2015 NYSLRS experiences with adjustments based on Society of Actuaries Scale MP-2019.
Retiree Cost Sharing	District pays 50% for single and 50% for family - based on years of service.
Participants	102 Active and 53 Retirees

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2020

Schedule SS8

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New York State Teachers' Retirement System

For the year ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 350,426	\$ 423,488	\$ 373,998	\$ 443,003	\$ 489,994	\$ 629,454	\$ 574,639	\$ 412,901
Contributions in relation to the contractually required contribution	(350,426)	(423,488)	(373,998)	(443,003)	(489,994)	(629,454)	(574,639)	(412,901)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,955,147	\$ 3,987,646	\$ 3,816,306	\$ 3,779,889	\$ 3,695,279	\$ 3,590,724	\$ 3,536,240	\$ 3,487,340
Contributions as a percentage of District's covered-employee payroll	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

New York State Local Employees' Retirement System

For the year ended March 31,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 128,440	\$ 125,004	\$ 133,509	\$ 144,864	\$ 164,898	\$ 164,297	\$ 209,536	\$ 187,707
Contributions in relation to the contractually required contribution	(128,440)	(125,004)	(133,509)	(144,864)	(164,898)	(164,297)	(209,536)	(187,707)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 961,264	\$ 928,431	\$ 905,059	\$ 1,000,675	\$ 935,004	\$ 956,392	\$ 1,004,212	\$ 1,003,844
Contributions as a percentage of District's covered-employee payroll	13.36%	13.46%	14.75%	14.48%	17.64%	17.18%	20.87%	18.70%

See accompanying independent auditor's report.

AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICTS PROPORTIONATE SHARE OF THE
NET PENSION ASSET – NYSTRS AND PROPORTIONATE SHARE OF
NET PENSION LIABILITY - NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2020

New York State Teachers' Retirement System - Net Pension Asset (Liability)

As of the measurement date of June 30,	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability/asset	n/a	0.023695%	0.023060%	0.023370%	0.023493%	0.023904%	0.023940%	0.023804%
District's proportionate share of the net pension asset/(liability)	n/a	\$ 615,609	\$ 416,979	\$ 177,363	\$ (251,616)	\$ 2,482,879	\$ 2,666,714	\$ 156,688
District's covered-employee payroll	n/a	\$ 3,987,646	\$ 3,816,306	\$ 3,779,889	\$ 3,695,279	\$ 3,590,724	\$ 3,536,240	\$ 3,487,340
District's proportionate share of the net pension liability/asset as a percentage of its covered employee payroll	n/a	15.44%	10.93%	4.70%	6.81%	69.15%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension asset (liability)	n/a	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

New York State Local Employees' Retirement System - Net Pension (Liability)

As of the measurement date of March 31,	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension (liability)	0.0033510%	0.0032104%	0.0030684%	0.0033788%	0.0035325%	0.0033362%	n/a	n/a
District's proportionate share of the net pension (liability)	\$ (887,368)	\$ (227,462)	\$ (99,032)	\$ (317,484)	\$ (566,972)	\$ (102,212)	\$ (150,760)	n/a
District's covered-employee payroll	\$ 961,264	\$ 928,431	\$ 905,059	\$ 1,000,675	\$ 935,004	\$ 956,932	\$ 1,004,212	n/a
District's proportionate share of the net pension (liability) as a percentage of its covered employee payroll	92.31%	24.50%	10.94%	31.73%	60.64%	10.68%	15.01%	n/a
Plan fiduciary net position as a percentage of the total pension (liability)	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%	n/a	n/a

**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 President and
Members of the Board of Education
Avoca Central School District
Avoca, New York**

Report on Financial Statements

We have audited 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, the financial statements of the governmental activities and each major fund of *Avoca Central School District* as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise *Avoca Central School District's* basic financial statements and have issued our report thereon dated September 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered *Avoca 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 *Avoca Central School District's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Avoca Central School District's* internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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. We consider the deficiency in the District's internal control described in the accompanying schedule of findings and questioned costs as item II.A.2020-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Avoca 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item II.B.2020-002.

Avoca Central School District's Responses to Findings

Avoca Central School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. *Avoca Central School District's* responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not provided 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 15, 2020**

**AVOCA CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of *Avoca Central School District*
2. One material weakness relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". This material weakness is described in the accompanying schedule of findings and questioned costs as item II.A.2020-001.
3. There was one instance of noncompliance material to the financial statements of *Avoca Central School District* reported in the 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". This instance of noncompliance is reported as item II.B.2020-002.
4. A single audit in accordance with Uniform Guidance was not required during the fiscal year ended June 30, 2020, as the District's expenditures of Federal Awards were below \$750,000.

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended June 30, 2020

2020-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording retirement accruals, capital project funds, interfund transfers and converting to the full accrual method for government-wide financial statement purposes. In addition, a draft of the financial statements was prepared by the auditors.

Cause and Effect: AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming to generally accepted accounting principles.

Auditor's Recommendation: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

School District's Response: The District has received, reviewed and approved all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of these financial statements and the ability to make informed judgments based on these financial statements.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2020

2020-002 Unassigned Fund Balance

Conditions and criteria: **Avoca Central School District's** unassigned fund balance as of June 30, 2020 amounted to \$2,052,055. This amount constitutes approximately 15% of the 2020-2021 school budget.

Effect: The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

Auditor's Recommendation: **Avoca Central School District's** should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation of fund balance.

School District's Response: As a result of the audit, **Avoca Central School District** realizes its unassigned fund balance as of June 30, 2020 is in excess of the NYS mandated 4% level. The District will continue to review its options with regards to reservation and designation of fund balance.

I. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2019-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended June 30, 2019

Summary of Prior Year Finding: Adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District. AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

Current Status: Similar finding related to internal control over financial reporting is being reported upon during the year ended June 30, 2020, as identified as finding 2020-001.

B. COMPLIANCE AND OTHER MATTERS

2019-002 Unassigned Fund Balance

Year Ended June 30, 2019

Summary of Prior Year Finding: *Avoca Central School District's* unassigned fund balance as of June 30, 2019 amounted to \$1,879,794. This amount constitutes approximately 15% of the 2019-2020 school budget. The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

Current Status: Similar finding related to compliance and other matters is being reported upon during the year ended June 30, 2020, as identified as finding 2020-002.



To the President and Members of the
Board of Education
and School Administration
Avoca Central School District
Avoca, New York

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2020 of the District's financial statements and have issued our reports thereon dated September 15, 2020. Our audit report expressed an unmodified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Avoca Central School District* for the year ended June 30, 2020, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation.

We have also presented a summary of additional comments which we desire to bring to the board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. *Avoca Central School District's* has provided responses to the additional comments, however, we did not audit these responses and, accordingly, we express no opinion on them.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

Olean, New York
September 15, 2020

**AVOCA CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Page 2

Capital Assets

The District reports approximately \$27 million of capital assets. During the course of our audit we discovered that significant reconciliations were needed to agree the District's records to the fixed asset appraisal. We recommend the District work to identify the differences and contact the appraisal company to reconcile the appraisal report with District audited records. In the future an important step in the capital asset process is not only reporting additions and disposals to the appraisal company on an annual basis but also reviewing the report once an update is complete to verify that such items were properly accounted for.

The District's current capitalization policy is to capitalize all items greater than \$500. We recommend the District evaluate their capitalization policy and determine if the District would benefit from an increase in that threshold.

District's response: The District will continue its efforts to accurately state the capital assets, and will contract periodically for an updated full appraisal.

Community-Wide Eligibility Program

During the initial year of enrollment Community Eligibility Provision, the Federal government assigns a reimbursement percentage based on the number of students who are directly certified by New York State. Although the reimbursement rate established in the initial year is valid for four years, the District would be eligible to have the rate increased if the percentage of students who are directly certified increases. This would also require the District to re-enroll for 4 additional years. We recommend that the District consider re-evaluating the direct certification percentage on an annual basis. In the current year the Federal and State governments have extended the eligibility reflective date from April 1, 2020 to the period from April 1 through June 30, 2020. It may be worthwhile for the district to check on the direct certification data during this period (4/1-6/30) to see if direct certification percentages have increased from your previously approved rate due to COVID-19 and if so, determine whether it makes sense to reapply for CEP status at this higher rate.

District's response: The District has had discussion with the cafeteria manager regarding the potential benefits of re-evaluating the direct certification percentage on an annual basis. The District will work to ensure that it is maximizing the potential reimbursement rate.

COVID-19 Pandemic

Federal Aid

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed which provides funding and emergency assistance to school Districts. The New York State Department of Education has allocated approximately \$118,000 of CARES Act assistance to the District which is for the funding period of March 13, 2020 through September 30, 2022. We recommend the District continue to review Federal guidance, including compliance requirements, related to this funding.

Internal Controls IT Risks

During the initial phases of the Pandemic, certain processes of the District that were previously performed in-person were completed remotely. Because significant data is being transmitted electronically, the District may consider performing a penetration/security test of its IT network. In addition, the District shall continue to periodically review listing of employees with access to the internal local area network to determine if accounts should be disabled or deleted and continue to periodically review user access rights to determine that employees only have rights that are commensurate with their job responsibilities.

District's response: The district has reviewed all available documentation and attended numerous webinars on proper accounting procedures for the federal CARES Act funding. The district will continue to review any new guidance issued and participate in all available trainings.

Network access is disabled for all departing employees as part of the exit process. The district will continue to review the access rights of active users on a regular basis and will look into performing a penetration test of our network.

**AVOCA CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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Future Governmental Accounting Standard

In May 2020, the Governmental Accounting Standards Board issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extends the implementation dates of new GASB standards for an additional year, including two standards outlined below that may have significance to the District.

GASB 84 – Fiduciary Activities

In 2017, the Governmental Accounting Standards Board issued Statement No. 84, Fiduciary Activities, which will be effective for the fiscal year ending June 30, 2021. This new standard's objective is to improve the guidance regarding the identification and reporting of fiduciary activities and focuses on the source of the revenue and control over activity assets. One of the characteristics of a fiduciary activity as defined by the standard are that the assets are for the benefit of individuals and the district does not have administrative involvement with the assets or direct financial involvement with the assets. School districts will be required to evaluate activity currently recorded in the trust and agency fund, including extraclassroom activities. Those activities that do not meet the fiduciary definition will be required to be reported in the governmental funds, either in the general fund or special revenue fund. The change also affects how certain fiduciary activities, custodial funds, are reported by requiring additions and subtractions to be included on the Statement of Changes in Fiduciary Net Position. We recommend the District review the new fiduciary activity standard to ensure proper adherence.

GASB 87- Accounting for Leases

In 2017, the Governmental Accounting Standards Board issued Statement No. 87, Accounting for Leases, which will be effective for the fiscal year ending June 30, 2022. The primary objective of this is new standard is to bring most leases onto the balance sheet. The goal is to determine if any operating leases contain a right-to-use asset and record an asset and liability related to that lease. Also under the new standard there will be changes in the terms used for the two classifications; operating leases and finance leases (previously capital leases) and additional financial statement disclosures. We recommend that the District begin to collect pertinent data on all lease agreements for evaluation along with familiarizing themselves with the new lease standard, which may include continuing education, webinars and further training.

District response: The District will continue to review all current and future guidance related to the implementation of GASB 84 and GASB 87. District representatives will participate in related webinars and training opportunities as they become available.

Capital Outlay Project Fund Balance

As noted on page 40 of the financial statements, the District currently has fund balance in the amount of \$11,073 related to capital outlay projects. We recommend that the District transfer this balance to the general fund where the original source of funding was derived.

District response: This fund balance is a result of the 2019-2020 project expenses being lower than originally anticipated. This balance will be transferred back to the general fund.

Budgeted Reserves

During our review of the District's 2019-20 budget we noticed that sources of funds included the use of reserves, however, the type of reserve was not specified. We recommend that future budgets outline which reserves the District is planning on utilizing when balancing the budget.

District response: Although a detailed breakdown of which reserves are being utilized is discussed in public session at BOE meetings, that breakdown has not traditionally been included in the budget newsletter that is mailed to taxpayers. This detailed breakdown will be included in future budget newsletters.

AVOCA CENTRAL SCHOOL DISTRICT

***EXTRACLASSROOM ACTIVITY FUND
FINANCIAL STATEMENT***

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

***WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANT***

AVOCA CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND

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INDEPENDENT AUDITOR'S REPORT

**To the President and
Members of the Board of Education
Avoca Central School District
Avoca, New York New York**

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Fund of the **Avoca Central School District** for the year ended June 30, 2020, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 the *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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Basis for Qualified Opinion

The records of the Extraclassroom funds of the **Avoca Central School District** were not adequate to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

Qualified Opinion

In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the basis for qualified opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of the **Avoca Central School District** for the year ended June 30, 2020 on the basis of accounting described in Note 1.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 15, 2020**

AVOCA CENTRAL SCHOOL DISTRICT
STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS
JULY 1, 2019 THROUGH JUNE 30, 2020

Extracurricular activities:	Balances July 1, 2019	Total Receipts	Total Receipts & Balances	Total Payments	Balances June 30, 2020
Art Club	\$ 9,815	\$ 14,510	\$ 24,325	\$ 12,933	\$ 11,392
Athletic Club	5,174	13,244	18,418	12,461	5,957
Cheerleaders	6,289	10,664	16,953	10,166	6,787
Chorus & Co	6,614	3,180	9,794	1,142	8,652
Class of 2019	4,395	-	4,395	4,395	-
Class of 2020	14,914	20,665	35,579	35,579	-
Class of 2021	8,375	11,963	20,338	6,357	13,981
Class of 2022	6,707	10,653	17,360	5,619	11,741
Class of 2023	-	10,730	10,730	6,312	4,418
FFA	-	3,731	3,731	2,539	1,192
Modern Language Club	7,273	3,578	10,851	2,182	8,669
Music Guild	380	-	380	101	279
National Junior Honor Society	621	185	806	59	747
SADD	2,435	350	2,785	337	2,448
Sales Tax	750	2,615	3,365	2,973	392
Science Club	5,338	-	5,338	707	4,631
Ski Club	199	1,140	1,339	1,140	199
Student Council	7,918	3,533	11,451	4,527	6,924
Yearbook	3,938	10,314	14,252	10,779	3,473
Tiger All Nighter	1,265	750	2,015	-	2,015
Total activity fund	\$ 92,400	\$ 121,805	\$ 214,205	\$ 120,308	\$ 93,897

**AVOCA CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020**

Page 3

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of *Avoca Central School District*. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$93,897 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

The accounts of the Extraclassroom Activity Fund of *Avoca Central School District* are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. 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.



**To the President and
Members of the Board of Education
Avoca Central School District
Avoca, New York New York**

Ladies and Gentlemen:

In planning and performing our audit of the statement of cash receipts and disbursements – cash basis of the Extraclassroom Activity Fund of **Avoca Central School District** as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered **Avoca Central School District's** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Avoca Central School District's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Avoca Central School District's** internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the following deficiency in internal control to be a material weakness:

Point of Sale Records

We noted several instances where the receipt of cash lacked point of sale records. Each cash receipt received by the central treasurer should be accompanied by supporting documentation which reconciles cash received to participation times rates/fees. Due to the lack of point of sale records, cash receipts are not adequate to permit the application of the necessary auditing procedures to indicate whether receipts were recorded. We recommend that point of sale records be filled out in detail or an appropriate summary be attached by the student treasurer or teacher advisor, and be verified or reviewed by the central treasurer.

District's response: The District will continue to emphasize, with the faculty advisors, the need for complete point of sale records for all fundraising events.

Additional comments for the extraclassroom fund of Avoca Central School District are listed below:

Approval of Purchases

We recommend that the District continue its efforts to have all purchase orders signed and approved prior to the purchase of all goods and services. During situations when it is not practical to issue a purchase order, documentation should be maintained that evidences that proper authorization for the purchases has been made.

District's response: The District will continue to work to have all purchase orders signed and approved prior to the purchase of any goods or services. This will be emphasized with all involved parties.

Fund Raised for Certain Purposes

School districts were faced with difficult decisions during school closures resulting from the Pandemic including what to do with funds raised by students for certain purposes (i.e. student trip) that didn't take place. We recommend that the District develop a policy to address this situation if it occurs in the future and consider reviewing the policy with its legal counsel.

District's response: The district will work to develop a policy to help address future situations in which student-raised funds cannot be used for the purpose for which they were originally raised. Any new policy would be reviewed by legal counsel before being adopted.

This communication is intended solely for the information and use of management, Board of Education, and others within **Avoca Central School District**, and is not intended to be, and should not be, used by anyone other than these specified parties.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 15, 2020**



September 15, 2020

To the Audit Committee
and Board of Education
Avoca Central School District
Avoca, New York

We have audited the financial statements of Avoca Central School District as of and for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Governmental Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 17, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Avoca Central School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were:

Management's estimate of depreciation is based on estimates of useful lives of assets and cost basis of certain assets were derived from a third-party independent appraisal company. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

In addition, the District also has estimated future costs associated with pension and other post-employment benefits and has recorded a net pension liability (TRS & ERS) and an other post-employment benefit liability based on an actuarial study performed by a third-party actuary. We evaluated the key assumptions used to develop this study and its reasonableness in relation to the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures on long-term debt in Note 3IV and the Covid-19 Pandemic in Note 5 to the financial statements, due to their significance.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 15, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, Schedule of changes in the District's net OPEB liability and related ratios, schedule of contributions-OPEB, schedule of the District's share of the net pension asset/liability, and the schedule of the District's contributions for defined benefit pension plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, including combining and individual fund financial statements, the schedule of expenditures of federal awards, and other schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board and management of Avoca Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.