

SACKETS HARBOR CENTRAL
SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

BOARD OF EDUCATION

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sackets Harbor Central School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Sackets Harbor Central School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4-26), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 87), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (pages 88-89), Schedule of District's Proportionate Share of the Net Pension Asset (Liability) - NYSLRS Pension Plan (page 90), and Schedule of District's Contributions - NYSLRS Pension Plan (page 91) 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.

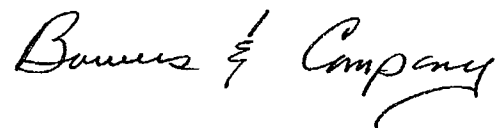
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sackets Harbor Central School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 92-96) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 92-96) 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 Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 92-96) 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 October 14, 2020 on our consideration of the Sackets Harbor Central School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sackets Harbor 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 Sackets Harbor Central School District’s internal control over financial reporting and compliance.



Watertown, New York
October 14, 2020

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

INTRODUCTION

The following is a discussion and analysis of Sackets Harbor Central School District's financial performance for the fiscal year ended June 30, 2020. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the 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 immediately follow this section.

FINANCIAL HIGHLIGHTS

The School District's purpose is to educate all students to high levels of academic performance while fostering positive growth in social/emotional behaviors and attitudes. The Board of Education is the governing body elected by the residents of the School District. Their mission is to maintain certain standards in excellence set by the New York State Board of Regents. This has to be accomplished with the least economic impact to the local taxpayer. The following financial highlights are the School District's attempt at completing this mission.

- For the year ending June 30, 2020, total revenues of \$9,556,300 was \$491,141 less than the \$10,047,441 in expenses. The \$491,141 was applied against the Net Position beginning of the year balance of (\$17,975,382), for an ending Net Position of (\$18,466,523) at June 30, 2020. That negative change was primarily the result of a strategic move by the District to pay for the District's share of BOCES' capital construction project, rather than finance that obligation over multiple years and incur unnecessary debt. It was funded in part by applying some additional Assigned Appropriated Fund Balance.
- The School District's Assigned Appropriated Fund Balance designated to reduce the tax levy in 2019-2020 was \$550,000. That amount was reduced to \$385,000 to support the 2020-21 budget. With the uncertainty of how the pandemic may affect future operations, the District is comfortable ending the year with the General Fund's Unassigned Fund Balance at \$602,557, which is 6.5% of the 2020-21 budget.
- The total property assessment for the School District in the 2019-2020 school year was \$338,798,992. A revaluation was complete in 2009. The true value tax rate for the school's portion of the levy in 2019-2020 was \$11.38 per thousand of assessment.
- The School District employs about 80 full and part time employees. The one union (Teachers Union) has a collective bargaining agreement in place until June 30, 2021.
- The BEDS enrollment for the 2019-2020 school year was 409 and our projected enrollment for Fall 2020 is 395 students, which is a slight decrease for the District from previous years and similar to the current enrollment changes in neighboring school districts in the county.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FINANCIAL HIGHLIGHTS - Continued

- The District has maintained standards set by the New York State Education Department for the testing of their students to achieve mastery in certain core subjects at or above the levels set by the State Education Department for the year ending June 30, 2020.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget and actual for the year.

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Table A-1	Major Features of the District-Wide and Fund Financial Statement		
		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities' monies
Required Financial Statements	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. 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, 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	Additions and deductions during the year, regardless of when cash is received or paid

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS - Continued

District-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Fund Financial Statements - Continued

The district has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$18,466,523 at the close of the most recent fiscal year. This represents a \$491,141 decrease in the statement of net position for the year. The overall deficit is largely due to the District's other postemployment benefit ("OPEB") liability. As of June 30, 2020, the OPEB liability was \$30,759,477 compared to \$27,112,367 reported at the close of the prior fiscal year. The overall decrease in net position in the current fiscal year is largely due to the net change in the OPEB liability recognized in the current year which resulted in an increase of \$3,647,110. See Note 11 for additional OPEB information.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued**

The following schedule summarizes the School District's Net Position. The complete Statement of Net Position can be found in the School District's basic financial statements.

**Condensed Statement of Net Position
Comparison 2019-2020 and 2018-2019**

	2019-2020	2018-2019
Assets		
Current and Other Assets	\$ 3,649,339	\$ 6,795,835
Capital Assets, Net	15,036,755	11,184,017
Net Pension Asset - Proportionate Share	421,444	306,676
Total Assets	<u>\$ 19,107,538</u>	<u>\$ 18,286,528</u>
Deferred Outflows of Resources		
Deferred Charge on Refunding	\$ 21,840	\$ 700
Other Postemployment Benefits	3,074,364	662,976
Pensions	1,918,171	1,792,191
Total Deferred Outflows of Resources	<u>\$ 5,014,375</u>	<u>\$ 2,455,867</u>
Liabilities		
Current Liabilities	\$ 6,995,162	\$ 6,525,773
Long-Term Liabilities	32,732,308	28,778,280
Total Liabilities	<u>\$ 39,727,470</u>	<u>\$ 35,304,053</u>
Deferred Inflows of Resources		
Pensions	\$ 598,482	\$ 463,116
Other Postemployment Benefits	2,262,484	2,950,608
Total Deferred Inflows of Resources	<u>\$ 2,860,966</u>	<u>\$ 3,413,724</u>
Net Position		
Net Investment in Capital Assets	\$ 8,171,768	\$ 4,151,510
Restricted	1,240,721	859,771
Unrestricted (Deficit)	(27,879,012)	(22,986,663)
Total Net Position	<u>\$ (18,466,523)</u>	<u>\$ (17,975,382)</u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The largest portion of the School District's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The School District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In general, current assets are those assets that are available to satisfy current obligations, current liabilities, and those liabilities that will be paid within one year. Current assets consist primarily of cash and cash equivalents of \$2,957,812, and state, federal and BOCES aid receivable of \$683,867.

In addition to assets, the *Statement of Net Position* reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Included in deferred outflows of resources in the current year is \$1,918,171 related to the District's participation in the NYS TRS and ERS pension systems, \$3,074,364 related to the District's OPEB Plan, and \$21,840 for a deferred charge on bond refunding.

Current liabilities consist principally of accounts payable, accrued expenses, bond anticipation notes payable and unearned revenues totaling \$6,587,069, and the current portion of long-term debt totaling \$408,093.

In addition to liabilities, the *Statement of Net Position* or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Included in deferred inflows of resources in the current year is \$598,482 related to the District's participation in the NYS TRS and ERS pension systems, and \$2,262,484 related to the District's OPEB Plan.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued**

The Statement of Activities shows the cost of program services net of charges for services and grants offsetting those services. General revenues including tax revenue, investment earnings, and unrestricted state and federal aid must support the net cost of the School District's programs.

The following schedule summarizes the School District's activities. The complete Statement of Activities can be found in the School District's basic financial statements.

**Condensed Statement of Activities
Comparison 2019-2020 and 2018-2019**

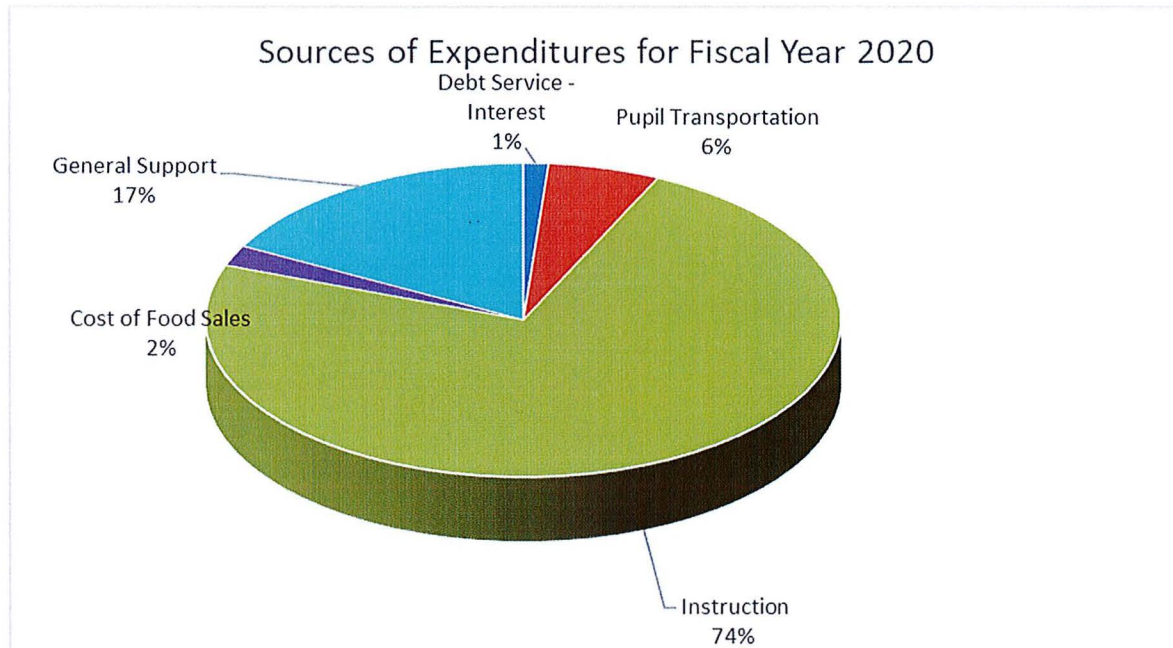
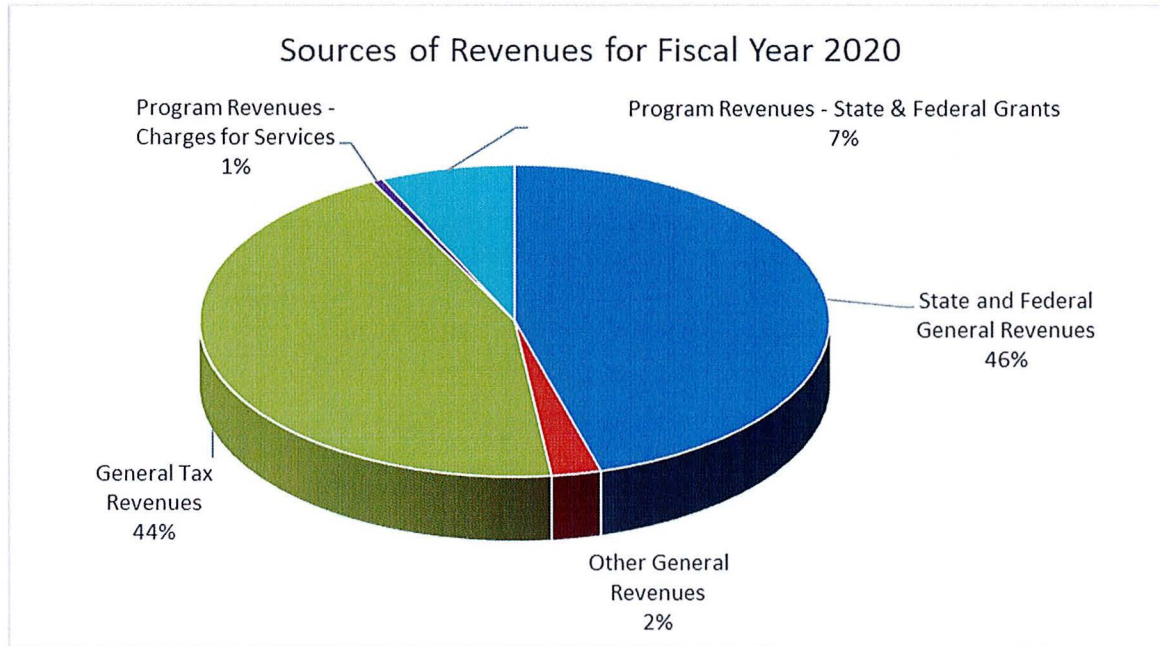
	2019-2020	2018-2019
Revenues		
Program Revenues		
Charges for Services	\$ 53,361	\$ 86,491
Operating Grants	656,908	591,717
General Revenues		
Property and Other Tax Items	4,247,780	4,166,534
Use of Money and Property	91,753	47,268
Sale of Property and Compensation for Loss	9,005	8,818
Loss on Disposition of Property	(1,824)	-
State Sources	4,226,577	4,107,789
Medicaid Reimbursement	30,856	33,595
Federal Sources	99,584	104,405
Miscellaneous	142,300	133,581
Total Revenues	<u>\$ 9,556,300</u>	<u>\$ 9,280,198</u>
Expenses		
General Support	\$ 1,728,368	\$ 1,303,121
Instruction	7,398,523	6,824,125
Pupil Transportation	574,213	621,645
Debt Service - Interest	130,010	51,600
School Food Service Program	216,327	138,099
Total Expenses	<u>10,047,441</u>	<u>8,938,590</u>
Change in Net Position	<u>\$ (491,141)</u>	<u>\$ 341,608</u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE – Continued



SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued**

The School District is heavily dependent on both state and federal aid for its funding. State and Federal Grants and State and Federal General Revenues combined account for 53% of total revenues. General Tax Revenues account for 44% of revenues received for the year. These two sources account for 97% of the total revenues received in the 2019-2020 school year.

Instruction, transportation, and general support account for 97% of the total expenses of the School District, which is comparative to prior year percentages.

The financial statements also include the Special Aid Fund and School Food Service Fund, which are primarily funded by state and federal aid and food sales.

General Fund Budgetary Highlights

The School District's budget of \$9,130,517 for 2019-2020 was approved by referendum on May 21, 2019 (131 residents voted). The School District's total budget increase for 2019-2020 was \$331,329 or a 3.7% increase from the prior year budget. The District had no carryover encumbrances from 2018-2019.

Actual expenditures for 2019-2020, including transfers of \$5,944 to other funds, totaled \$8,334,098, for a favorable variance of \$796,419 (under budgeted amounts). The following graph shows how the actual expenditures are distributed for each budget over the past two budget years:

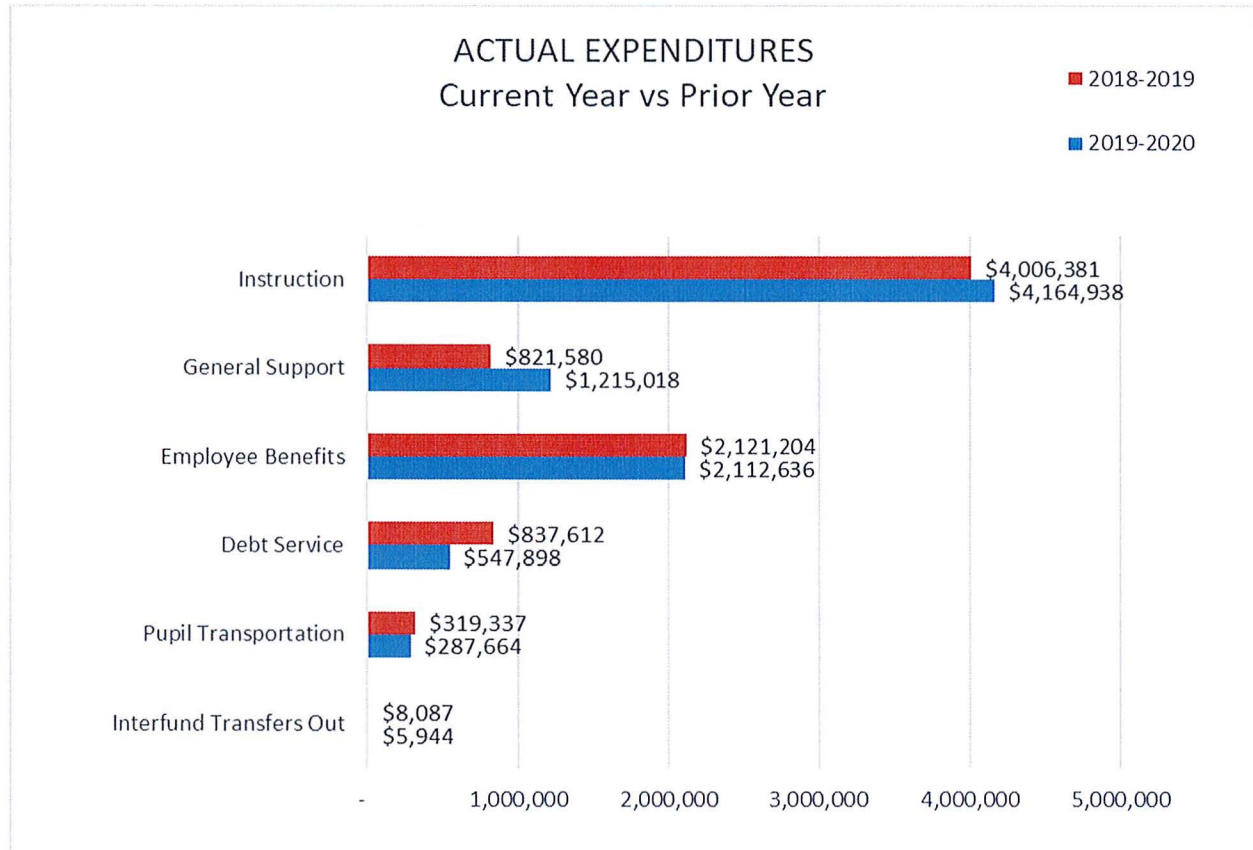
SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

General Fund Budgetary Highlights – Continued



Fiscal year 2019-2020 expenditures were \$219,894 or 2.7% more than the prior year expenditures. The District continued to respond in 2019-2020 to the country’s slow economic recovery and state aid cuts by maintaining fiscal restraints in all areas that do not compromise the quality of education. Expenditures for Instruction increased \$158,557 in fiscal year 2019-2020 over the prior year. The District continues its efforts to continue to meet and exceed state standards, inclusive of Next Generation Learning Standards, in all areas. The decrease of \$289,714 in Debt Service expenditures was due to a bond being paid off in 2018-2019. This savings was offset in 2019-2020 by a new one time expenditure to BOCES capital expense for the district’s share of their capital project, therefore the General Support expenditures increased by \$393,438. The District continues to be fiscally prudent. Employee benefit expenditures decreased by \$8,568 in fiscal year 2019-2020 due mainly to a reduction in the retirement system rate charged to districts. A return to steadily rising diesel fuel, electricity, and natural gas costs have begun to impact the budget. The District utilizes cooperative purchasing bidding to manage the price of these expenses.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

General Fund Budgetary Highlights - Continued

The School District increased its appropriation to \$550,000 of fund balance to reduce taxes for the 2019-2020 budget year. Unspent appropriations provide cash flow at year-end when state aid is uncertain. Without these funds, the School District would have to borrow at year-end in order to meet its obligations into the summer. The District had no carryover encumbrances from 2018-2019.

On May 15, 2018, the voters authorized the establishment of a Capital Reserve Fund, which by Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The reserve was authorized for up to 10 years and in an amount not to exceed \$2,500,000 with funding from budget appropriations or fund balances. As a result, the Board of Education has approved funding the reserve in 2018-2019 as well as 2019-2020. The Capital Reserve balance ending on June 30, 2020 now totals \$1,101,691, including earned interest.

Revenues

Revenues from Local, State and Federal Sources amounted to \$101,843, over final budget figures. The School District received Federal sources exceeding budget by \$100,440 including \$32,890 in REAP Grant Aid, \$36,694 more than budgeted for Impact Aid, and \$30,855 in Medicaid payments. In addition, miscellaneous local sources exceeded budgeted expectations by approximately \$58,509. State sources received, including State aid and BOCES aid, were under budget by \$63,294 due to NYS withholding 20% of aid due district, starting in June 2020, which was recorded as Deferred State Aid under Deferred Inflows of Resources.

As the District plans for future revenues, all districts in NYS were subject to the property tax cap legislation for the first time while developing the 2012-2013 budget. This limits the amount of revenue that can be raised via property taxes without a super majority, and while the impact varies by district, it will be a factor for all districts going forward.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

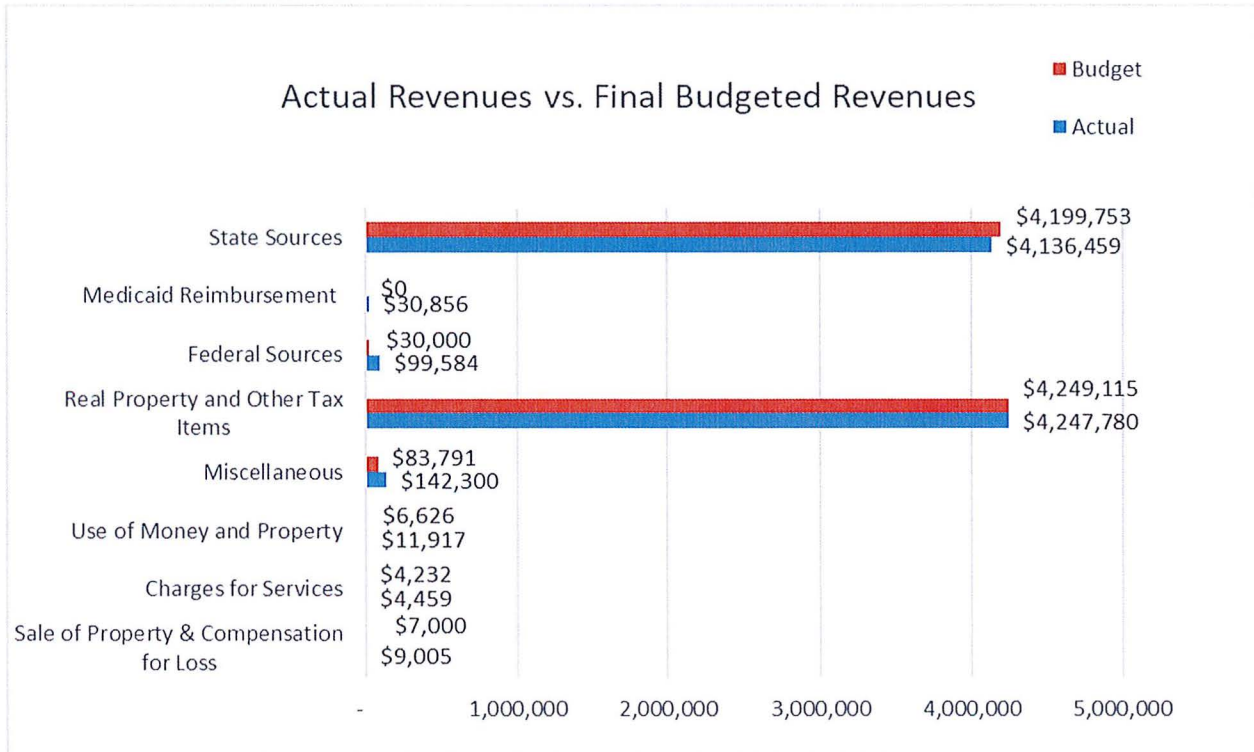
Expenditures

As the following graph portrays, expenditures were in line with the 2019-2020 final budget. The total unspent appropriation budget was \$796,419 and there were no year-end encumbrances at June 30, 2020.

The under-spent budgeted appropriations of \$796,419 netted with positive revenue variances of \$101,843 are used to fund the Assigned Fund Balance for the subsequent year. The 2020-2021 Assigned Fund Balance is \$385,000. The Assigned Fund Balance is 4.17% of the 2020-2021 school budget.

The Assigned Fund Balance needs to be maintained to help the School District with cash flow at the end of the school year. In order to decrease assigned fund balance, without raising the tax levy in the subsequent year, other revenue sources (State Aid) would need to increase.

The following graphs compare actual revenues with final budgeted revenues, and actual expenditures with final budgeted appropriations. Refer to Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund in the financial statements for more detailed information.



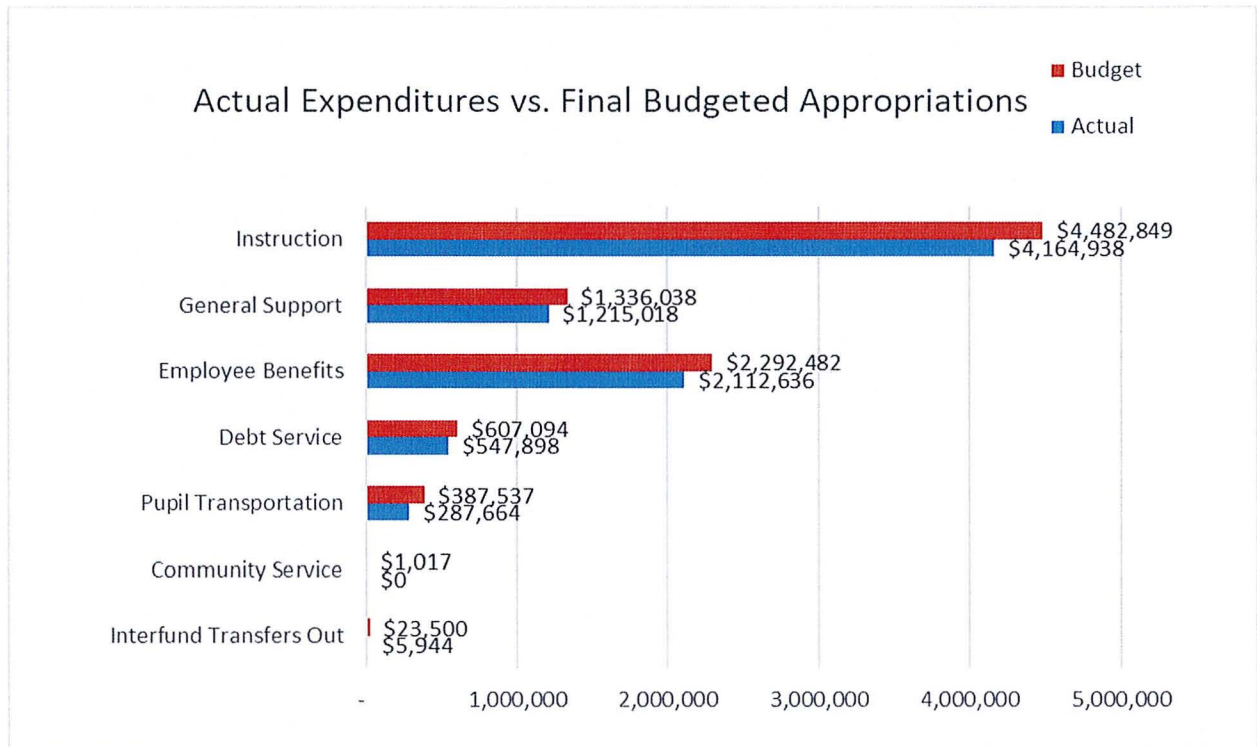
SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Expenditures – Continued



ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

General Fund

General Funds are used to operate the school's daily educational and transportation programs and maintain the buildings and grounds of the facility for continued use. This is the only fund that relies on real property taxes for a portion of funding. Actual property taxes paid (less STAR Reimbursement) amount to 45% of total General Fund revenues for 2019-2020. The budget is very restricted, most of the budget being spent to maintain current operations. The continued increase in uncontrollable expenses, like health and retirement benefits, are eroding funds that could be used to enhance education.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Other Governmental Funds

Special Aid Fund

The School District receives State and Federal grants, which fund specific academic activities. These grants are written for specific purposes and include reading improvement, staff development, technology improvements, and needs related to students with disabilities.

It is important to note that most of these grants have a fiscal year that runs from September 1 to August 31, which differs from the school fiscal year of July 1 to June 30. Therefore, there are funds being spent during the summer months, which may result in carry over amounts as of the June 30, 2020 school year. The District had a decrease in grant aid in Title I funding. It is important to note that any decreases in aid in Title and/or IDEA grants, result in the General Fund absorbing some of those expenditures. In 2017-2018, the District was awarded a five-year Department of Defense Education Activity (DoDEA) Math Improvement Grant, Grades 6-8 for the period 2017-2018 thru 2021-2022. The District received funding for UPK mid-year 2018-2019 with 2019-2020 being the first year fully funded.

The listing below shows the grant amounts recorded in the Special Aid Fund:

	2019-2020	2018-2019
Title I ESEA - Basic Grant	\$ 176,102	\$ 181,955
Title II Part A	25,572	29,262
Title III	2,635	730
Title IV	13,393	12,690
IDEA Part B Section 611	118,666	117,842
IDEA Part B Section 619	3,648	3,560
DoDEA Math Grant	51,035	47,499
Extended Pre-Kindergarten	113,612	55,545
Summer School - Section 4408	30,036	25,442
	<u>\$ 534,699</u>	<u>\$ 474,525</u>

Debt Service Fund

This fund is used to accumulate interest on capital fund proceeds earned during building projects. These funds have to be used to reduce the debt in the General Fund in subsequent years. These funds will be transferred into the General Fund in the future when needed. The total fund balance in the Debt Service Fund at June 30, 2020 increased to \$121,059 due to premiums received on a BAN and a Refunding Bond issue.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Other Governmental Funds - Continued

On October 36, 2019, the District issued \$1,460,000 in serial bonds to advance refund the 2009 Serial Bonds. The District obtained lower interest rates resulting in savings of \$47,998 over the remaining five years of the bonds. The second BAN issued for the capital construction project totaled \$6,242,406 with a premium of \$60,776. The District's bond refunding of \$1,460,000 yielded a premium of \$20,829.

School Food Service Fund

The School Food Service program is generally funded through State and Federal Aid along with the sale of lunch and breakfast items. The School Food Service Program reflects a \$13,527 profit. The District entered into an agreement with St. Lawrence-Lewis BOCES on February 1, 2019 for shared School Food Management services. The change in fund balance for the year ended June 30, 2020 was \$13,527, which increased the fund balance to \$71,031. School food service management is continually changing especially with the implementation of the Healthy, Hunger-Free Kids Act of 2010. Managing food selection requirements in conjunction with the Healthy Hunger-Free Kids Act and increases in food costs, including delivery charges, are a primary factor in containing program increases. The Board of Education approved a \$.25 price increase (K-6) for 2015-2016 as part of the compliance with the mandated USDA lunch price equity legislation and to offset the increased costs of operation. There were no lunch price changes for 2019-2020. The program continues utilizing the recommendations of the consultant and is maintaining their increased breakfast and lunch participation levels. We continue to strive to increase/maintain our free and reduced lunch participation, as the State reimbursement rates are higher than full price charges, which generate additional revenues assisting the School Food Service Program in maintaining a self-sustaining program. The food service manager is very aware of the financial aspects of the program and how to reduce costs. The Point of Service (LunchBytes) program has enhanced the overall school lunch and breakfast programs with strong participation levels for the prepaid. The Board of Education will continue to monitor the School Food Service program with the implementation, costs, and participation levels associated with the Healthy, Hunger-Free Kids Act of 2010.

Capital Projects Fund

The Capital Projects fund accounts for Capital construction projects and other capital purchases. On May 16, 2017 (228 residents voted), a \$7,942,406 Capital project was approved by referendum including approval to utilize \$1,700,000 from the Capital Reserve to reduce the impact to taxpayers. The \$1,700,000 was transferred from the Capital Reserve in the General Fund to the Capital Fund on May 31, 2017. Phase I construction began at the end of June 2018 with work, primarily roofing and windows, completed Fall 2018. Phase II construction began at the end of June 2019 and Phase III is expected to be closed out in the Fall of 2020.

The School District used the Capital Fund during the year to record the purchase of a school bus totaling \$118,633 purchased with the proceeds from a Statutory Installment Bond.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

Land is valued at acquisition cost and the School District only owns property with structures on or adjacent to it.

Building and improvements have various dates of construction from the 1967 elementary wing project to the renovations, new high school wing and new gym completed in 1999, upgrades completed in 2009, and finally the latest capital project improvements to be completed in Fall 2020.

Furniture and equipment are recorded for the entire School District and includes vehicles and school buses.

The Board of Education established a fixed asset policy on June 15, 2004 to capitalize fixed assets of at least \$1,000 and building improvements of at least \$20,000.

Asset Control Solutions, Inc. conducted a physical inventory in February 2013. All assets are tagged and recorded with updates for any purchases or deletions thru June 2020.

Capital Assets, net of accumulated depreciation totaled \$15,036,755 at June 30, 2020.

	Balance June 30, 2019	2020 Additions	2020 Retirements / Reclassifications	Balance June 30, 2020
Land	\$ 15,690	\$ -	\$ -	\$ 15,690
Construction in Progress	2,891,548	4,128,791	(410,088)	6,610,251
Building & Improvements	14,009,483	-	379,542	14,389,025
Furniture & Equipment	2,376,178	187,578	(91,852)	2,471,904
Less:				
Accumulated Depreciation	<u>8,108,882</u>	<u>461,807</u>	<u>(120,574)</u>	<u>8,450,115</u>
Capital Assets, Net	<u>\$ 11,184,017</u>	<u>\$ 3,854,562</u>	<u>\$ (1,824)</u>	<u>\$ 15,036,755</u>

For more information refer to Note 5 in the notes to financial statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Short-Term Debt

The District issued a bond anticipation note on June 20, 2019 for \$5,250,000 maturing June 19, 2020. The BAN carries an interest rate of 2.25%. A second BAN was issued on June 18, 2020 totaling \$6,242,406. This was split between a \$1,000,000 note at 0.7% interest and a \$5,242,406 note at 2% interest rate.

Long-Term Debt

The School District has bonds outstanding on capital projects originally issued from 1999 to 2009. The earliest bond issued, 1999, was complete on June 1, 2019. The last date that bonds will be paid is June 15, 2024.

A bond dated November 26, 2002 was the School District Refunding (Serial) Bonds, 2002. The School District refunded the 1992 and 1999 bonds due to a change implemented by the New York State Legislature. The change resulted in building aid reimbursements from the State linked to the useful life of the project rather than the timetable of the debt financing. The Board of Education adopted a refunding bond resolution on April 17, 2012 for the remaining 2002 Serial Bond to benefit from lower interest rates now prevailing in the municipal bond market. On October 31, 2012, the District issued \$2,320,000 in Serial Bonds to advance refund the 2002 Serial Bonds. The lower interest rates obtained by the District resulted in savings of \$359,262 over the remaining seven years of the bond. A statutory installment bond was issued August 29, 2019 for the purchase of one school bus in the amount of \$118,633. Finally, the 2009 bond issue was advance refunded on October 16, 2019 for \$1,460,000.

The District has complied with GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Regulations require the reporting of other post-employment benefits which was completed by securing a new actuarial firm, Aquarius Capital Solutions Group, LLC. The District obtained an actuarial valuation report as of June 30, 2020. The OPEB liability was measured as of June 30, 2019.

The long-term debt is broken down by current (within one year) and long term (after one year). The School District had the following breakdown of debt June 30, 2020 and 2019:

	2019-2020	2018-2019
Due and Payable in One Year	\$ 408,093	\$ 388,207
Due and Payable After One Year	<u>32,732,308</u>	<u>28,778,280</u>
Total Long-Term Debt	<u>\$ 33,140,401</u>	<u>\$ 29,166,487</u>

For more information refer to Note 7 in the notes to financial statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Long-Term Debt - Continued

The District has implemented in previous years the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District complies with the requirements of this statement by reporting an asset and/or liability for its proportionate of the collective net pensions asset (liability) in the New York State Teachers' and Employees' Retirement Systems. The Statement also requires the District to report a deferred outflow and/or deferred inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. For more information see Note 8.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

On March 16, 2020, in response to the COVID-19 pandemic, our District was forced to close its doors to in-person teaching and learning and shifted very quickly to a virtual environment. We continued to strive to offer the best possible education to our students given unique and very difficult circumstances. Furthermore, the District continued to feed our children, we organized childcare, and provided remote social-emotional support to our students and families in need. During the shutdown from March 2020-June 2020, the District modified almost every aspect of its operations from food service, transportation, building maintenance, and more. Moreover, the immediate economic impact of the pandemic resulted in New York State withholding 20% of our State aid in the months of June, July, and August. We closed the 2019-2020 fiscal year and we were not made whole. These factors materially impacted the past fiscal year's financial decisions and outcomes.

As we embark on the new 2020-2021 school year, our faculty, staff, and students continue to make the best out of a challenging situation. We have been dealt a double-whammy of additional costs related to safely reopening our school district due to the ongoing COVID-19 pandemic while state aid is now being withheld.

The District has incurred and expects to incur additional expenses related to reopening and operating amidst the COVID-19 pandemic. These include expenditures to adhere to health monitoring, cleaning and disinfecting protocols, hiring staff to implement new procedures and protocols, providing the necessary personal protective equipment, and adjusting transportation procedures to reduce density at arrival and dismissal. The overall cost of school operations has and will continue to substantially increase as a direct result of the COVID-19 pandemic.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE -

Continued

At a time when school finances are in a precarious position because of state revenue shortfalls and increased costs related to COVID-19, the School District still contends with a number of other factors that continue to present real or potential challenges for the economic climate of the School District. As has been the case for the last nine years, local revenues have been contained by the Tax Cap while, at the same time, school aid has remained relatively stagnant and most recently withheld. Further, the slow but steady decline in enrollment could result in lower revenues. Our current population is 390 which is approximately 100 fewer students than ten years ago.

During these difficult times, it will be essential that the District continue to strategically use available resources to best serve the needs of students, implement operating efficiencies, and adhere to our long-term plan to ensure the District's financial stability. We have done so via the sharing of services, strategic use of reserve funds, and through making significant building improvements via a Capital Project.

The District has remained committed to working collaboratively with our neighbors and thinking outside of the box to contain costs and realize savings. We remain committed to working collaboratively with the Village of Sackets Harbor, the Town of Hounsfield, Jefferson-Lewis BOCES, as well as with other local school districts to share services in order to realize cost containment and savings. One example of the District's efforts is that a tax collector continues to be shared between the School District and the Village of Sackets Harbor. Another example of shared services is that the District continues to be a member of the Tri-County Energy Consortium which is fully operational and is in the process of expanding. This initiative is an effort to bring savings to its members, enhance New York State's clean energy portfolio, and create a system of shared inter-municipal projects with direct positive results for the people of the North Country.

In addition to sharing services as much as practicable, the District also utilizes reserve funds to plan ahead and save incrementally for the future. The District recognizes the importance of the Capital Reserve as a crucial component of long-term financial planning; thus, with voter-authorization, we established and funded a Capital Reserve in May 2018 which will end the year with \$1,101,691 for future project and facilities improvements. We will continue to contribute to that reserve fund, as the Board of Education deems appropriate.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE -

Continued

The District is in the midst of completing Phase 3 of a \$7,942,406 Capital Project that was approved in the spring of 2017. The Capital Project vote was a success (166-yes, 57-no) largely because the financial impact on our taxpayers was mitigated by the May 2013 establishment and subsequent funding of a Capital Reserve that will off-set the project. Phase I of the Capital Project started during the summer of 2018 and the larger, more substantial, Phase II was completed in 2019. We are currently finalizing Phase 3 and expect completion in the fall of 2020. We are proud that a number of capital improvements have been made that will reduce operating expenses now and into the future.

The District's Administration will take a number of steps during the 2020-2021 school year to improve the fiscal outlook of our school system including the lobbying of lawmakers to find creative solutions to ease the financial burden on schools. It may be likely that our team will need to plan for the possibility of a permanent 20% reduction of aid payments and we will need to adjust accordingly. In the short-term, the additional use of fund balance, layoffs, and reduction of programs and services may be possible if relief is not realized from our state and federal governments.

Despite the pandemic, our District's mission, goals, and objectives have not ceased. We currently are implementing a hybrid model in which students are in-person four days per week and attend virtually one day per week. That can change at any time if COVID-19 infection rates increase in our school, region, or State. Though our educational model is very different than ever before, we continue to pride ourselves on the quality of the education we provide to the students of the District. Faculty and staff work diligently to graduate students who are college and career ready. We accomplish this goal by ensuring the delivery of high quality written, taught, and tested curriculum and by employing student-centered practices to meet the needs of each student. The District continues to seek out and support learning initiatives made possible by grant funding, especially during these bleak financial times.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE -

Continued

The Sackets Harbor Central School District continues to work hard to provide a safe, secure, and supportive environment for students, staff, and school community. To accomplish this goal, we have developed systems, programs, and protocols that will be used to build, maintain, and sustain a positive culture and climate. Our theme for 2020-2021 is "Patriots Persevere" and we are teaching and supporting strategies for all members of our school community to work through the stressors associated with the pandemic. Additionally, during this 2020-2021 school year, we will continue to implement the Positivity Project which is a high-quality character education program. We will also offer faculty, staff, and students training on relevant topics related to cultural competency, Dignity for All Students Act (DASA), and emergency preparedness. For the last three years, our District has benefited from Title IV funding which has allowed us to contract with the community-based organization, PIVOT, to host a counselor onsite two days per week. The goal of the programming is to help youth develop healthy coping skills, make positive lifestyle choices, and avoid alcohol/substance abuse problems. Our District also plans to offer virtual educational sessions to parents/guardians on topics pertinent to raising children. We do this with the intention of collaborating with families to support our students' health, safety, and well-being.

The Village of Sackets Harbor and surrounding areas continue to draw summer residents and tourists alike. The quaint locally-owned shops, high quality restaurants and the local brewery, along with a multitude of events ensure that the community is bustling during the summer months and, although quieter, is still alive during the off-season. Community events include the Annual Memorial Day Parade, the Canadian-American Festival, the 1812 Half-Marathon and Run, the Porch Music Festival, the Harvest Festival, WhooVille in the Harbor, the 1812 Lacrosse Shootout, a variety of concerts on the water, and many other community-wide opportunities.

The success of the school, coupled with the picturesque beauty and the year-round excitement of the Harbor and Village, makes the SHCSD a desirable place to live and attend school. Despite declining population trends in New York State, the housing market in and around the Village of Sackets Harbor appears to have remained stable. The 2019-2020 school tax rate was \$11.49/\$1,000 in assessed value for Adams and Henderson and \$12.62/\$1,000 in the Town of Hounsfield which also includes the \$38,000 public library levy the District collects on their behalf. The Village of Sackets Harbor, Town of Hounsfield, the Sackets Harbor Chamber of Commerce and other interested organizations and parties continually collaborate to discuss how to grow and develop while keeping taxes manageable.

There is at least one viable solar project in the works which may impact Sackets Harbor CSD. This project, by Boralex Renewable Energy, is called the *Greens Corners Solar Project* and it is anticipated that Boralex's permitting application will be submitted by the end of this year. At this time, a PILOT agreement has not been requested but that possibility remains.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE -

Continued

The District's mission is to empower students to embrace life's challenges with knowledge, character, and a commitment to learning as they become contributing citizens in the American democratic way of life. Moving forward, the SHCSD will adhere to this mission by continuing to provide quality educational opportunities for students with the least financial impact to the local taxpayer. The District will continue to implement a sound system for analyzing qualitative and quantitative data to accomplish goals and will continue to leverage partnerships with community organizations to realize benefits to taxpayers and students.

In summary, we anticipate that the economic fallout, as a result of the global pandemic, along with other factors such as declining enrollment, and upcoming negotiations with the Sackets Harbor Teachers' Association will have a significant effect on the financial position of our School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District Clerk at the following address: Sackets Harbor Central School, P.O. Box 290, Sackets Harbor, N.Y., 13685.

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SACKETS HARBOR CENTRAL SCHOOL DISTRICT

AUDITED BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

June 30, 2020

ASSETS		
Cash		
Unrestricted	\$	785,568
Restricted		2,172,244
Receivables		
State and Federal Aid		214,456
Due From Other Governments		469,411
Inventories		7,660
Net Pension Asset - Proportionate Share		421,444
Capital Assets, Net		15,036,755
TOTAL ASSETS	\$	19,107,538
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Bond Refunding	\$	21,840
Other Postemployment Benefits		3,074,364
Pensions		1,918,171
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$	5,014,375
LIABILITIES		
Payables		
Accounts Payable	\$	9,455
Accrued Liabilities		5,384
Accrued Interest		6,819
Due to Teachers' Retirement System		274,102
Due to Employees' Retirement System		39,754
Notes Payable		
Bond Anticipation		6,242,406
Unearned Credits		
Unearned Revenues - Other		9,149
Long-Term Liabilities		
Due and Payable Within One Year		
Bonds Payable, Net of Unamortized Premium		408,093
Due and Payable After One Year		
Bonds Payable, Net of Unamortized Premium		1,158,396
Compensated Absences Payable		52,775
Other Postemployment Benefits Payable		30,759,477
Net Pension Liability - Proportionate Share		761,660
TOTAL LIABILITIES	\$	39,727,470
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	\$	2,262,484
Pensions		598,482
TOTAL DEFERRED INFLOWS OF RESOURCES	\$	2,860,966
NET POSITION		
Net Investment in Capital Assets	\$	8,171,768
Restricted for:		
Capital		1,101,691
Other Legal Restrictions		139,030
Unrestricted (Deficit)		(27,879,012)
TOTAL NET POSITION	\$	(18,466,523)

See notes to audited basic financial statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2020

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS				
General Support	\$ 1,728,368	\$ 4,459	\$ -	\$ (1,723,909)
Instruction	7,398,523	-	534,699	(6,863,824)
Pupil Transportation	574,213	-	-	(574,213)
Debt Service - Interest	130,010	-	-	(130,010)
School Food Service Program	216,327	48,902	122,209	(45,216)
Total Functions and Programs	<u>\$ 10,047,441</u>	<u>\$ 53,361</u>	<u>\$ 656,908</u>	<u>(9,337,172)</u>
GENERAL REVENUES				
Real Property Taxes				3,926,416
Other Tax Items				321,364
Use of Money and Property				91,753
Sale of Property and Compensation for Loss				9,005
Loss on Disposition of Property				(1,824)
State Sources				4,226,577
Medicaid Reimbursement				30,856
Federal Sources				99,584
Miscellaneous				142,300
Total General Revenues				<u>8,846,031</u>
Change in Net Position				(491,141)
Net Position - Beginning of Year				<u>(17,975,382)</u>
Net Position - End of Year				<u>\$ (18,466,523)</u>

See notes to audited basic financial statements.

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2020

	<u>General</u>	<u>Debt Service</u>
ASSETS		
Cash		
Unrestricted	\$ 744,520	\$ -
Restricted	1,119,662	-
Receivables		
Due From Other Funds	130,093	121,059
State and Federal Aid	81,673	-
Due From Other Governments	466,776	-
Inventories	-	-
TOTAL ASSETS	<u><u>\$ 2,542,724</u></u>	<u><u>\$ 121,059</u></u>
LIABILITIES		
Payables		
Accounts Payable	\$ -	\$ -
Accrued Liabilities	5,384	-
Due to Other Funds	22,147	-
Due to Teachers' Retirement System	274,102	-
Due to Employees' Retirement System	39,754	-
Notes Payable		
Bond Anticipation	-	-
Unearned Credits		
Unearned Revenues	4,000	-
Total Liabilities	<u>345,387</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred State Aid	90,118	-
Total Deferred Inflows of Resources	<u>90,118</u>	<u>-</u>
FUND BALANCES (DEFICIT)		
Nonspendable	-	-
Restricted	1,119,662	121,059
Assigned	385,000	-
Unassigned (Deficit)	602,557	-
Total Fund Balances (Deficits)	<u>2,107,219</u>	<u>121,059</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 2,542,724</u></u>	<u><u>\$ 121,059</u></u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

Capital Project - Campus-Wide	Total Non- Major Funds	Total Governmental Funds
\$ -	\$ 41,048	\$ 785,568
1,052,582	-	2,172,244
-	22,147	273,299
-	132,783	214,456
-	2,635	469,411
-	7,660	7,660
<u>\$ 1,052,582</u>	<u>\$ 206,273</u>	<u>\$ 3,922,638</u>
\$ 9,455	\$ -	\$ 9,455
-	-	5,384
121,059	130,093	273,299
-	-	274,102
-	-	39,754
6,242,406	-	6,242,406
-	5,149	9,149
<u>6,372,920</u>	<u>135,242</u>	<u>6,853,549</u>
-	-	90,118
-	-	90,118
-	7,660	7,660
-	-	1,240,721
-	63,371	448,371
<u>(5,320,338)</u>	<u>-</u>	<u>(4,717,781)</u>
<u>(5,320,338)</u>	<u>71,031</u>	<u>(3,021,029)</u>
<u>\$ 1,052,582</u>	<u>\$ 206,273</u>	<u>\$ 3,922,638</u>

See notes to audited basic financial statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

June 30, 2020

Total Fund Balance - Governmental Funds \$ (3,021,029)

Amounts reported for governmental activities in the Statement of Net Position are different because:

Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the fund statements.

Net Pension Asset - Proportionate Share - TRS	421,444	
Net Pension Liability - Proportionate Share - ERS	(761,660)	

Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Other Postemployment Benefits	\$ (2,262,484)	
Pensions	(598,482)	(2,860,966)

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Other Postemployment Benefits	\$ 3,074,364	
Pensions	1,918,171	
Deferred Charge on Bond Refunding	21,840	5,014,375

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. Therefore, deferred inflows of resources are not reported on the Statement of Net Position. The amount consists of reductions in subsequent payments from the following State funding sources which are not considered available within the governmental funds:

BOCES Aid	\$ 72,639	
Excess Cost Aid	17,479	90,118

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

The Cost of Capital Assets is	\$ 23,486,870	
Accumulated Depreciation is	8,450,115	15,036,755

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION - CONTINUED**

June 30, 2020

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

Long-term liabilities, at year end, consist of:

Bonds Payable	\$ 1,548,633	
Accrued Interest on Bonds and BAN	6,819	
Compensated Absences Payable	52,775	
Other Postemployment Benefits Payable	30,759,477	
Premium on Bond Issue	17,856	(32,385,560)
Total Net Position - Governmental Activities		<u><u>\$ (18,466,523)</u></u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

Year Ended June 30, 2020

	<u>General</u>	<u>Debt Service</u>
REVENUES		
Real Property Taxes	\$ 3,926,416	\$ -
Other Tax Items	321,364	-
Charges for Services	4,459	-
Use of Money and Property	11,917	19,060
Sale of Property and Compensation for Loss	9,005	-
State Sources	4,136,459	-
Medicaid Reimbursement	30,856	-
Federal Sources	99,584	-
Surplus Food	-	-
Sales - School Food Service	-	-
Miscellaneous	142,300	-
Total Revenues	<u>8,682,360</u>	<u>19,060</u>
EXPENDITURES		
General Support	1,215,018	-
Instruction	4,164,938	-
Pupil Transportation	287,664	-
Employee Benefits	2,112,636	-
Debt Service		
Principal	402,406	-
Interest	145,492	-
Food Service Program		
General Support	-	-
Cost of Sales	-	-
Capital Outlay	-	-
Total Expenditures	<u>8,328,154</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>354,206</u>	<u>19,060</u>
OTHER FINANCING SOURCES AND (USES)		
Premium on BAN	-	60,776
Premium on Refunding Bond	-	20,829
Proceeds from Bond Refunding	-	1,460,000
Payment to Escrow Agent	-	(1,420,480)
Bond Issuance Costs	-	(60,349)
Operating Transfers In	-	-
Operating Transfers (Out)	(5,944)	-
Total Other Financing Sources (Uses)	<u>(5,944)</u>	<u>60,776</u>
Net Change in Fund Balances	348,262	79,836
Fund Balances (Deficits) - Beginning of Year	1,758,957	41,223
Fund Balances (Deficits) - End of Year	<u>\$ 2,107,219</u>	<u>\$ 121,059</u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

<u>Capital Project - Campus-Wide</u>	<u>Total Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 3,926,416
-	-	321,364
-	-	4,459
-	-	30,977
-	-	9,005
-	147,512	4,283,971
-	-	30,856
-	493,728	593,312
-	15,668	15,668
-	48,902	48,902
-	-	142,300
<u>-</u>	<u>705,810</u>	<u>9,407,230</u>
-	-	1,215,018
-	527,025	4,691,963
-	4,737	292,401
-	27,014	2,139,650
-	-	402,406
-	-	145,492
-	80,628	80,628
-	58,823	58,823
4,128,790	118,633	4,247,423
<u>4,128,790</u>	<u>816,860</u>	<u>13,273,804</u>
<u>(4,128,790)</u>	<u>(111,050)</u>	<u>(3,866,574)</u>
-	-	60,776
-	-	20,829
-	118,633	1,578,633
-	-	(1,420,480)
-	-	(60,349)
-	5,944	5,944
-	-	(5,944)
-	124,577	179,409
<u>(4,128,790)</u>	<u>13,527</u>	<u>(3,687,165)</u>
<u>(1,191,548)</u>	<u>57,504</u>	<u>666,136</u>
<u>\$ (5,320,338)</u>	<u>\$ 71,031</u>	<u>\$ (3,021,029)</u>

See notes to audited basic financial statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES**

Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (3,687,165)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position assets with an initial, individual cost of more than \$1,000 are capitalized and in the Statement of Activities the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and loss on disposals in the current period.

Capital Outlays	\$	4,316,369	
Loss on Disposals		(1,824)	
Depreciation Expense		<u>(461,807)</u>	3,852,738

Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period. 402,406

Premium on debt issuance relating to debt refunding is a revenue in the governmental funds, however, the amount is recorded as a component of long-term liabilities in the Statement of Net Position and the initial amount does not affect the Statement of Activities. (20,829)

Payment to escrow agent relating to debt refunding is an expenditure in the governmental funds, however, the amount reduced the deferred charge on refunding included in deferred outflows on the Statement of Net Position and the initial amount does not affect the Statement of Activities. (39,520)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The interest reported in the Statement of Activities is decreased by the reduction in accrued interest on bonds and amortization of premium on bond issue and defeasance loss. 15,482

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES – CONTINUED**

Year Ended June 30, 2020

In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay), special termination benefits (early retirement) --are measured by the amount 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). (8,176)

Some of the capital assets acquired were financed with long-term debt. The amount financed by the long-term debt is reported in the governmental funds as a source of financing. On the other hand, long-term debt is not revenue in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (118,633)

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences relating to 20% reduction in Excess Cost Aid and BOCES Aid is reported as revenue in the Statement of Activities and a deferred inflow in the governmental funds, and therefore not reported as revenue in the governmental funds. 90,118

On the Statement of Activities, the actual and projected long term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas on the governmental funds only the actual expenditures are recorded for postemployment benefits. (547,598)

Increases in proportionate share of net pension asset (liability) and related deferred outflows/inflows reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' Retirement System	\$	(286,775)	
Employees' Retirement System		(143,189)	(429,964)
Change in Net Position of Governmental Activities		\$	(491,141)

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

Agency

ASSETS

Cash

 Restricted

\$ 68,614

Total Assets

\$ 68,614

LIABILITIES

Extra Classroom Activity Balances

\$ 55,917

Other Liabilities

12,697

Total Liabilities

\$ 68,614

See notes to audited basic financial statements.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Extra Classroom Activity Funds

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Joint Venture

The District is one of 18 component school districts in the Jefferson-Lewis-Hamilton-Herkimer-Oneida Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

During the year, the District was billed \$2,221,162 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$600,919. This represents state aid distributions of \$538,761 and 2019 fund balance returned to schools of \$62,158. However, \$72,639 of BOCES state aid distributions has not been recognized on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds since it is not considered "available" as State aid distributions are being reduced by 20% subsequent to yearend. This amount has been recorded as a deferred inflow of resources on the Balance Sheet – Governmental Funds.

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation

District-Wide Statements

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

The *Statement of Net Position* presents the financial position of the District at fiscal year-end. The *Statement of Activities* presents a comparison between direct program expenses and 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. 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.

Fund Statements

The fund statements provide information about the District's funds, including each type of 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. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following governmental funds:

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Continued

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition and school store operations or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for specific educational programs.

School Food Service Fund: Used to account for child nutrition activities whose funds are restricted as to use.

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

Debt Service Fund: This fund accounts for the accumulation of resources and the payments of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

The District reports the following fiduciary funds:

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

The District only uses one class of fiduciary funds:

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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 collectible within 60 days after the end of the fiscal year as it matches the liquidation of related obligations.

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

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, 2019, and became a lien on August 30, 2019. Taxes are collected during the period September 1, 2019 through October 31, 2019.

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Restricted Resources

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

Interfund Transactions

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

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

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

Estimates

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

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

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

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

Receivables

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

However, \$90,118 of State Aid payments included in State and Federal Aid Receivable have been held back by NYS Division of Budget, but are not deemed uncollectible at this time. Therefore, the amounts have not been recognized on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds as revenues since they are not considered available, but were recognized as revenue in the Statement of Activities and Changes in Net Position – Governmental Activities under the accrual method of accounting. These potential reductions are not material to the government-wide financial statements for the current year.

Inventories

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 inventory items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

A portion of the fund balance in the amount of these non-liquid assets (inventories) has been identified as not available for other subsequent expenditures.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Assets

In the district-wide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

Capital Assets

Capital assets are reported at actual cost or estimated historical cost, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and Improvements	\$ 20,000	SL	20-50 Years
Furniture and Equipment	1,000	SL	5-25 Years

The District does not possess any infrastructure.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the district-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the District's contributions to the New York State Teachers' and Employees' pension systems and to Other Postemployment Benefit (OPEB) plan subsequent to the measurement date. The fourth item relates to OPEB reporting in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting and is reported as deferred state aid – BOCES Aid and Excess Cost Aid payments which have subsequently been reduced by 20%. This represents a deferred inflow only on the Balance Sheet in the governmental funds and revenue on the District-Wide Statement of Activities. 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 periods 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 related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Unearned Revenue

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

Vested Employee Benefits

Compensated Absences

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

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

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

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

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

Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403 (b) and 457.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Benefits – Continued

In addition to providing pension benefits, the District provides Postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-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 as an expenditure.

Short-Term Debt

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

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

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

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Accrued Liabilities and Long-Term Obligations

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

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

Equity Classifications

District-Wide Statements

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

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

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

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

Fund Statements

In the fund basis statement, there are five classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund of \$7,660.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The District has established the following restricted fund balances:

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

Unemployment Insurance

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

Debt Service

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Restricted fund balance includes the following at June 30, 2020:

General Fund	
Capital	\$ 1,101,691
Unemployment Insurance	17,971
Debt Service Fund	<u>121,059</u>
 Total Restricted Funds	 <u><u>\$ 1,240,721</u></u>

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

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

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

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Order of Use of Fund Balance

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

New Accounting Standards

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

GASB has issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective for the year ending June 30, 2020.

Future Changes in Accounting Standards

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2022.

GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2022.

GASB has issued Statement No. 90, *Majority Equity Interests- an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 92, *Omnibus 2020*, effective for the year ending June 30, 2022.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Future Changes in Accounting Standards – Continued

GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending June 30, 2021, except for GASB No. 93 paragraphs 13-14 effective for the year ending June 30, 2022.

GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the year ending June 30, 2022.

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

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN FUND STATEMENTS AND DISTRICT-WIDE
STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the 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 District-wide statements, compared with the current financial resources focus of the governmental funds.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN FUND STATEMENTS AND DISTRICT-WIDE
STATEMENTS – Continued**

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 Sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions and other postemployment benefits payable.

Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

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

1. Long-Term Revenue and Expense 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. Capital Related Differences:

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

3. Long-Term Debt Transaction Differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN FUND STATEMENTS AND DISTRICT-WIDE
STATEMENTS – Continued**

**Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities
- Continued**

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 and its proportionate share of the total 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 - STEWARDSHIP, COMPLIANCE, AND
ACCOUNTABILITY**

Budgets

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND
ACCOUNTABILITY - Continued**

Budgets - Continued

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

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

Special Revenue Funds have not been included in the comparison because they do not have a legally authorized (appropriated) budget.

Encumbrances

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

Other

The Capital Project Fund – Campus-Wide shows an unassigned fund balance deficit of \$5,320,338. This will be funded when the District obtains permanent financing for its current construction project.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 4 - CASH - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

Cash

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

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

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 3,242,257

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$1,119,662 restricted for various fund balance reserves in the General Fund, \$1,052,582 restricted for the voter approved capital project in the Capital Projects Fund – Campus-Wide within the governmental funds and \$68,614 restricted for extra classroom and payroll related liabilities in the Fiduciary Fund.

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2020 all deposits were fully insured and collateralized by the District's agent in the District's name.

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

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

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 5 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30 are as follows:

Governmental Activities	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	\$ 15,690	\$ -	\$ -	\$ 15,690
Construction In Progress	2,891,548	4,128,791	(410,088)	6,610,251
Total Nondepreciable Assets	<u>2,907,238</u>	<u>4,128,791</u>	<u>(410,088)</u>	<u>6,625,941</u>
Capital Assets That Are Depreciated:				
Buildings and Improvements	14,009,483	-	379,542	14,389,025
Furniture and Equipment	2,376,178	187,578	(91,852)	2,471,904
	<u>16,385,661</u>	<u>187,578</u>	<u>287,690</u>	<u>16,860,929</u>
Less Accumulated Depreciation:				
Buildings and Improvements	6,505,663	277,544	-	6,783,207
Furniture and Equipment	1,603,219	184,263	(120,574)	1,666,908
Total Accumulated Depreciation	<u>8,108,882</u>	<u>461,807</u>	<u>(120,574)</u>	<u>8,450,115</u>
Total Depreciated Assets, Net	<u>8,276,779</u>	<u>(274,229)</u>	<u>408,264</u>	<u>8,410,814</u>
Capital Assets, Net	<u>\$ 11,184,017</u>	<u>\$ 3,854,562</u>	<u>\$ (1,824)</u>	<u>\$ 15,036,755</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 57,769
Instruction	302,520
Pupil Transportation	101,518
	<u>\$ 461,807</u>

NOTE 6 - SHORT-TERM DEBT

Short-term debt may be authorized and issued to fund the following:

Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuances of bond anticipation notes (BANs).

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 6 - SHORT-TERM DEBT - Continued

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

	Maturity	Stated Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	6/19/2020	2.25%	\$ 5,250,000	\$ -	\$ 5,250,000	\$ -
BAN	6/18/2021	0.70%	-	1,000,000	-	1,000,000
BAN	6/18/2021	2.00%	-	5,242,406	-	5,242,406
			<u>\$ 5,250,000</u>	<u>\$ 6,242,406</u>	<u>\$ 5,250,000</u>	<u>\$ 6,242,406</u>

Interest of short-term debt for the year was composed of:

Interest Paid	\$ 117,797
Less: Interest Accrued in the Prior Year	(3,237)
Plus: Interest Accrued in the Current Year	<u>3,677</u>
Total Interest on Short-Term Debt	<u>\$ 118,237</u>

NOTE 7 – LONG-TERM DEBT OBLIGATIONS

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 7 - LONG-TERM DEBT OBLIGATIONS - Continued

Serial Bonds

The School District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The provisions will be in the General Fund's future budgets for capital indebtedness.

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Debt:					
Serial Bonds	\$ 1,767,406	\$ 1,578,633	\$ 1,797,406	\$ 1,548,633	\$ 403,633
Premium on Bonds	15,801	20,829	18,774	17,856	4,460
Total Bonds and Notes Payable	<u>1,783,207</u>	<u>1,599,462</u>	<u>1,816,180</u>	<u>1,566,489</u>	<u>408,093</u>
Other Liabilities:					
Compensated Absences Payable					
	44,599	8,176	-	52,775	-
Other Postemployment Benefits					
	27,112,367	3,647,110	-	30,759,477	-
Net Pension Liability - Proportionate Share					
	<u>226,314</u>	<u>535,346</u>	<u>-</u>	<u>761,660</u>	<u>-</u>
Total Other Liabilities	<u>27,383,280</u>	<u>4,190,632</u>	<u>-</u>	<u>31,573,912</u>	<u>-</u>
Total Governmental Activities	<u>\$29,166,487</u>	<u>\$ 5,790,094</u>	<u>\$ 1,816,180</u>	<u>\$33,140,401</u>	<u>\$ 408,093</u>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and postemployment benefits.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 7 - LONG-TERM DEBT OBLIGATIONS – Continued

Existing serial and statutory obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Serial Bonds - 2019	10/16/19	6/15/24	1.5-2.75%	\$ 1,175,000
Bus Purchase	8/13/15	8/1/20	2.0-2.375%	25,000
Bus Purchase	8/16/16	8/1/21	2.0-2.125%	50,000
Bus Purchase	8/10/17	8/1/22	1.35-2.85%	80,000
Bus Purchase	8/15/18	8/1/23	1.5-3.0%	100,000
Bus Purchase	8/29/19	8/1/24	1.50%	118,633
Total Serial Bonds				<u>\$ 1,548,633</u>

The following is a summary of debt service requirements at year-end June 30:

	Principal	Interest	Total
2021	\$ 403,633	\$ 28,197	\$ 431,830
2022	390,000	20,877	410,877
2023	375,000	14,471	389,471
2024	355,000	7,038	362,038
2025	25,000	187	25,187
Totals	<u>\$ 1,548,633</u>	<u>\$ 70,770</u>	<u>\$ 1,619,403</u>

Defeased Debt

On October 16, 2019, the District issued \$1,460,000 of general obligation refunding bonds to advance refund a portion of the 2009 Serial Construction Bond. The purpose of the refunding was to lower interest rates and provide taxpayer savings. As a result, the refunded bonds are considered to be defeased and the proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the portion of the old bonds that were refunded. Accordingly, the trust account assets and the liability of the defeased debt have been removed from the government-wide financial statements. At June 30, 2020, the amount of outstanding defeased bonds totaled \$1,395,000. The reacquisition price exceeded the net carrying amount of the old debt by \$25,480. This amount is reported as deferred outflows of resources and amortized over the life of the new debt issued. The balance of the deferred outflows of resources, net of fiscal year 2019/2020 amortization as of June 30, 2020, is \$21,840. This advance refunding was undertaken to reduce total debt service payments over the next five years by \$47,998 and resulted in an economic gain of \$47,149.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 7 - LONG-TERM DEBT OBLIGATIONS – Continued

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

Interest Paid	\$ 27,695
Less: Interest Accrued in the Prior Year	(4,630)
Plus: Interest Accrued in the Current Year	3,142
Plus: Amortization of Deferred Charge on Bond Refunding	4,340
Less: Amortization of Bond Premium	<u>(18,774)</u>
Total Interest on Long-Term Debt	<u>\$ 11,773</u>

NOTE 8 - PENSION PLANS

General Information

The District participates in the New York State Teachers' Retirement System (NYSTRS) and the New York State Employees' Retirement System (NYSERS). These are cost-sharing multiple employer public employee defined benefit retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

Teachers' Retirement System (TRS) Plan Description

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 NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS) Plan Description

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

TRS Benefits Provided

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

Tier 3

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tier 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

Tier 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

TRS Benefits Provided – Continued

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tier 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of 2 additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits vest after 5 years of credited service except for Tier 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations previously noted for service retirements.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

TRS Benefits Provided – Continued

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of annual benefit. The applicable percentage payable beginning September 2019 is 1.0%. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

ERS Benefits Provided

Benefits

The System provides retirement benefits as well as death and disability benefits.

Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation used in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous 2 years.

Tier 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

ERS Benefits Provided – Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the 5 highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 4 years.

Vested Benefits

Members who joined the System prior to January 1, 2010 need 5 years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require 10 years of service credit to be 100 percent vested.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

ERS Benefits Provided – Continued

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for 5 years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regard less of age, who have been retired for 5 years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one- half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. (The District chose to prepay the required contributions by December 15, 2019 and received an overall discount of \$ 1,077).

The District's share of the required contributions, based on covered payroll paid for the current and two preceding years were:

	NYSTRS	NYSERS
2019 - 2020	\$ 287,556	\$ 126,793
2018 - 2019	270,729	128,567
2017 - 2018	320,516	133,346

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

Pension Assets, Liabilities, 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
Measurement Date	March 31, 2020	June 30, 2019
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (761,660)	\$ 421,444
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0028763%	0.016222%
Change in Proportion (%) Since the Prior Measurement Date	-0.0003178%	-0.0007380%

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

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

For the year ended June 30, 2020, the District's recognized pension expense of \$286,775 for TRS and \$143,189 for ERS. At June 30, 2020, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences Between Expected and Actual Experience	\$ 44,827	\$ 285,601	\$ -	\$ 31,339
Changes of Assumptions	15,336	796,163	13,243	194,127
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	390,464	-	-	337,976
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	30,122	71,270	15,773	6,024
District's Contributions Subsequent to the Measurement Date	39,758	244,630	-	-
Total	<u>\$ 520,507</u>	<u>\$ 1,397,664</u>	<u>\$ 29,016</u>	<u>\$ 569,466</u>

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

	ERS	TRS
2021	\$ 81,194	\$ 201,183
2022	115,434	22,614
2023	142,683	200,491
2024	112,422	138,355
2025	-	26,225
Thereafter	-	(5,300)

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

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 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	March 31, 2020	June 30, 2019
Actuarial Valuation Date	April 1, 2019	June 30, 2018
Interest Rate	6.8%	7.1%
Salary Scale	4.2%	1.3%
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2014 - June 30, 2018 System's Experience
Inflation Rate	2.5%	2.2%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2018. For TRS, annuitant mortality rates are based on July 1, 2014 – June 30, 2018 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2018.

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, 2014 – June 30, 2018.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

Actuarial Assumptions – Continued

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 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 as follows:

	ERS	TRS
Measurement Date	March 31, 2020	June 30, 2019
Asset Type		
Domestic Equity	4.05%	6.30%
International Equity	6.15%	7.80%
Private Equity	6.75%	9.90%
Global Equity		7.20%
Real Estate	4.95%	4.60%
Absolute Return Strategies	3.25%	
Opportunistic Portfolio	4.65%	
Real Assets	5.95%	
Bonds and Mortgages	0.75%	
Cash	0.00%	0.30%
Inflation - Indexed Bonds	0.50%	
Alternative Investments		
Private Debt		6.50%
Real Estate Debt		2.90%
Domestic Fixes Income Securities		1.30%
Global Fixed Income Securities		0.90%
High-Yield Fixed Income Securities		3.60%

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 6.8% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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).

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

ERS	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (1,397,861)	\$ (761,660)	\$ (175,716)

TRS	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (1,902,352)	\$ 421,444	\$ 2,370,846

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - PENSION PLANS – Continued

Pension Plan Fiduciary Net Position

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

	(In Thousands)		
	ERS	TRS	Total
Measurement Date	March 31, 2020	June 30, 2019	
Employer's Total Pension Asset (Liability)	\$ (194,596,261)	\$ (119,879,474)	\$ (314,475,735)
Plan Net Position	<u>168,115,682</u>	<u>122,477,481</u>	<u>290,593,163</u>
Employer's Net Pension Asset (Liability)	<u>\$ (26,480,579)</u>	<u>\$ 2,598,007</u>	<u>\$ (23,882,572)</u>
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	86.39%	102.17%	

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$39,754. Employee contributions are remitted monthly.

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 \$274,102.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2020 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General	\$ 130,093	\$ 22,147	\$ -	\$ 5,944
Special Aid	22,147	130,093	5,944	-
Debt Service	121,059	-		
Capital Projects	-	121,059	-	-
Total	\$ 273,299	\$ 273,299	\$ 5,944	\$ 5,944

The District typically transfers resources between funds for the purpose of mitigating the effects of transient cash flow issues. The General Fund advances funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed the grant programs. Unexpended funds from a capital project are transferred to the Debt Service Fund upon completion.

NOTE 10 – FUND BALANCE EQUITY

The following is a summary of the Governmental Funds fund balances of the District at the year ended June 30, 2020:

FUND BALANCES (DEFICIT)	General	Debt Service	Capital Project - Campus-Wide	Non-Major Funds	Total Governmental Funds
Nonspendable					
Supplies Inventory	\$ -	\$ -	\$ -	\$ 7,660	\$ 7,660
Restricted					
Unemployment Insurance	17,971	-	-	-	17,971
Capital	1,101,691	-	-	-	1,101,691
Debt Service	-	121,059	-	-	121,059
Assigned					
Designated for Next Fiscal Year	385,000	-	-	-	385,000
School Food Service	-	-	-	63,371	63,371
Unassigned (Deficit)					
General Fund	602,557	-	-	-	602,557
Capital Projects Fund	-	-	(5,320,338)	-	(5,320,338)
Total Governmental Fund Balances (Deficits)	\$2,107,219	\$ 121,059	\$ (5,320,338)	\$ 71,031	\$ (3,021,029)

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)
BENEFITS**

General Information about the OPEB Plan

Plan Description – The District’s defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District’s Board, subject to applicable collective bargaining and employment agreements, and Board of Education policy. The plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

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

Inactive employees or beneficiaries currently receiving benefit payments	62
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>70</u>
Total Covered Employees	<u><u>132</u></u>

The District recognized the cost of providing health insurance annually as expenditures in the General Fund of the fund financials statements as payments are made. For the year ended June 30, 2020 the District recognized \$691,089 for its share of insurance premiums for currently enrolled retirees.

The District participates in the Jefferson-Lewis Et. Al. Employees’ Healthcare Insurance Plan (the Plan). The Plan allows eligible District employees and spouses to continue health coverage upon retirement. The Plan does issue a publicly available financial report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS – Continued

General Information about the OPEB Plan - Continued

Eligible teachers and administrators are those who are at least age 55 with 10 years of service. Employees must also be eligible to retire under the ERS or TRS.

- Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for paying 100% of the plan premium.
- Employees retired prior to 7/1/94 pay 0%; employees retired after 7/1/94 and hired prior to 7/1/06 pay 12%; employees hired after 7/1/06 pay 17%.
- Medicare Part B premiums are reimbursed 100% for Medicare-eligible retirees and dependents.
- Retiree healthcare benefits are provided through the Provider Choice POS Plan and the Traditional Plan.
 - The Traditional Plan is a self-insured indemnity plan offered through Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES.
 - The Provider Choice POS Plan is a self-insured POS plan offered through Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES.

Total OPEB Liability

The District has obtained an actuarial valuation report as of June 30, 2020 which indicates that the total liability for other postemployment benefits is \$30,759,477 which is reflected in the Statement of Net Position. The OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 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:

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

**NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)
BENEFITS – Continued**

Total OPEB Liability – Continued

Actuarial Methods and Assumptions

Measurement Date	6/30/2019
Rate of Compensation Increase	3.50%
Inflation Rate (CPI)	2.25%
Inflation Rate (Chained CPI)	2.00%
Discount Rate	3.14%

Assumed Pre-65 Medical Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.500%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075

Assumed Post-65 Medical Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.500%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2075

Additional Information

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (in Years)	5.684
Method Used to Determine Actuarial Value of Assets	N/A

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS – Continued

Total OPEB Liability – Continued

The discount rate was based on the prescribed discount interest rate methodology under GASB No. 74/75 using an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO - 3.50%, S&P Municipal Bond 20 Year High Grade Rate Index - 2.79%, and Fidelity GA AA 20 Years - 3.13%) as of June 30, 2019.

Mortality rates were based on the Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables using Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2019.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2019. Benefit obligations are projected to the measurement date using rollforward techniques by assuming no actuarial gains or losses in the interim, except for those assumption changes necessary to reflect the assumptions as of the measurement date.

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 27,112,367
Changes for the Year	
Service Cost	851,232
Interest	838,823
Changes of Assumptions or Other Inputs	2,753,587
Benefit Payments	<u>(796,532)</u>
Net Changes	<u>3,647,110</u>
Balance at June 30, 2020	<u>\$ 30,759,477</u>

Changes of assumptions and other inputs reflect the following changes:

The rate used to discount future cash flows was updated from 3.62 percent as of June 30, 2018 to 3.14 percent as of June 30, 2019. The change in discount rate resulted in a decrease in liabilities.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS – Continued

Total OPEB Liability – Continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the 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 (2.14 percent) or 1 percentage point higher (4.14 percent) than the current discount rate:

	1% Decrease 2.14%	Discount Rate 3.14%	1% Increase 4.14%
Total OPEB Liability	<u>\$ 36,996,781</u>	<u>\$ 30,759,477</u>	<u>\$ 25,967,955</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 (trend decreasing to 3.5 percent) or 1 percentage point higher (trend decreasing to 5.5 percent) than the current healthcare cost trend rate:

	1% Decrease (Trend Less 1% Decreasing to 3.5%)	Healthcare Cost Trend Rates (Trend Decreasing to 4.5%)	1% Increase (Trend Plus 1% Decreasing to 5.5%)
Total OPEB Liability	<u>\$ 25,619,093</u>	<u>\$ 30,759,477</u>	<u>\$ 37,544,791</u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - POSTEMPLOYMENT (HEALTH INSURANCE)

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 \$547,598. 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
Changes of Assumptions or Other Inputs	\$ 2,269,142	\$ 2,262,484
Benefit Payments Subsequent to the Measurement Date	<u>805,222</u>	<u>-</u>
	<u>\$ 3,074,364</u>	<u>\$ 2,262,484</u>

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

Fiscal Year Ending June 30,

2021	\$ (203,679)
2022	(190,784)
2023	23,338
2024	130,741
2025	247,042
Thereafter	<u>-</u>
	<u>\$ 6,658</u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 12 - RISK MANAGEMENT

General

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

Pooled Non-Risk-Retained

The District participates in the Jefferson-Lewis Et. Al. School Employees' Healthcare Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 16 individual governmental units located within the pool's geographic area and is considered a self-sustaining risk pool that will provide coverage for its members up to \$750,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$750,000 limit and the District has essentially transferred all related risk to the pool.

The District participates in the Black River Valley Schools Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled and open claims is \$-0-.

NOTE 13 - CONTINGENCIES AND COMMITMENTS

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

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 14, 2020, which is the date of the issuance of the financial statements.

In the recent months, the COVID-19 outbreak in the United States has resulted in business disruption. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the District expects this matter to negatively impact its operating results and financial condition, the related financial impact and duration cannot be reasonably estimated at this time.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST THREE FISCAL YEARS

Ended June 30, 2020

Total OPEB Liability	2020	2019	2018
Service Cost	\$ 851,232	\$ 891,972	\$ 1,041,702
Interest	838,823	978,678	859,403
Changes in Assumptions or Other Inputs	2,753,587	(1,050,317)	(3,101,309)
Benefit Payments	(796,532)	(613,904)	(567,554)
Net Change in Total OPEB Liability	<u>3,647,110</u>	<u>206,429</u>	<u>(1,767,758)</u>
Total OPEB Liability - Beginning	<u>27,112,367</u>	<u>26,905,938</u>	<u>28,673,696</u>
Total OPEB Liability - Ending	<u>\$ 30,759,477</u>	<u>\$ 27,112,367</u>	<u>\$ 26,905,938</u>
Covered Payroll	\$ 3,573,382	\$ 3,745,235	\$ 3,675,631
Total OPEB Liability as a Percentage of Covered Payroll	860.79%	723.92%	732.01%

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

See paragraph on supplementary schedules included in independent auditor's report.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND**

Year Ended June 30, 2020

	Original Budget	Final Budget
REVENUES		
Local Sources		
Real Property Taxes	\$ 3,923,899	\$ 3,923,899
Other Tax Items	325,216	325,216
Charges for Services	4,232	4,232
Use of Money and Property	6,626	6,626
Sale of Property and Compensation for Loss	7,000	7,000
Miscellaneous	83,791	83,791
Total Local Sources	<u>4,350,764</u>	<u>4,350,764</u>
State Sources	4,199,753	4,199,753
Medicaid Reimbursement	-	-
Federal Sources	30,000	30,000
Total Revenues	<u><u>8,580,517</u></u>	<u><u>8,580,517</u></u>
EXPENDITURES		
General Support		
Board of Education	13,550	15,081
Central Administration	129,601	129,601
Finance	177,695	174,072
Staff	28,784	30,876
Central Services	509,362	468,947
Special Items	511,146	517,461
Total General Support	<u>1,370,138</u>	<u>1,336,038</u>
Instruction		
Instruction, Administration and Improvement	211,914	206,014
Teaching - Regular School	2,310,610	2,292,179
Programs for Children with Handicapping Conditions	1,036,095	985,904
Occupational Education	266,140	266,140
Instructional Media	296,848	405,470
Pupil Services	327,142	327,142
Total Instruction	<u>4,448,749</u>	<u>4,482,849</u>
Pupil Transportation	387,537	387,537
Community Service	1,017	1,017
Employee Benefits	2,292,482	2,292,482
Debt Service	607,094	607,094
Total Expenditures	<u>9,107,017</u>	<u>9,107,017</u>
OTHER FINANCING USES		
Operating Transfers to Other Funds	23,500	23,500
Total Expenditures and Other Financing Uses	<u>9,130,517</u>	<u>9,130,517</u>
Net Change in Fund Balance	(550,000)	(550,000)
Fund Balances - Beginning	1,758,957	1,758,957
Fund Balances - End	<u><u>\$ 1,208,957</u></u>	<u><u>\$ 1,208,957</u></u>

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

Actual		Final Budget Variance With Actual	
\$	3,926,416	\$	2,517
	321,364		(3,852)
	4,459		227
	11,917		5,291
	9,005		2,005
	142,300		58,509
	<u>4,415,461</u>		<u>64,697</u>
	4,136,459		(63,294)
	30,856		30,856
	99,584		69,584
	<u>8,682,360</u>		<u>\$ 101,843</u>
		Final Budget Variance With Actual and Encumbrances	
	Year-End Encumbrances		
	11,723	\$	-
	129,229		-
	162,549		-
	29,541		-
	369,272		-
	512,704		-
	<u>1,215,018</u>		<u>-</u>
	203,083		-
	2,212,232		-
	819,790		-
	256,635		-
	398,763		-
	274,435		-
	<u>4,164,938</u>		<u>-</u>
	287,664		-
	-		-
	2,112,636		-
	547,898		-
	<u>8,328,154</u>		<u>-</u>
	5,944		-
	<u>8,334,098</u>	\$	<u>-</u>
	348,262		-
	<u>1,758,957</u>		<u>17,556</u>
	<u>\$ 2,107,219</u>		<u>\$ 796,419</u>

Note to Required Supplementary Information Budget Basis of Accounting: Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) - NYSLRS PENSION PLAN
LAST SIX FISCAL YEARS**

Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)						
District's Proportion of the Net Pension Asset (Liability)	0.016222%	0.016960%	0.017258%	0.017303%	0.017118%	0.017639%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ 421,444	\$ 306,676	\$ 131,176	\$ (185,326)	\$ 1,777,987	\$ 1,964,819
District's Covered Payroll	\$ 2,707,932	\$ 2,762,352	\$ 2,734,782	\$ 2,680,205	\$ 2,576,315	\$ 2,614,982
District's Proportionate Share of the Net Pension Asset (Liability) as Percentage of its Covered Payroll	<u>15.56%</u>	<u>11.10%</u>	<u>4.80%</u>	<u>-6.91%</u>	<u>69.01%</u>	<u>75.14%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Employees' Retirement System (ERS)						
District's Proportion of the Net Pension Asset (Liability)	0.0028763%	0.0031941%	0.0030030%	0.0029084%	0.0028289%	0.0026408%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (761,660)	\$ (226,314)	\$ (96,920)	\$ (273,281)	\$ (454,042)	\$ (89,212)
District's Covered Payroll	\$ 919,359	\$ 891,556	\$ 917,146	\$ 813,612	\$ 781,912	\$ 763,829
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>82.85%</u>	<u>25.38%</u>	<u>10.57%</u>	<u>33.59%</u>	<u>58.07%</u>	<u>11.68%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

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

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – NYSLRS PENSION PLAN

LAST SIX FISCAL YEARS

Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)						
Contractually Required Contribution	\$ 287,556	\$ 270,729	\$ 320,516	\$ 354,052	\$ 450,752	\$ 423,391
Contributions in Relation to the Contractually Required Contribution	<u>287,556</u>	<u>270,729</u>	<u>320,516</u>	<u>354,052</u>	<u>450,752</u>	<u>423,391</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,707,932	\$ 2,762,352	\$ 2,734,782	\$ 2,680,205	\$ 2,576,315	\$ 2,576,315
Contributions as a Percentage of Covered Payroll	10.62%	9.80%	11.72%	13.21%	17.50%	16.43%
Employees' Retirement System (ERS)						
Contractually Required Contribution	\$ 126,793	\$ 128,567	\$ 133,346	\$ 121,881	\$ 139,969	\$ 144,538
Contributions in Relation to the Contractually Required Contribution	<u>126,793</u>	<u>128,567</u>	<u>133,346</u>	<u>121,881</u>	<u>139,969</u>	<u>144,538</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 919,359	\$ 891,556	\$ 917,146	\$ 813,612	\$ 781,912	\$ 781,912
Contributions as a Percentage of Covered Payroll	13.79%	14.42%	14.54%	14.98%	17.90%	18.49%

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

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE
REAL PROPERTY TAX LIMIT – GENERAL FUND**

June 30, 2020

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 9,130,517
Add: Prior Year's Encumbrances	<u> -</u>
Original Budget	9,130,517
Budget Revision	<u> -</u>
Final Budget	<u><u>\$ 9,130,517</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW CALCULATION

2020-2021 Voter Approved Expenditure Budget	<u><u>\$ 9,226,315</u></u>
Maximum Allowed 4% of 2020-2021 Budget	<u><u>\$ 369,053</u></u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 385,000
Unassigned Fund Balance	<u>602,557</u>
Total Unrestricted Fund Balance	<u>987,557</u>
Less:	
Appropriated Fund Balance	<u>385,000</u>
Total Adjustments	<u>385,000</u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 602,557</u></u>
Actual Percentage	<u><u>6.53%</u></u>

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

SCHEDULE OF CAPITAL PROJECTS FUND - PROJECT EXPENDITURES AND FINANCING RESOURCES

Year Ended June 30, 2020

PROJECT TITLE	Expenditures					Unexpended Balance	Methods of Financing					Fund Balance 6/30/2020
	Original Appropriation	Revised Appropriation	Prior Year	Current Year	Total		BANS Redeemed From Appropriations	Proceeds Of Obligations	State Aid	Local Sources	Total	
Buses	\$ 118,633	\$ 118,633	\$ -	\$ 118,633	\$ 118,633	\$ -	\$ -	\$ 118,633	\$ -	\$ -	\$ 118,633	\$ -
2017 Capital Project Unallocated	7,942,406	7,942,406	2,891,548	4,128,790	7,020,338	922,068	-	-	-	1,700,000	1,700,000	(5,320,338)
Totals	\$ 8,061,039	\$ 8,061,039	\$ 2,891,548	\$ 4,247,423	\$ 7,138,971	\$ 922,068	\$ -	\$ 118,633	\$ -	\$ 1,700,000	\$ 1,818,633	\$ (5,320,338)

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2020

	<u>Special Aid</u>	<u>School Food Service</u>	<u>Capital- Buses</u>	<u>Total Non-Major Funds</u>
ASSETS				
Cash				
Unrestricted	\$ 545	\$ 40,503	\$ -	\$ 41,048
Receivables				
Due From Other Funds	22,147	-	-	22,147
State and Federal Aid	104,766	28,017	-	132,783
Due From Other Governments	2,635	-	-	2,635
Inventories	-	7,660	-	7,660
TOTAL ASSETS	<u>\$ 130,093</u>	<u>\$ 76,180</u>	<u>\$ -</u>	<u>\$ 206,273</u>
LIABILITIES				
Payables				
Due to Other Funds	\$ 130,093	\$ -	\$ -	\$ 130,093
Unearned Credits				
Unearned Revenues	-	5,149	-	5,149
Total Liabilities	<u>130,093</u>	<u>5,149</u>	<u>-</u>	<u>135,242</u>
FUND BALANCES				
Nonspendable	-	7,660	-	7,660
Assigned	-	63,371	-	63,371
Total Fund Balances	<u>-</u>	<u>71,031</u>	<u>-</u>	<u>71,031</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 130,093</u>	<u>\$ 76,180</u>	<u>\$ -</u>	<u>\$ 206,273</u>

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2020

	<u>Special Aid</u>	<u>School Food Service</u>	<u>Capital- Buses</u>	<u>Total Non-Major Funds</u>
REVENUES				
State Sources	\$ 143,648	\$ 3,864	\$ -	\$ 147,512
Federal Sources	391,051	102,677	-	493,728
Surplus Food	-	15,668	-	15,668
Sales - School Food Service	-	48,902	-	48,902
Total Revenues	<u>534,699</u>	<u>171,111</u>	<u>-</u>	<u>705,810</u>
EXPENDITURES				
General Support	-	80,628	-	80,628
Instruction	527,025	-	-	527,025
Pupil Transportation	4,737	-	-	4,737
Employee Benefits	8,881	18,133	-	27,014
Capital Outlay	-	-	118,633	118,633
Cost of Sales	-	58,823	-	58,823
Total Expenditures	<u>540,643</u>	<u>157,584</u>	<u>118,633</u>	<u>816,860</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,944)</u>	<u>13,527</u>	<u>(118,633)</u>	<u>(111,050)</u>
OTHER FINANCING SOURCES				
Operating Transfers In	5,944	-	-	5,944
Proceeds from Debt	-	-	118,633	118,633
Total Other Financing Sources	<u>5,944</u>	<u>-</u>	<u>118,633</u>	<u>124,577</u>
Net Change in Fund Balance	-	13,527	-	13,527
Fund Balances - Beginning of Year	<u>-</u>	<u>57,504</u>	<u>-</u>	<u>57,504</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ 71,031</u>	<u>\$ -</u>	<u>\$ 71,031</u>

See paragraph on supplementary schedules included in independent auditor's report.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS

Year Ended June 30, 2020

Capital Assets, Net		\$ 15,036,755
Add:		
Deferred Charge on Bond Refunding		<u>21,840</u>
Deduct:		
Bond Anticipation Note	\$ 6,242,406	
Less: Unspent Bond Anticipation Note Proceeds	<u>(922,068)</u>	5,320,338
Premium on Bonds Payable	\$ 17,856	
Short-Term Portion of Bonds Payable	403,633	
Long-Term Portion of Bonds Payable	<u>1,145,000</u>	<u>1,566,489</u>
Net Investment in Capital Assets		<u><u>\$ 8,171,768</u></u>

See paragraph on supplementary schedules included in independent auditor's report.



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**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**

**BOARD OF EDUCATION
SACKETS HARBOR CENTRAL SCHOOL DISTRICT**

We have audited, in accordance with the auditing standards of generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sackets Harbor 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 Sackets Harbor Central School District’s basic financial statements and have issued our report thereon dated October 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sackets Harbor 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 Sackets Harbor Central School District’s internal control. Accordingly, we do not express an opinion of the effectiveness of Sackets Harbor Central School District’s internal control.

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

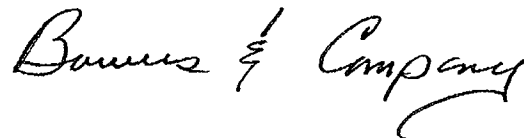
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in black ink and is positioned to the right of the main text block.

Watertown, New York
October 14, 2020

EXTRA CLASSROOM ACTIVITY FUNDS



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS

**TO THE PRESIDENT AND MEMBERS OF THE
BOARD OF EDUCATION
SACKETS HARBOR CENTRAL SCHOOL DISTRICT**

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Sackets Harbor Central School District for the year ended June 30, 2020, and the related note to the financial statement.

Management's Responsibility for the Financial Statement

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 statement 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 Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts. 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.

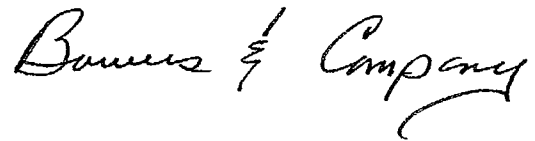
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the statement of cash receipts and disbursements of Extra Classroom Activity Funds of Sackets Harbor Central School District for the year ended June 30, 2020, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

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

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in black ink and is positioned to the right of the main text block.

Watertown, New York
October 14, 2020

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2020

	Cash Balance 7/1/2019	Cash Receipts	Cash Disbursements	Cash Balance 6/30/2020
Class of:				
2019	\$ 646	\$ -	\$ 646	\$ -
2020	1,737	1,824	3,064	497
2021	3,484	1,190	426	4,248
2022	5,384	4,938	1,811	8,511
2023	132	940	576	496
2024	2,390	2,200	2,768	1,822
2025	2,861	-	390	2,471
2026	-	4,863	2,141	2,722
5th Grade Funds	158	426	446	138
Art Club	1,561	-	28	1,533
Business Club	296	-	-	296
Cheerleaders	740	-	350	390
Environmental Club	328	868	679	517
Jr. Honor Society	940	-	-	940
Library Club	251	-	-	251
Music Club	513	-	254	259
Honor Society	551	1,809	1,811	549
Sentinels	2,566	1,286	1,802	2,050
SPARK	15,595	15,171	13,427	17,339
Spanish Club	428	100	133	395
Sports Club	311	1,004	1,004	311
World Literature Travelers	4,200	8,329	5,725	6,804
Yearbook	8,253	4,241	9,116	3,378
	<u>53,325</u>	<u>49,189</u>	<u>46,597</u>	<u>55,917</u>
NYS Sales Tax	<u>-</u>	<u>3,578</u>	<u>3,578</u>	<u>-</u>
Total	<u><u>\$ 53,325</u></u>	<u><u>\$ 52,767</u></u>	<u><u>\$ 50,175</u></u>	<u><u>\$ 55,917</u></u>

See note to the financial statement.

SACKETS HARBOR CENTRAL SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS - NOTE TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Extra Classroom Activity Funds of the Sackets Harbor Central School District represents funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management.

The accounts of the Extra Classroom Activity Funds of the Sackets Harbor 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.



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

To the Board of Education
Sackets Harbor Central School District

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

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated October 14, 2020, on the financial statements of Sackets Harbor Central School District.

Condition: Non-Compliance with Real Property Tax Law

The School District did not comply with Section 1318 of the Real Property Tax Law which requires that no more than 4% of the subsequent year's expenditures be retained as unappropriated from the June 30, 2020 balance.

Recommendation

We recommend school officials review fund balance during the budget process to ensure compliance with Real Property Tax Law.

Management's Response

The Sackets Harbor Central School District's Board of Education understands that the District is maintaining a larger fund balance reserve than typically allowed under Section 1318. The Board of Education continues implementing a long-range plan of utilizing fund balance to help prevent significant financial hardship due to unexpected financial events especially this year as the District is faced with deferred state aid payments as well as potential state aid reductions.

Condition: Non-Compliance with Federal Regulations

The School District did not comply with federal regulation 7CFR Part 210.14(b) which requires School Food Service fund balance not to exceed three months' worth of expenses. The District has excess fund balance of \$23,756 as of June 30, 2020.

Recommendation

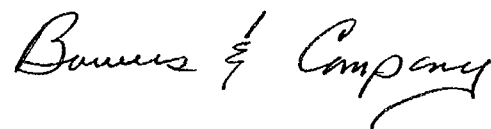
We recommend that management review fund balance and devise a plan to reduce excess fund balance in the School Food Service Fund.

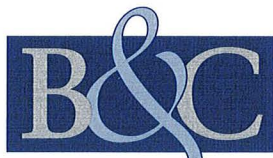
Management's Response

Due to increased revenues as a result expanded eligibility for free meals along with the district delivering meals during the spring COVID shutdown; the District realized a fairly break-even year. Management will review this year's operations and will develop a plan to spend down any projected excess fund balance through allowable equipment purchases.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations.

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





BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

October 14, 2020

To the President and Members
Of the Board of Education
Sackets Harbor Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sackets Harbor Central School District 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, *Government 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 June 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sackets Harbor 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 Sackets Harbor Central School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 estimates affecting the financial statements were:

Management's estimate of the depreciation is based on economic useful lives of capital asset classes.

Management estimates actuarial assumptions that are used to determine pension asset (liabilities) and annual pension cost for the year in accordance with GASB Statement No. 68.

Management estimates actuarial assumptions that are used to determine annual postretirement cost for the year in accordance with GASB Statement No. 75.

To the Board of Education
Sackets Harbor Central School District
October 14, 2020
Page 2

We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

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 clearly trivial, and communicate them to the appropriate level of management. The attached schedule #1 represents material misstatements detected as a result of audit procedures that were corrected by management. The attached schedule #2 summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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 October 14, 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 Sackets Harbor Central School District'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 Sackets Harbor Central School 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 Total OPEB Liability and Related Ratios, Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan, and Schedule of District's Contributions – NYSLRS Pension Plan*, 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 *Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet- Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances- Non-Major Governmental Funds, and Net Investment in Capital Assets*, 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.

To the Board of Education
Sackets Harbor Central School District
October 14, 2020
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Restriction on Use

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

Very truly yours,

Bowers & Company

Schedule 1: Material Misstatements Corrected by Management

Governmental Funds

General Fund

Adjusting Journal Entries JE # 3		RP 04.05		
to record deferred inflow for state and boces receivables				
A03101.002	STATE AID-EXCESS COST		17,479.00	
A03103	STATE AID-BOCES AID		72,639.00	
A00691.1	Deferred Inflow			90,118.00
Total			90,118.00	90,118.00

Government-Wide

Non-Current Governmental Assets:

Adjusting Journal Entries JE # 3		K		
To record CY accumulated depreciation				
K00159	Total Non-Current Governmental Assets		461,807.00	
K00112	Accumulated Depreciation - Buildings			277,544.00
K00114	Accumulated Depreciation - Equipment			184,263.00
Total			461,807.00	461,807.00

Adjusting Journal Entries JE # 4		K		
to record Capital WIP				
K00105	Construction in Progress		3,718,703.00	
K00159	Total Non-Current Governmental Assets			3,718,703.00
Total			3,718,703.00	3,718,703.00

Adjusting Journal Entries JE # 5				
To record governmental assets for pensions/OPEB				
	Net Pension Asset - Proportionate Share		114,768	
	Deferred Outflows of Resources, Pensions		125,980	
	Deferred Outflows of Resources, OPEB		2,411,388	
	Total Non-Current Government Assets			2,652,136
Total			2,652,136	2,652,136

Non-Current Governmental Liabilities

Adjusting Journal Entries JE # 1		W683		
To record OPEB Liability				
W125	Provision in Future Budgets		3,647,110.00	
W683	OPEB			3,647,110.00
Total			3,647,110.00	3,647,110.00

To the Board of Education
 Sackets Harbor Central School District
 October 14, 2020
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Adjusting Journal Entries JE #2			
To adjust pension & OPEB deferred inflows of resources and ERS Net Pension Liability			
	Deferred Inflows of Resources, Pensions		135,366
	PROMSIONS FUTURE BUDGETS		17,412
	Deferred Inflows of Resources, OPEB	688,124	
	Net Pension Liability - Proportionate Share		535,346
Total		688,124	688,124

Schedule 2: Immaterial Uncorrected Misstatement

Governmental Funds

Special Aid Fund

Passed Journal Entries JE # 301
To record 20% deduction in state grants

F3289	Summer School	1,802	
F3289.15	Prek Grant	9,567	
F691	Deferred Inflows of Resources		<u>11,368</u>
Total		<u>11,368</u>	<u>11,368</u>