

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

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

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

Reports Required Under the Single Audit Act (Uniform Guidance)
Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by Uniform Guidance..... 62-63
Schedule of Expenditures of Federal Awards 64
Notes to Schedule of Expenditures of Federal Awards 65
Schedule of Findings and Questioned Costs 66

INDEPENDENT AUDITORS' REPORT

Board of Education
Newark Valley
Central School District
Newark Valley, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District'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 School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, the Schedule of Changes in the District's Total OPEB Liability and Related Ratios, the Schedules of School District's Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability, and related notes on pages 4-4k and 48-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Schedule of Net Investment in Capital Assets (supplementary information) on pages 57-59 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 School District's internal control over financial reporting and compliance.

Respectfully submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 12, 2020

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

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

FINANCIAL HIGHLIGHTS

- Total expenses exceeded revenue in 2020 by \$1,134,106 compared to 2019, when revenue exceeded expenses by \$1,362,826. The School District ended the year with a net deficit of \$29,638,763, compared to a net deficit of \$28,504,657 in 2019. This deficit is largely due to the net liability for retiree health insurance in the amount of \$65,243,743 at year-end.
- The General Fund budgeted expenditures, including carry-over encumbrances, were underspent by \$2,374,549 based on savings in instructional costs, including associated employee benefits and an overall effort by the School District to contain spending.
- Capital asset equipment and building additions during 2020 amounted to \$2,388,442. Depreciation expense totaled \$1,496,522.
- Indebtedness of the School District at June 30, 2020, in the amount of \$17,243,412, decreased \$2,666,926 from 2019, based on the payment of debt in accordance with amortization schedules.
- Total fund balance in the General Fund, including reserves, was \$8,183,156 at June 30, 2020. Restricted fund balance of \$6,296,186 consisted of General Fund restricted reserves; assigned fund balance of \$882,105 consisted of encumbrances of \$32,105 and appropriations to support the 2020-2021 budget of \$850,000. Unassigned fund balance was \$1,004,865, which is subject to and below the maximum limit (4% of 2020-2021 appropriations) permitted under New York State Real Property Tax Law.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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 for the year and a Schedule of Changes in the District's Total OPEB Liability and Related Ratios related to the School District's unfunded actuarial liability for postemployment benefits, and information related to the School District's pension obligations.

District-wide Financial Statements

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

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

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

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Governmental Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019 - 2020</i>
<i>Current Assets</i>	\$ 7,008,571	\$ 4,778,376	\$ (2,230,195)
<i>Noncurrent Assets</i>	6,260,891	7,529,926	1,269,035
<i>Capital Assets, Net</i>	39,996,263	40,827,658	831,395
<i>Total Assets</i>	<i>53,265,725</i>	<i>53,135,960</i>	<i>(129,765)</i>
<i>Pensions</i>	5,039,581	5,222,619	183,038
<i>Other Postemployment Benefits</i>	305,976	9,394,486	9,088,510
<i>Deferred Charges on Defeased Debt</i>	55,145	30,232	(24,913)
<i>Total Deferred Outflows of Resources</i>	<i>5,400,702</i>	<i>14,647,337</i>	<i>9,246,635</i>
<i>Current Liabilities</i>	17,991,338	15,852,391	(2,138,947)
<i>Noncurrent Liabilities</i>	58,409,945	72,059,191	13,649,246
<i>Total Liabilities</i>	<i>76,401,283</i>	<i>87,911,582</i>	<i>11,510,299</i>
<i>Pensions</i>	1,273,962	1,710,324	436,362
<i>Other Postemployment Benefits</i>	9,495,839	7,800,154	(1,695,685)
<i>Total Deferred Inflows of Resources</i>	<i>10,769,801</i>	<i>9,510,478</i>	<i>(1,259,323)</i>
<i>Net Investment in Capital Assets</i>	22,610,786	24,160,506	1,549,720
<i>Restricted</i>	6,190,861	6,764,010	573,149
<i>Unrestricted (Deficit)</i>	(57,306,304)	(60,563,279)	(3,256,975)
<i>Total Net (Deficit)</i>	<i>\$ (28,504,657)</i>	<i>\$ (29,638,763)</i>	<i>\$ (1,134,106)</i>

Total assets decreased 0.24%. This change stems from a decrease in Capital Fund cash used to finance capital improvements, offset by an increase in capital assets, net.

Deferred outflows of resources increased 171.21% and deferred inflows of resources decreased 11.69%. These changes are a result of changes in actuarial assumptions related to NYSTRS and NYSLRS pension plans, as well as changes in actuarial assumptions for the other postemployment benefits (OPEB) plan.

Total liabilities increased 15.07%. This change stems from an increase in the OPEB liability, offset by payment of bonds in accordance with amortization schedules, as well as, the reduction in short-term debt.

Total net deficit increased 3.98%. This is primarily a result of expenses exceeding revenues. Net investment in capital assets increased 6.85% due to capital outlay and a decrease in the debt used to finance these assets. Restricted net position increased 9.26%, based on board approved increases in General Fund reserves. Unrestricted net deficit increased, largely due to changes in the net pension asset/liability and OPEB liability.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

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

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019 - 2020</i>
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 212,238	\$ 179,391	\$ (32,847)
<i>Operating Grants</i>	1,381,139	1,354,428	(26,711)
<i>General Revenues:</i>			
<i>Real Property Taxes</i>	6,462,193	6,598,084	135,891
<i>Real Property Tax Items</i>	1,543,242	1,505,771	(37,471)
<i>State Sources</i>	16,933,471	17,216,198	282,727
<i>Use of Money and Property</i>	211,949	100,240	(111,709)
<i>Other General Revenues</i>	845,934	302,491	(543,443)
Total Revenues	\$ 27,590,166	\$ 27,256,603	\$ (333,563)
PROGRAM EXPENSES			
<i>General Support</i>	\$ 3,786,111	\$ 4,061,980	\$ 275,869
<i>Instruction</i>	19,194,123	20,959,272	1,765,149
<i>Pupil Transportation</i>	1,972,547	2,104,086	131,539
<i>Community Services</i>	4,206	1,183	(3,023)
<i>School Lunch Program</i>	759,119	831,454	72,335
<i>Interest on Debt</i>	511,234	432,734	(78,500)
Total Expenses	\$ 26,227,340	\$ 28,390,709	\$ 2,163,369
CHANGE IN NET POSITION	\$ 1,362,826	\$ (1,134,106)	\$ (2,496,932)

Total revenues for the School District's Governmental Activities decreased by 1.21%, while total expenses increased by 8.25%. The decrease in revenue stems from a decrease in refunds from prior year expenses, offset by increases in the voter approved tax levy as well as an increase in basic state aid. The increase in program expenses is primarily due to an increase in OPEB and pension expense in comparison to the prior year.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

Figure 3

Sources of Revenue for 2020

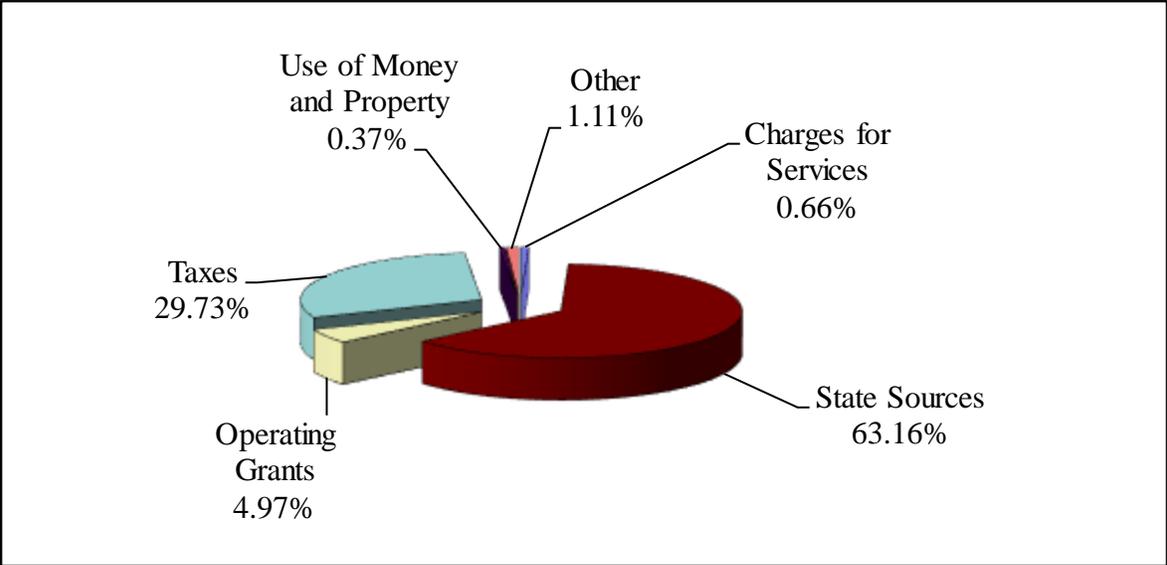
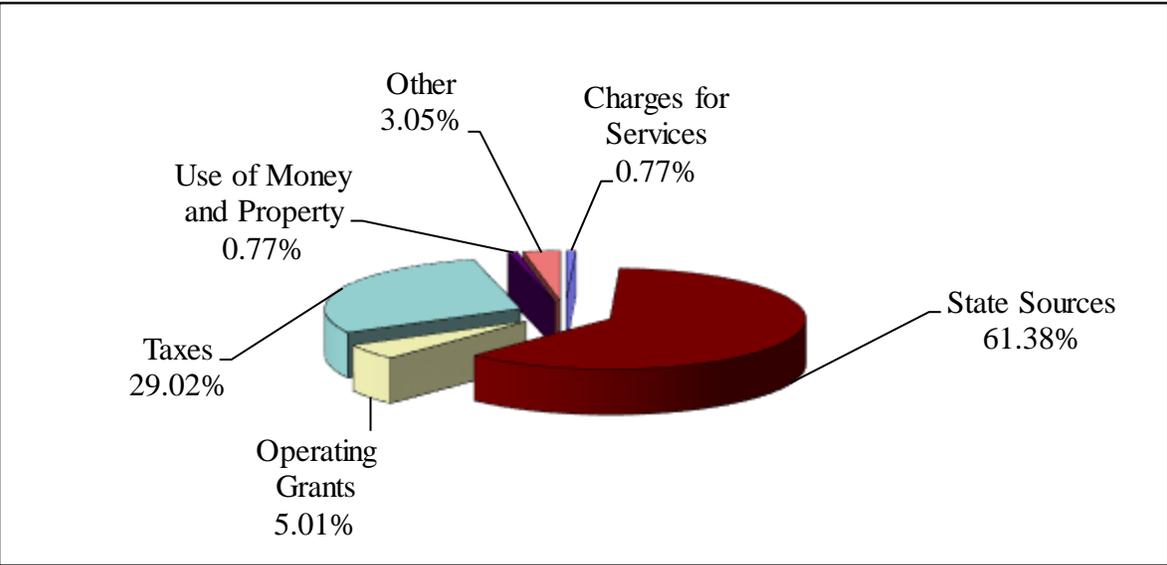


Figure 4

Sources of Revenue for 2019



NEWARK VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

Figure 5

Cost of Programs for 2020

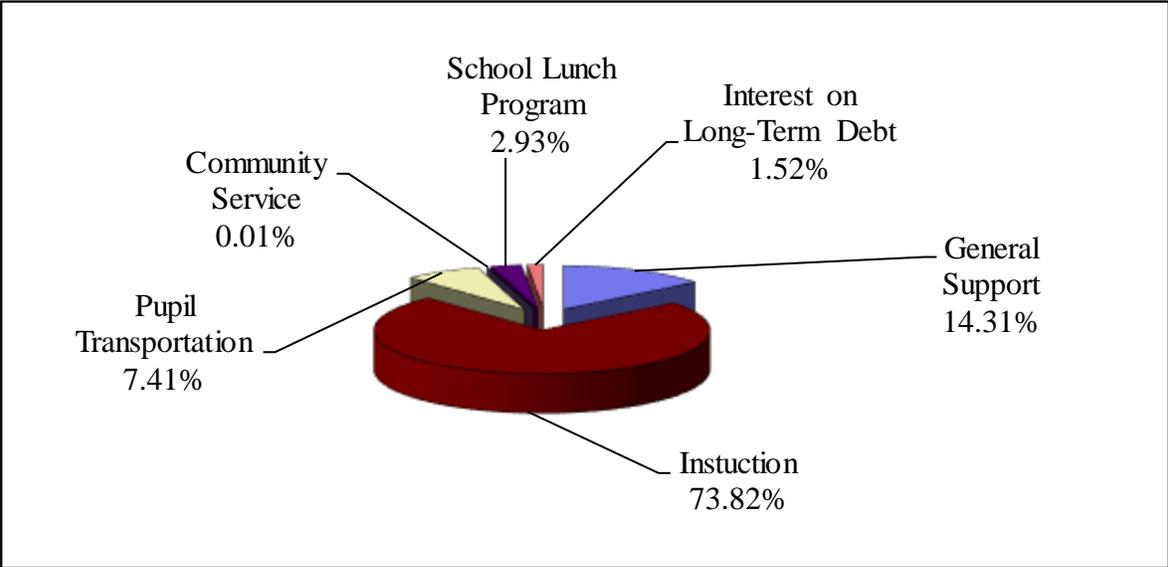
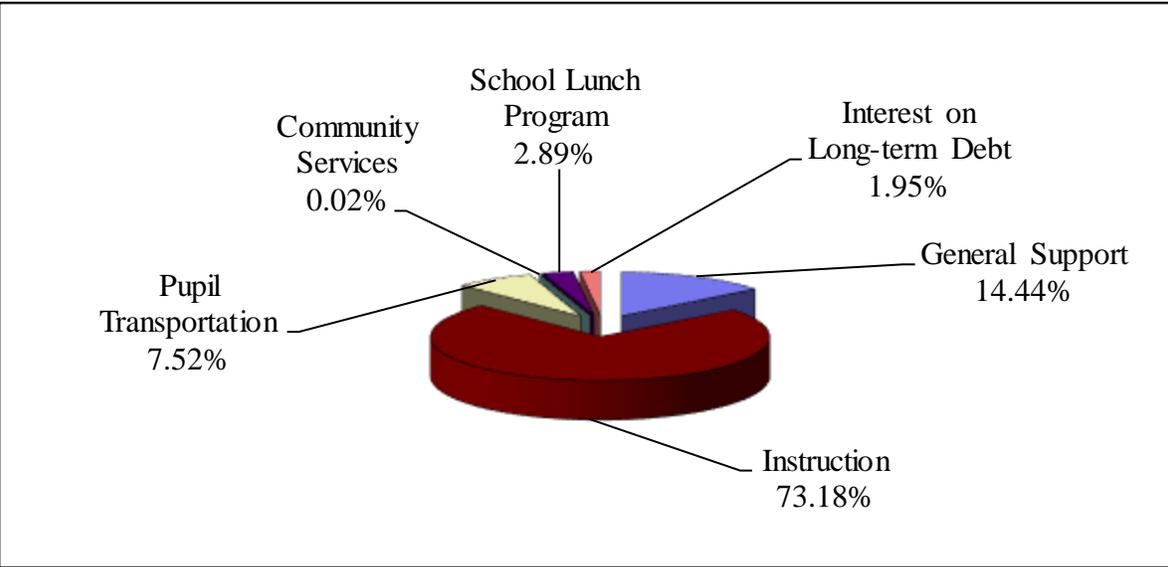


Figure 6

Cost of Programs for 2019



NEWARK VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the changes in fund balances for the year for the School District's funds. The School District experienced a decrease of 28.50% in total fund balance, which is primarily attributable to expenditures and other financing uses exceeding revenue and other financing sources in the Capital Projects Fund.

Figure 7

<i>Governmental Fund Balances</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019-2020</i>
<i>General Fund</i>	\$ 7,279,163	\$ 8,183,156	\$ 903,993
<i>School Lunch Fund</i>	25,341	30,144	4,803
<i>Debt Service Fund</i>	800,291	467,824	(332,467)
<i>Capital Projects Fund</i>	(11,349,481)	(12,850,687)	(1,501,206)
<i>Total Governmental Funds</i>	\$ (3,244,686)	\$ (4,169,563)	\$ (924,877)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board approves budgetary transfers of \$5,000 or more that revise the School District budget line items. These budget amendments consist of budget transfers between functions, which did not increase the overall budget for the year ended June 30, 2020.

In addition, during the year the budget was amended. These budget amendments consisted of use of reserves, which increased the budget by \$45,100. Even with these adjustments, the actual charges to appropriations (expenditures), including carry-over encumbrances, were below the final budget amounts by \$2,374,549.

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and variances for the year ended June 30, 2020.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2020</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real Property Taxes</i>	\$ 8,080,250	\$ 6,599,216	\$ 6,598,084	\$ (1,132)
<i>Other Tax Items</i>	18,000	1,499,034	1,505,771	6,737
<i>State Sources</i>	17,758,487	17,758,487	17,216,198	(542,289)
<i>Other, Including Other Financing Sources</i>	375,500	375,500	499,497	123,997
<i>Total Revenues and Other Financing Sources</i>	\$ 26,232,237	\$ 26,232,237	\$ 25,819,550	\$ (412,687)
Appropriated Fund Balances, Reserves, and Encumbrances				
	\$ 1,048,474	\$ 1,089,974		
EXPENDITURES				
<i>General Support</i>	\$ 3,159,027	\$ 3,242,692	\$ 2,800,594	\$ 442,098
<i>Instruction</i>	11,727,052	11,740,683	11,044,539	696,144
<i>Pupil Transportation</i>	1,413,254	1,370,699	1,061,129	309,570
<i>Community Services</i>	4,000	4,000	612	3,388
<i>Employee Benefits</i>	7,538,000	7,400,259	6,843,700	556,559
<i>Other Financing Uses</i>	3,439,378	3,563,878	3,197,088	366,790
<i>Total Expenditures and Other Financing Uses</i>	\$ 27,280,711	\$ 27,322,211	\$ 24,947,662	\$ 2,374,549

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2020, the School District had invested in a broad range of capital assets totaling \$63,668,241; offset by accumulated depreciation of \$22,840,583. *Figure 9* shows the changes in the School District's capital assets.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Figure 9

<i>Changes in Capital Assets</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019-2020</i>
<i>Land</i>	\$ 89,685	\$ 89,685	\$
<i>Construction in Progress</i>	10,115,193	11,960,960	1,845,767
<i>Buildings</i>	26,170,620	25,147,387	(1,023,233)
<i>Furniture and Equipment</i>	3,620,765	3,629,626	8,861
<i>Total</i>	\$ 39,996,263	\$ 40,827,658	\$ 831,395

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

Construction in Progress	\$ 1,845,767
Furniture and Equipment	542,675
Total Additions	<u>2,388,442</u>
Less Net Book Value of Disposed Equipment	(60,525)
Less Depreciation Expense	<u>(1,496,522)</u>
Net Change in Capital Assets	<u>\$ 831,395</u>

Debt Administration

Figure 10 shows the changes in the School District's outstanding debt. Total indebtedness represented 42.9% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019-2020</i>
<i>Bond Anticipation Notes</i>	\$ 14,320,338	\$ 13,906,200	\$ (414,138)
<i>Serial Bonds</i>	5,590,000	3,337,212	(2,252,788)
<i>Total</i>	\$ 19,910,338	\$ 17,243,412	\$ (2,666,926)

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

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

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

FACTORS BEARING ON THE DISTRICT'S FUTURE

- Over the past ten years, the financing of the General Fund budget of the School District has been shifting from broad-based state sources to a narrow-based local property tax and other revenue sources including reserves and fund balance. After three-year State Aid cut from 2010/2011 through 2012/2013, the School District has seen State Aid increase since 2013/2014 school year. 2020/2021 will be the first year in a long period of time, to see state aid decrease (8.94%) due to a capital project completed in 2005/2006 school year and no longer receives building aid from the state. However, since the School District matches its capital project debt payment with state aid payment schedule to minimize tax impact of capital project, the School District will also see reduction in its corresponding debt service in General Fund budget for 2020/2021. The net state aid reduction in 2020/2021 is about 1.31% from 2019/2020 state aid budget. 62.34% of the 2020/2021 General Fund budget will be financed by State Aid compared with 59.25% in 2011/2012.
- Over the years, the School District has been keeping the General Fund budget increase at a moderate level while utilizing reserves and other revenue sources to minimize tax levy increase. In 2011/2012, local property taxes financed 30.90% of the General Fund budget. In 2020/2021, 31.25% of the General Fund budget will be financed by local property taxes.
- During this ten-year period, the General Fund budget increased by an average of 1.08% per year (-3.08% in 2011/2012 and -4.87% in 2020/2021). State Aid increased by an average of 1.37% annually during the same time period with the highest two years being 5.44% in 2014/2015 and 5.50% in 2019/2020. Also to be noted, the School District experienced 2 consecutive years of state aid cut (decrease) - 2011/2012: 5.94%, 2012/2013: 1.41% during this 10-year period. The average annual local property tax increase for the same period was 1.65% with lowest two years being 1.20% in 2019/2020 and 0.32% in 2020/21.
- Although the School District has seen State Aid increase in majority of the past ten years, if the State Aid share of the General Fund budget decrease experienced in the past occurs in the future, the School District would experience higher local property tax levy increase than the past ten year average. In the meantime, the School District is now subject to the constraints of the tax levy limit formula imposed by the State. Keeping General Fund budget increase in line with the funding constraints has been and will remain a crucial task for the School District.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

- From 2010/2011 to 2019/2020, School District enrollment (not including students attending BOCES and other schools) for Grades K to 12 has decreased from 1,241 pupils to 1,075 pupils. Based on this historical trend, student enrollment will continue to decline or stay flat over the next several years. Student enrollment projections are:

2020/2021	1,058
2021/2022	1,028
2022/2023	1,012

The variations in student enrollment could have an impact on future School District staffing levels as well as the amount of state and federal funds the School District will receive.

- Federal grant allocations have been declining in the School District. Both Title grant and IDEA grant allocation amount have decreased. At the same time, the costs of operating the programs funded by these grants continue to increase. Significance among these increases are labor and related employee benefit costs. As a result of these opposing trends, the School District must assume a larger share of operating the programs funded by these grant allocations, or reduce or eliminate the services provided.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Newark Valley Central School District, at 68 Wilson Creek Road, Newark Valley, New York 13811.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

ASSETS

Current Assets

Cash - Unrestricted	\$ 2,396,373
Cash - Restricted	<u>1,039,377</u>
Receivables:	
State and Federal Aid	<u>581,283</u>
Due from Other Governments	<u>668,921</u>
Other	<u>60,036</u>
Inventories	<u>32,386</u>
Total Current Assets	<u>4,778,376</u>

Noncurrent Assets

Restricted Cash	<u>6,296,186</u>
Net Pension Asset - Proportionate Share	<u>1,233,740</u>
Land and Other Nondepreciable Capital Assets	<u>12,050,645</u>
Depreciable Capital Assets, Net	<u>28,777,013</u>
Total Noncurrent Assets	<u>48,357,584</u>

Total Assets	<u>53,135,960</u>
---------------------	--------------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charges on Defeased Debt	<u>30,232</u>
Pensions	<u>5,222,619</u>
Other Postemployment Benefits	<u>9,394,486</u>
Total Deferred Outflows of Resources	<u>14,647,337</u>

See Notes to Basic Financial Statements

STATEMENT OF NET POSITION (Continued)
JUNE 30, 2020

LIABILITIES

Current Liabilities

Payables:

Accounts Payable	\$ 415,941
Accrued Liabilities	<u>61,925</u>
Due to Other Governments	<u>39</u>
Bond Interest and Matured Bonds	<u>23,321</u>
Bond Anticipation Notes Payable	<u>13,906,200</u>
Unearned Revenue	<u>12,499</u>
Due to Teachers' Retirement System	<u>763,986</u>
Due to Employees' Retirement System	<u>83,535</u>
Current Portion of Long-term Obligations:	
Bonds Payable	<u>584,945</u>
Total Current Liabilities	<u>15,852,391</u>

Noncurrent Liabilities

Bonds Payable	2,752,267
Compensated Absences Payable	<u>704,146</u>
Other Postemployment Benefits Liability	<u>66,838,075</u>
Net Pension Liability - Proportionate Share	<u>1,764,703</u>
Total Noncurrent Liabilities	<u>72,059,191</u>

Total Liabilities	<u>87,911,582</u>
--------------------------	--------------------------

DEFERRED INFLOWS OF RESOURCES

Pensions	1,710,324
Other Postemployment Benefits	<u>7,800,154</u>
Total Deferred Inflows of Resources	<u>9,510,478</u>

NET POSITION

Net Investment in Capital Assets	24,160,506
Restricted Net Position	<u>6,764,010</u>
Unrestricted (Deficit)	<u>(60,563,279)</u>
Total Net (Deficit)	<u>\$ (29,638,763)</u>

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
General Support	\$ 4,061,980	\$	\$	\$ (4,061,980)
Instruction	20,959,272	56,507	811,539	(20,091,226)
Pupil Transportation	2,104,086			(2,104,086)
Community Services	1,183			(1,183)
School Lunch Program	831,454	122,884	542,889	(165,681)
Interest on Debt	432,734			(432,734)
Total Functions and Programs	<u>\$ 28,390,709</u>	<u>\$ 179,391</u>	<u>\$ 1,354,428</u>	<u>\$ -</u>
GENERAL REVENUES				
				6,598,084
Real Property Taxes				1,505,771
Real Property Tax Items				100,240
Use of Money and Property				17,216,198
State Sources				(56,018)
Sale of Property and Compensation for Loss				358,509
Miscellaneous				
Total General Revenues				<u>25,722,784</u>
Change in Net Position				(1,134,106)
Total Net (Deficit) - Beginning of Year				<u>(28,504,657)</u>
Total Net (Deficit) - End of Year				<u>\$ (29,638,763)</u>

See Notes to Basic Financial Statements

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 1,794,035	\$ 30,277	\$
Cash - Restricted	6,296,186		25,525
Receivables:			
Due From Other Funds	332,926		
State and Federal Aid	284,352	245,581	51,350
Due From Other Governments	668,081	840	
Other	57,251		2,785
Inventories			32,386
Total Assets	\$ 9,432,831	\$ 276,698	\$ 112,046
LIABILITIES			
Payables:			
Accounts Payable	\$ 351,655	\$	\$ 1,740
Accrued Liabilities	50,499	1,000	10,426
Due to Other Funds		272,720	60,176
Due to Other Governments			39
Bond Anticipation Notes Payable			
Unearned Revenue		2,978	9,521
Due to Teachers' Retirement System	763,986		
Due to Employees' Retirement System	83,535		
Total Liabilities	1,249,675	276,698	81,902
FUND BALANCES			
Nonspendable			32,386
Restricted	6,296,186		
Assigned	882,105		
Unassigned	1,004,865		(2,242)
Total Fund Balances (Deficit)	8,183,156	-	30,144
Total Liabilities and Fund Balances	\$ 9,432,831	\$ 276,698	\$ 112,046

See Notes to Basic Financial Statements

Major Funds

Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$ 572,061	\$ 2,396,373
467,824	546,028	7,335,563
		332,926
		581,283
		668,921
		60,036
		32,386
\$ 467,824	\$ 1,118,089	\$ 11,407,488
\$	\$ 62,546	\$ 415,941
		61,925
	30	332,926
		39
	13,906,200	13,906,200
		12,499
		763,986
		83,535
-	13,968,776	15,577,051
		32,386
467,824		6,764,010
		882,105
	(12,850,687)	(11,848,064)
467,824	(12,850,687)	(4,169,563)
\$ 467,824	\$ 1,118,089	\$ 11,407,488

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

Fund Balances (Deficit) - Total Governmental Funds **\$ (4,169,563)**

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

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

Total Historical Cost	\$ 63,668,241	
Less Accumulated Depreciation	<u>(22,840,583)</u>	40,827,658

The School District's proportion of the collective net pension asset/liability is not reported in the funds.

TRS Net Pension Asset - Proportionate Share	\$ 1,233,740	
ERS Net Pension Liability - Proportionate Share	<u>(1,764,703)</u>	(530,963)

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

Deferred Charges on Defeased Debt	\$ 30,232	
Other Postemployment Benefits Deferred Outflows of Resources	9,394,486	
Other Postemployment Benefits Deferred Inflows of Resources	(7,800,154)	
TRS Deferred Inflows of Resources - Pension	(1,659,013)	
ERS Deferred Inflows of Resources - Pension	(51,311)	
TRS Deferred Outflows of Resources - Pension	3,964,140	
ERS Deferred Outflows of Resources - Pension	<u>1,258,479</u>	5,136,859

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

Bonds Payable	\$ (2,990,000)	
Unamortized Bond Premium	<u>(347,212)</u>	(3,337,212)

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

Compensated Absences	\$ (704,146)	
Other Postemployment Benefits Liability	(66,838,075)	
Accrued Interest on Long-term Debt	<u>(23,321)</u>	<u>(67,565,542)</u>

Net (Deficit) of Governmental Activities **\$ (29,638,763)**

See Notes to Basic Financial Statements

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
REVENUES			
Real Property Taxes	\$ 6,598,084	\$	\$
Other Tax Items	1,505,771		
Charges for Services	21,356		
Use of Money and Property	84,530		135
Sale of Property and Compensation for Loss	4,507		
Miscellaneous	353,950	2,425	2,134
State Sources	17,216,198	234,714	82,705
Medicaid Reimbursement	35,151		
Federal Sources		576,825	460,184
Sales - School Lunch			122,884
Total Revenues	25,819,547	813,964	668,042
EXPENDITURES			
General Support	2,771,826		
Instruction	11,041,340	733,704	320,284
Pupil Transportation	1,060,991	25,244	
Community Services	612		
Employee Benefits	6,843,700	68,531	162,525
Debt Service:			
Principal			
Interest			
Cost of Sales			288,430
Capital Outlay			
Total Expenditures	21,718,469	827,479	771,239
Excess (Deficiency) of Revenues Over Expenditures	4,101,078	(13,515)	(103,197)
OTHER FINANCING SOURCES AND (USES)			
BANs Redeemed from Appropriations			
Premium on Obligations			
Proceeds of Obligations			
Operating Transfers In	3	13,515	108,000
Operating Transfers (Out)	(3,197,088)		
Payment to Escrow Agent			
Total Other Sources (Uses)	(3,197,085)	13,515	108,000
Net Change in Fund Balance	903,993	-	4,803
Fund Balances (Deficit) - Beginning of Year	7,279,163	-	25,341
Fund Balances (Deficit) - End of Year	\$ 8,183,156	\$ -	\$ 30,144

See Notes to Basic Financial Statements

Major Funds

Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$ 6,598,084
		1,505,771
		21,356
15,575		100,240
		4,507
		358,509
		17,533,617
		35,151
		1,037,009
		122,884
15,575	-	27,317,128
67,500		2,839,326
		12,095,328
		1,086,235
		612
		7,074,756
2,853,065		2,853,065
506,504		506,504
		288,430
	2,187,519	2,187,519
3,427,069	2,187,519	28,931,775
(3,411,494)	(2,187,519)	(1,614,647)
	568,065	568,065
473,186		473,186
3,510,000		3,510,000
2,957,322	141,500	3,220,340
	(23,252)	(3,220,340)
(3,861,481)		(3,861,481)
3,079,027	686,313	689,770
(332,467)	(1,501,206)	(924,877)
800,291	(11,349,481)	(3,244,686)
\$ 467,824	\$ (12,850,687)	\$ (4,169,563)

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

Net Change in Fund Balances - Total Governmental Funds **\$ (924,877)**

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

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

Capital Outlay	\$ 2,388,442	
Depreciation Expense	(1,496,522)	
Net Book Value of Disposed Assets	<u>(60,525)</u>	831,395

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

Proceeds of Obligations	\$ (3,510,000)	
Premium on Obligations	(418,981)	
Amortization of Premium on Obligation	71,769	
Payment to Escrow Agent	3,861,481	
Principal Payment	<u>2,285,000</u>	2,289,269

Long-term obligations, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore, expenses which result in an (increase) or decrease in these long-term obligations are not reflected in the Governmental Fund financial statements. This is the change in the amount of compensated absences and other postemployment benefit liability reported in the Statement of Activities.

Compensated Absences	\$ 111,614	
Other Postemployment Benefits Liability	<u>(2,217,265)</u>	(2,105,651)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. This is the change in interest payable. 9,190

The issuance of refunding bonds results in a deferral of the change in the amount of debt. The deferred amount is amortized annually. This is the current amortization.

Amortization of Deferred Charges on Defeased Debt		(61,394)
---	--	----------

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

ERS	\$ (321,153)	
TRS	<u>(850,885)</u>	<u>(1,172,038)</u>

Net Change in Net Position of Governmental Activities **\$(1,134,106)**

See Notes to Basic Financial Statements

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2020

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash - Unrestricted	\$	\$ 121,969
Cash - Restricted	142,840	
Investments - Restricted		
Accounts Receivable		504
Total Assets	142,840	\$ 122,473
LIABILITIES		
Extraclassroom Activity Funds Balances		\$ 73,970
Other Liabilities		48,503
Total Liabilities	-	\$ 122,473
NET POSITION		
Reserved for Scholarships	\$ 142,840	

See Notes to Basic Financial Statements

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

	Private Purpose Trust Fund
ADDITIONS	
Gifts and Contributions	\$ 6,071
Investment Earnings	<u>2,527</u>
Total Additions	<u>8,598</u>
DEDUCTIONS	
Scholarships and Awards	<u>17,700</u>
Change in Net Position	(9,102)
Net Position - Beginning of Year	<u>151,942</u>
Net Position - End of Year	<u><u>\$ 142,840</u></u>

See Notes to Basic Financial Statements

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1

Summary of Significant Accounting Policies

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

Reporting Entity

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

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended.

- The primary government, which is the School District;
- 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 basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds are included in the School District's reporting entity.

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, located at 68 Wilson Creek Road, Newark Valley, New York 13811.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Joint Venture

The School District is one of 16 component school districts in the Broome-Tioga Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

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

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

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the Education Law. Separate financial statements of Broome Tioga BOCES may be obtained by contacting the Business Office, Broome Tioga BOCES, 435 Glenwood Road, Binghamton, New York 13905.

Basis of Presentation - District-wide Financial Statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those that are specifically associated with and clearly identifiable to a particular function. Indirect expenses relate to the administration and support and pension of the School District's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Basis of Presentation - Governmental Fund Financial Statements

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

The School District reports the following Major Governmental Funds:

- **General Fund:** The School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Funds:** These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - **Special Aid Fund:** Accounts for proceeds received from state and federal grants that are restricted for special educational programs.
 - **School Lunch Fund:** Accounts for revenues and expenditures in connection with the School District's food service program.
- **Debt Service Fund:** Accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of Governmental Activities.
- **Capital Projects Fund:** Accounts for financial resources used for renovation of the School District's educational complex and purchase of buses.

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

The School District reports the following Fiduciary Funds:

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

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Measurement Focus and Basis of Accounting

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

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within one year after the end of the fiscal year, except for real property taxes, which are considered to be available if collected within sixty days after the end of the year.

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

Cash and Investments

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

Accounts Receivable

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

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Due To/From Other Funds

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

Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the School District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and Governmental Fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

Nonspendable fund balances associated with these non-liquid assets (inventories and prepaid items) have been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 5,000	20-40 Years
Building Improvements	5,000	15-20 Years
Furniture and Equipment	5,000	5-8 Years

Capital assets are depreciated using the straight line method.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Vested Employee Benefits - Compensated Absences

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

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

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

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

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

Postemployment Benefits

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

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postretirement benefits is shared between the School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

The School District follows GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 11 for additional information.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Deferred Outflows and Deferred 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 School District reports a deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District also reports deferred outflows of resources related to pensions and OPEB plans in the District-wide Statement of Net Position. The types of deferred outflows of resources related to pensions and OPEB plans are described in Notes 10 and 11, respectively.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District reports items that qualify for reporting in this category. The first arises only under the modified accrual basis of accounting and is reported as unavailable revenue. The other types of deferred inflows of resources is related to pensions and OPEB as described in Notes 10 and 11, respectively.

Unearned and Unavailable Revenues

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

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

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

Overpayments and Collections in Advance

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

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 1* Summary of 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 of current financial resources. Claims and judgments, other postemployment benefit payable and compensated absences that will be paid from governmental funds, are reported as a liability in the fund's financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

Restricted Resources

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

Equity Classifications - District-wide Financial Statements

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

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Equity Classifications - Governmental Fund Financial Statements

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

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

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Equity Classifications - Governmental Fund Financial Statements - Continued

The Board of Education of the School District has not adopted any resolutions to commit or assign fund balance. Currently, fund balance is assigned by the Business Official for encumbrances and the Board of Education, by resolution, approves fund balance appropriations for next year's budget. The School District applies expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

Legally Adopted Reserves

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

- **Mandatory Reserve for Debt Service (GML §6-1)** - Used to establish a reserve for the purpose of retiring outstanding obligations upon the sale of School District property or capital improvement financed by obligations that remain outstanding at the time of sale. Funding of the reserve is from proceeds of sale of School District property or capital improvement. The reserve is accounted for in the Debt Service Fund.
- **Unemployment Insurance Reserve (GML §6-m)** - Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other Reserve Fund. This reserve is accounted for in the General Fund.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Legally Adopted Reserves - Continued

- Capital Reserve (Education Law §3651) - Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserves 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 reserves and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. These reserves are accounted for in the General Fund.
- Employee Benefit Accrued Liability Reserve (GML §6-p) - Used to reserve funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- Retirement Contribution Reserves (GML §6-r) - Used to reserve funds for the payment of retirement contributions, due to volatility in the economic marketplace. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- Property Loss Reserve and Liability Reserve (Education Law §1709(8)(c)) - Used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these services may not in total exceed 3% of annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by School Districts, except city School Districts with a population greater than 125,000. This reserve is accounted for in the General Fund.
- Repair Reserve (GML §6-m) - Used to pay the cost of repairs to capital improvements or equipment, for repairs which are of a type not recurring annually. The Board of Education without voter approval may establish a Repair Reserve by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the Repair Reserve over the next two subsequent fiscal years. This reserve is accounted for in the General Fund.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and became lien on August 26, 2019. Taxes were collected during the period September 1, 2019 to October 31, 2019.

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

Interfund Transfers

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

Use of Estimates

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

Future Changes in Accounting Standards

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2021. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2022.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," effective for the year ending June 30, 2022.
- GASB has issued Statement No. 90, "Majority Equity Interests - Amendment of GASB Statements No. 14 and No. 61," effective for the year ending June 30, 2021.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Future Changes in Accounting Standards - Continued

- 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.

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

Note 2 **Participation in BOCES**

During the year ended June 30, 2020, the School District's share of BOCES income amounted to \$1,384,476. The School District was billed \$3,058,338 for BOCES administration and program costs. Financial statements for the Broome-Tioga BOCES are available from the BOCES administrative office at 435 Upper Glenwood Road, Binghamton, New York, 13905.

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

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

The School District's aggregate bank balances of \$10,206,052 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted cash and investments consist of the following at June 30, 2020:

Restricted for General Fund Reserves	\$ 6,296,186
Restricted for School Lunch	25,525
Restricted for Debt Service	467,824
Restricted for Capital Projects	546,028
Subtotal	<u>7,335,563</u>
Private Purpose Trust Fund	<u>142,840</u>
Total	<u>\$ 7,478,403</u>

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 4 Due from State, Federal, and Other Governments

State and federal aid, and other government receivables consisted of the following, which are stated at net realizable value.

Description	Amount
BOCES September Aid	\$ 668,921
Total Due from Other Governments	\$ 668,921
Excess Cost Aid	284,352
Federal Aid	156,220
Universal Prekindergarten	53,956
School Lunch	51,350
Miscellaneous	35,405
Total State and Federal Aid	\$ 581,283

Note 5 Interfund Balances and Activity

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

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 332,926	\$	\$ 3	\$3,197,088
Special Aid Fund		272,720	13,515	
School Lunch Fund		60,176	108,000	
Capital Projects Fund		30	141,500	23,252
Debt Service Fund			2,957,322	
Total	\$ 332,926	\$ 332,926	\$3,220,340	\$3,220,340

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Projects Funds, as needed, to fund capital projects. Periodically, the School District transfers funds as excess funds are accumulated from the School Lunch Fund.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 6 Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>Ending Balance</u>
Capital Assets That Are Not Depreciated:				
Land	\$ 89,685	\$	\$	\$ 89,685
Construction in Progress	10,115,193	1,845,767		11,960,960
Total Nondepreciable Historical Cost	<u>10,204,878</u>	<u>1,845,767</u>	<u>-</u>	<u>12,050,645</u>
Capital Assets That Are Depreciated:				
Buildings	42,342,970			42,342,970
Furniture and Equipment	9,195,739	542,675	(463,788)	9,274,626
Total Depreciable Historical Cost	<u>51,538,709</u>	<u>542,675</u>	<u>(463,788)</u>	<u>51,617,596</u>
Total Historical Cost	<u>61,743,587</u>	<u>2,388,442</u>	<u>(463,788)</u>	<u>63,668,241</u>
Less Accumulated Depreciation:				
Buildings	(16,172,350)	(1,023,233)		(17,195,583)
Furniture and Equipment	(5,574,974)	(473,289)	403,263	(5,645,000)
Total Accumulated Depreciation	<u>(21,747,324)</u>	<u>(1,496,522)</u>	<u>403,263</u>	<u>(22,840,583)</u>
Total Historical Cost, Net	<u>\$39,996,263</u>	<u>\$ 891,920</u>	<u>\$ (60,525)</u>	<u>\$40,827,658</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 361,716
Instruction	840,215
Pupil Transportation	286,988
School Lunch Program	<u>7,603</u>
Total	<u>\$1,496,522</u>

Note 7 Short-term Debt

The School District may issue revenue anticipation notes (RANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's represent a liability that will be extinguished by the use of expendable, available resources of the General Fund. There were no RAN's issued or redeemed during the year.

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

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 7 Short-term Debt - Continued

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

Description of Issue	Interest Rate	Maturity Date	Beginning Balance	Issued	Renewed or Redeemed	Ending Balance
BAN 2019 - Construction	2.5%	06/26/2020	\$13,300,638	\$	\$(13,300,638)	\$ -
BAN 2019 - Buses	3.0%	09/06/2019	1,019,700		(1,019,700)	-
BAN 2020 - Construction	1.0%	06/25/2021		12,900,000		12,900,000
BAN 2019 - Buses	2.0%	09/04/2020		1,006,200		1,006,200
Total			<u>\$14,320,338</u>	<u>\$13,906,200</u>	<u>\$(14,320,338)</u>	<u>\$13,906,200</u>

Interest expense related to short-term debt during the year was:

Interest Paid	\$ 362,098
(Less) Interest Accrued in the Prior Year	(27,669)
Plus Interest Accrued in the Current Year	18,338
(Less) Amortization of BAN Premium	<u>(54,205)</u>
Total	<u>\$ 298,562</u>

Note 8 Long-term Debt

At June 30, 2020, the total outstanding indebtedness of the School District represented 42.9% of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

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

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

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2020</u>
Serial Bonds:				
Refunding Bond	06/15/2020	06/15/2026	4.0% - 5.0%	\$ 2,990,000
Total Bond Principal				<u>2,990,000</u>
Unamortized Premium				<u>347,212</u>
Total				<u>\$ 3,337,212</u>

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 8 Long-term Debt - Continued

Interest expense related to long-term debt during the year was comprised of:

Interest paid	\$	144,406
(Less) Interest Accrued in the Prior Year		(4,842)
(Less) Premium Recognized in the Current		(71,769)
Plus Interest Accrued in the Current Year		4,983
Plus Amortization of Deferred Charges on Defeased Debt		61,394
Total	\$	134,172

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

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Serial Bonds	\$ 5,590,000	\$3,510,000	\$(6,110,000)	\$ 2,990,000	\$ 485,000
Total Bonds	5,590,000	3,510,000	(6,110,000)	2,990,000	485,000
Unamortized Premiums		418,981	(71,769)	347,212	99,945
Total	\$ 5,590,000	\$3,928,981	\$(6,181,769)	\$ 3,337,212	\$ 584,945

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Deferred Charges on Defeased Debt	\$ (55,145)	\$ (36,481)	\$ 61,394	\$ (30,232)	\$ (8,702)
Total	\$ (55,145)	\$ (36,481)	\$ 61,394	\$ (30,232)	\$ (8,702)

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 8 Long-term Debt - Continued

The following is a summary of the maturity of long-term indebtedness.

Year	Principal	Interest	Total
2021	\$ 485,000	\$ 139,650	\$ 624,650
2022	505,000	120,250	625,250
2023	530,000	95,000	625,000
2024	560,000	68,500	628,500
2025	585,000	45,500	630,500
2026	325,000	16,250	341,250
Total	\$2,990,000	\$ 485,150	\$3,475,150

On June 15, 2020, the School District issued \$3,510,000 in general obligation bonds, with interest rates ranging between 4.0% and 5.0%. The School District issued the bonds to advance refund the \$3,825,000 of outstanding various general obligation bonds with interest rates ranging from 2.0% to 3.0%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$3,825,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$3,275,000 at June 30, 2020.

Note 9 Compensated Absences

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

Compensated absences balance and activity are summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated Absences	\$815,760	\$	\$(111,614)	\$704,146

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 10 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS) (System)

The School District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee 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, New York 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 10 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Plan Descriptions and Benefits Provided - Continued

Teachers' Retirement System (TRS) (System) - Continued

Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

Employees' Retirement System (ERS) (System)

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple-employer, defined benefit pension plan. 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 School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the state's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Summary of Significant Accounting Policies

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

Contributions

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

	ERS	TRS
2020	\$ 326,308	\$ 844,866
2019	321,352	759,131
2018	339,262	896,431

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

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

	ERS	TRS
Actuarial Valuation Date	04/01/2019	06/30/2018
Net Pension Asset/Liability	\$26,480,579,097	\$ (2,598,006,772)
School District's Proportionate Share of the		
Plan's Total Net Pension Asset/Liability	1,764,703	(1,233,740)
School District's Share of the		
Plan's Net Pension Asset/Liability	0.006664%	0.047488%

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

For the year ended June 30, 2020, the School District recognized pension expense of \$650,828 for ERS and \$1,546,756 for TRS in the District-wide financial statements. At June 30, 2020 the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 103,860	\$ 836,074	\$	\$ 91,743
Changes of Assumptions	35,533	2,330,700	30,682	568,291
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	904,672			989,396
Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions	130,879	99,371	20,629	9,583
School District's Contributions Subsequent to the Measurement Date	83,535	697,995		
Total	\$1,258,479	\$3,964,140	\$ 51,311	\$1,659,013

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

Year Ending	ERS	TRS
2021	\$ 211,723	\$ 579,186
2022	290,711	56,441
2023	346,900	577,163
2024	274,299	378,745
2025		49,087
Thereafter		(33,490)

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions

The total pension asset/liability as of the valuation 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:

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

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

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 were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions - Continued

For ERS, the long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. For TRS, long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

Measurement Date	ERS	TRS
	March 31, 2020	June 30, 2019
Asset Type		
Domestic Equities	4.1%	6.3%
International Equities	6.2%	7.8%
Global Equities		7.2%
Real Estate	5.0%	4.6%
Private Equity/Alternative Investments	6.8%	9.9%
Absolute Return Strategies	3.3%	
Opportunistic Portfolio	4.7%	
Real Assets	6.0%	
Cash	0.0%	
Inflation-Indexed Bonds	0.5%	
Domestic Fixed Income Securities		1.3%
Global Fixed Income Securities		0.9%
Private Debt		6.5%
Real Estate Debt		2.9%
High-Yield Fixed Income Securities		3.6%
Mortgages and Bonds	0.8%	
Short-Term		0.3%

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Discount Rate

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

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

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

ERS	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 3,238,728	\$ 1,764,703	\$ 407,119
TRS	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 5,568,973	\$ (1,233,740)	\$ (6,940,449)

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$83,535.

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 \$763,986.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Current Year Activity

The following is a summary of current year activity:

	Beginning Balance	Change	Ending Balance
ERS			
Net Pension Liability	\$ 482,570	\$ 1,282,133	\$ 1,764,703
Deferred Outflows of Resources	(424,614)	(833,865)	(1,258,479)
Deferred Inflows of Resources	178,426	(127,115)	51,311
Subtotal	236,382	321,153	557,535
TRS			
Net Pension Asset	(870,321)	(363,419)	(1,233,740)
Deferred Outflows of Resources	(4,614,967)	650,827	(3,964,140)
Deferred Inflows of Resources	1,095,536	563,477	1,659,013
Subtotal	(4,389,752)	850,885	(3,538,867)
Total	\$ (4,153,370)	\$ 1,172,038	\$ (2,981,332)

Note 11 Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

Plan Description - The School District provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the School District has in place with different classifications of employees. The School District acquires health insurance through a consortium known as the Broome-Tioga Health Insurance Consortium. Benefits provided by the Consortium are administered by Blue Cross/Blue Shield. The Consortium plan covers medical and pharmaceutical costs. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements, as there are no assets legally segregated for the sole purpose of paying benefits under the plan.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued

General Information about the OPEB Plan - Continued

Benefits Provided - The School District provides healthcare benefits for eligible retirees and their spouses. Benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

Employees Covered by Benefit Terms - At July 1, 2020, the following employees were covered by the benefit terms.

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	249
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	
Active Employees	<u>214</u>
Total	<u>463</u>

Total OPEB Liability

The School District's total OPEB liability of \$66,838,075 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2018.

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

Long-Term Bond Rate	2.21%
Single Discount Rate	2.21%
Salary Scale	2.6%
Dental Trend Rate	3.0%
Marital Assumption	80.0%
Participation Rate	95.0%
Healthcare Cost Trend Rates	6.1% for 2020, decreasing to an ultimate rate of 4.1% after 2076.

The Bond Buyer General Obligation 20-Bond Municipal Index was used to determine the long-term bond rate above.

Mortality rates were based on the Scale MP-2016 (generation mortality) published by the pension mortality study released by the Society of Actuaries.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Total OPEB Liability - Continued

Termination rates were based on the percentage of employees who will terminate employment at the given age each year, for reasons other than death, or retirement.

Retirement rates are based on tables used by the New York State Teachers' Retirement System and New York State and Local Retirement System.

The actuarial assumptions used in the July 1, 2018 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$53,836,615
Changes for the Year	
Service Cost	1,871,921
Interest Cost	1,919,152
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	
Changes in Assumptions or Other Inputs Benefit Payments	10,976,821
Benefit Payments	(1,766,434)
	13,001,460
Balance at June 30, 2020	\$66,838,075

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 79,275,582	\$ 66,838,075	\$ 56,985,397

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2019 to 2.21% in 2020.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Changes in the Total OPEB Liability - Continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.1% to 3.1%) or 1 percentage point higher (7.1% to 5.1%) than the current healthcare cost trend rate:

	Healthcare Cost		
	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	\$ 54,826,594	\$ 66,838,075	\$ 82,698,741

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$3,983,699.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 247,135	\$(1,374,284)
Changes in Assumptions or Other Inputs	9,147,351	(6,425,870)
Total	\$ 9,394,486	\$(7,800,154)

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

Fiscal Year Ending June 30,	Amount
2021	\$ 192,626
2022	192,626
2023	192,626
2024	192,626
2025	823,828
Thereafter	

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Current Year Activity

The following is a summary of current year activity:

	<u>Beginning Balance</u>	<u>Change</u>	<u>Ending Balance</u>
OPEB Liability	\$53,836,615	\$13,001,460	\$66,838,075
Deferred Outflows of Resources	(305,976)	(9,088,510)	(9,394,486)
Deferred Inflows of Resources	9,495,839	(1,695,685)	7,800,154
Total	<u>\$63,026,478</u>	<u>\$ 2,217,265</u>	<u>\$65,243,743</u>

Note 12 Commitments and Contingencies

Risk Financing and Related Insurance - General Information

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

Health Insurance

The School District incurs costs related to an employee health insurance plan (Plan) sponsored by Broome-Tioga-Delaware BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. School Districts joining the Plan must remain members for a minimum of one year; a member district may withdraw from the Plan after that time by providing notice to the consortium prior to May 1, immediately preceding the commencement of the next school year. Plan members include eight districts, with the School District bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. Plan financial statements may be obtained from the BOCES administrative office at 435 Glenwood Road, Binghamton, New York 13760.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 12* Commitments and Contingencies - Continued**

Health Insurance - Continued

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2020, the School District incurred premiums or contribution expenditures totaling \$4,948,944.

Workers' Compensation

The School District incurs costs related to a workers' compensation insurance plan (Plan). The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Plan members include 11 school districts, with the School District bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. Plan financial statements may be obtained from the Broome-Tioga-Delaware BOCES administrative office at 435 Glenwood Road, Binghamton, New York 13760.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2020, the School District incurred premiums or contribution expenditures of \$168,397.

Other Items

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

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 13 Fund Balance Detail

At June 30, 2020, nonspendable, restricted, and assigned fund balances in the Governmental Funds were as follows:

	General Fund	School Lunch Fund	Debt Service Fund
Nonspendable			
Inventory	\$	\$ 32,386	\$
Total Nonspendable Fund Balance	\$ -	\$ 32,386	\$ -
Restricted			
Unemployment Insurance Reserve	\$ 220,589	\$	\$
Employees' Retirement Reserve	1,584,579		
Teachers' Retirement Reserve	316,868		
Employee Benefit Accrued Liability Reserve	307,390		
Property Loss Reserve and Liability Reserve	46,456		
Repair Reserve	85,431		
Capital Reserve	3,734,873		
Debt Service			467,824
Total Restricted Fund Balance	\$ 6,296,186	\$ -	\$ 467,824
Assigned			
Appropriated for Next Year's Budget	\$ 850,000	\$	\$
Encumbered for:			
General Support	28,768		
Instruction	3,199		
Pupil transportation	138		
Total Assigned Fund Balance	\$ 882,105	\$ -	\$ -

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 14 Restricted Fund Balances

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

<u>General Fund</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
Unemployment Insurance Reserve	\$ 217,876	\$	\$ 2,713	\$	\$ 220,589
Employees' Retirement Reserve	1,273,720	295,000	15,859		1,584,579
Teachers' Retirement Reserve	150,000	165,000	1,868		316,868
Employee Benefit Accrued Liability Reserve	303,610		3,780		307,390
Property Loss Reserve and Liability Reserve	45,886		570		46,456
Repair Reserve	84,380		1,051		85,431
Capital Reserve	3,315,098	420,000	41,275	(41,500)	3,734,873
Total	<u>\$5,390,570</u>	<u>\$ 880,000</u>	<u>\$ 67,116</u>	<u>\$ (41,500)</u>	<u>\$6,296,186</u>

Note 15 Tax Abatements

For the year ended June 30, 2020 the School District was subject to tax abatements negotiated by the Tioga County Industrial Development Agency (TCIDA).

TCIDA enters into various property tax abatement programs for the purpose of economic development. School District property tax revenue was reduced by \$27,430, and the School District subsequently received payment in lieu of taxes (PILOT) payments totaling \$3,000.

Note 16 Stewardship, Compliance and Accountability

Deficit Fund Balance

The Capital Projects Fund had a deficit fund balance of \$12,850,687 at year end. This deficit will be eliminated as short-term financing is repaid or converted into long-term financing and additional long-term financing is obtained for the renovation project.

The School Lunch Fund has a deficit unassigned fund balance of \$2,242 at year end. This deficit will be eliminated through transfers from the General Fund.

Deficit Net Position

At June 30, 2020, the District-wide Statement of Net Position had an unrestricted deficit net position of \$60,563,279. This is primarily the result of the requirement to record other postemployment benefits liability with no requirement or mechanism to fund this liability. (See Note 11.) The deficit is not expected to be eliminated during the normal course of operations.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 17 **Subsequent Events**

On September 4, 2020, the School District issued bond anticipation notes totaling \$1,044,000 at an interest rate of 1.25% to finance capital improvements and the purchase of buses.

Note 18 **Uncertainty**

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

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real Property Taxes	\$ 8,080,250	\$ 6,599,216	\$ 6,598,084	\$ (1,132)
Other Tax Items	18,000	1,499,034	1,505,771	6,737
Charges for Services	21,000	21,000	21,356	356
Use of Money and Property	19,500	19,500	84,530	65,030
Sale of Property and Compensation for Loss			4,507	4,507
Miscellaneous	305,000	305,000	353,950	48,950
Total Local Sources	8,443,750	8,443,750	8,568,198	124,448
State Sources	17,758,487	17,758,487	17,216,198	(542,289)
Medicaid Reimbursement	30,000	30,000	35,151	5,151
Total Revenues	26,232,237	26,232,237	\$25,819,547	\$ (412,690)
OTHER FINANCING SOURCES				
Operating transfers in			3	3
Total Revenues and Other Financing Sources	26,232,237	26,232,237	\$25,819,550	\$ (412,687)
Appropriated Fund Balance	881,790	881,790		
Appropriated Reserves	153,440	194,940		
Designated Fund Balance				
Encumbrances Carried Forward from Prior Year	13,244	13,244		
Total Revenues, Appropriated Reserves and Designated Fund Balance	\$27,280,711	\$27,322,211		

See Notes to Required Supplementary Information

CHENANGO VALLEY CENTRAL SCHOOL DISTRICT

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

	<u>Original Budget</u>	<u>Final Budget</u>
EXPENDITURES		
General Support		
Board of Education	\$ 20,683	\$ 43,419
Central Administration	201,025	201,025
Finance	469,936	469,936
Staff	95,882	95,882
Central Services	2,149,614	2,194,743
Special Items	221,887	237,687
Total General Support	<u>3,159,027</u>	<u>3,242,692</u>
Instruction		
Instruction, Administration, and Improvement	695,228	699,873
Teaching - Regular School	6,373,615	6,265,234
Programs for Children with Handicapping Conditions	2,548,078	2,545,719
Occupational Education	400,058	400,058
Instructional Media	650,646	699,159
Pupil Services	1,059,427	1,130,640
Total Instruction	<u>11,727,052</u>	<u>11,740,683</u>
Pupil Transportation	1,413,254	1,370,699
Community Services	4,000	4,000
Employee Benefits	7,538,000	7,400,259
Total Expenditures	<u>23,841,333</u>	<u>23,758,333</u>
OTHER FINANCING USES		
Operating Transfers Out	3,439,378	3,563,878
Total Expenditures and Other Financing Uses	<u>\$ 27,280,711</u>	<u>\$ 27,322,211</u>
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

See Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 32,142	\$ 8	\$ 11,269
197,138		3,887
451,544	270	18,122
76,979		18,903
1,779,322	28,490	386,931
234,701		2,986
2,771,826	28,768	442,098
686,491		13,382
6,111,031	1,199	153,004
2,092,679		453,040
400,058		-
691,944		7,215
1,059,137	2,000	69,503
11,041,340	3,199	696,144
1,060,991	138	309,570
612		3,388
6,843,700		556,559
21,718,469	32,105	2,007,759
3,197,088		366,790
24,915,557	<u>\$ 32,105</u>	<u>\$ 2,374,549</u>
903,993		
7,279,163		
<u>\$ 8,183,156</u>		

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

	2020	2019	2018
Contractually Required Contribution	\$ 326,308	\$ 321,352	\$ 339,262
Contributions in Relation to the Contractually Required Contribution	(326,308)	(321,352)	(339,262)
Contribution Deficiency (Excess)	-	-	-
School District's Covered - Employee Payroll	2,273,746	2,209,809	2,259,021
Contributions as a Percentage of Covered - Employee Payroll	14.4%	14.5%	15.0%

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

	2020	2019	2018
Contractually Required Contribution	\$ 697,995	\$ 844,866	\$ 759,131
Contributions in Relation to the Contractually Required Contribution	(697,995)	(844,866)	(759,131)
Contribution Deficiency (Excess)	-	-	-
School District's Covered - Employee Payroll	7,878,047	7,955,424	8,007,367
Contributions as a Percentage of Covered - Employee Payroll	8.9%	10.6%	9.5%

* Information unavailable

See Notes to Required Supplementary Information

2017	2016	2015	2014	2013	2012	2011
\$ 312,243	\$ 362,042	\$ 351,600	\$ 388,754	\$ 426,278	\$ 284,617	\$ *
(312,243)	(362,042)	(351,600)	(388,754)	(426,278)	(284,617)	*
-	-	-	-	-	-	-
2,098,732	2,094,808	2,135,931	2,159,523	*	*	*
14.9%	17.3%	16.5%	18.0%	*	*	*

2017	2016	2015	2014	2013	2012	2011
\$ 896,431	\$ 978,801	\$ 1,315,940	\$ 1,208,339	\$ 858,603	\$ 719,992	\$ *
(896,431)	(978,801)	(1,315,940)	(1,208,339)	(858,603)	(719,992)	*
-	-	-	-	-	-	-
8,464,332	8,049,535	7,856,593	7,851,301	7,735,162	8,372,000	*
10.6%	12.2%	16.7%	15.4%	11.1%	8.6%	*

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

	2020	2019	2018
School District's Proportion of the Net Pension Asset/Liability	0.006664%	0.006811%	0.007027%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 1,764,703	\$ 482,570	\$ 226,793
School District's Covered-Employee Payroll During the Measurement Period	2,262,185	2,206,561	2,259,021
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered-Employee Payroll	78.0%	21.9%	10.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	86.4%	96.3%	98.2%

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

	2020	2019	2018
School District's Proportion of the Net Pension Asset/Liability	0.047488%	0.048130%	0.04802%
School District's Proportionate Share of the Net Pension Asset/Liability	\$(1,233,740)	\$ (870,321)	\$ (364,972)
School District's Covered-Employee Payroll During the Measurement Period	7,955,424	8,007,367	8,464,332
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered-Employee Payroll	15.5%	10.9%	4.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	102.2%	101.5%	100.7%

See Notes to Required Supplementary Information

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.006656%	0.007243%	0.007464%
\$ 625,435	\$ 1,192,122	\$ 252,141
2,098,732	2,094,808	2,135,931
29.8%	56.9%	11.8%
94.7%	90.7%	97.9%

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.04827%	0.04989%	0.49507%
\$ 516,943	\$ (5,182,236)	\$ (5,334,614)
8,049,535	7,856,593	7,851,301
6.4%	66.0%	67.9%
99.0%	110.4%	111.5%

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

	2020	2019	2018
Service Cost	\$ 1,871,921	\$ 2,271,006	\$ 2,032,830
Interest Cost	1,919,152	1,918,615	1,841,032
Differences Between Expected and Actual Experience		(1,971,798)	423,628
Changes in Assumptions or Other Inputs Benefit	10,976,821	(9,219,726)	
Benefit Payments	(1,766,434)	(1,676,210)	(2,218,949)
	13,001,460	(8,678,113)	2,078,541
Total OPEB Liability - Beginning	53,836,615	62,514,728	60,436,157
Total OPEB Liability - Ending	\$ 66,838,075	\$ 53,836,615	\$ 62,514,728
Covered Employee Payroll	\$ 9,764,633	\$ 9,764,633	\$ 10,229,559
Total OPEB liability as a Percentage of Covered Payroll	684.5%	551.3%	611.1%

* Information for periods prior to implementation of GASB Statement No. 75 is unavailable.

2017	2016	2015	2014	2013	2012	2011
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
<u>\$ 60,436,157</u>	<u>\$ *</u>					
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Note 1 Budgetary Procedures and Budgetary Accounting

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

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

The original adopted budget and changes are as follows:

Original Adopted Budget	\$ 27,267,467
Prior Year Encumbrances	13,244
Appropriated Reserves	<u>41,500</u>
Final Budget	<u>\$ 27,322,211</u>

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

Note 2 Reconciliation of the General Fund Budget Basis to U.S. GAAP

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

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

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

2020 - 2.21%
2019 - 3.50%

Note 4 Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability

The Schedule of the School District's Proportionate Share of the Net Pension Asset/Liability, required supplementary information, presents six years of information. These schedules will present ten years of information as it becomes available from the pension plans.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

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

NYSLRS

Changes in Benefit Terms

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

Changes of Assumptions

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

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

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

Actuarial Cost Method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset Valuation Period	Five year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary Scale	4.2% in ERS, indexed by service.
Investment Rate of Return	6.8% compounded annually, net of investment expenses, including inflation.
Cost of Living Adjustments	1.3% annually.

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

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

NYSTRS

Changes in Benefit Terms

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

Changes of Assumptions

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

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

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

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

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

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

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 27,267,467
Prior Year's Encumbrances	13,244
Original Budget	<u>27,280,711</u>
Appropriated Reserve	<u>41,500</u>
Total Additions	<u>41,500</u>
Final Budget	<u>27,322,211</u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next Year's Budget is a Voter Approved Budget	<u>\$ 25,939,479</u>
Maximum Allowed (4% of the 2020-2021 Budget)	<u>\$ 1,037,579</u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law:	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 882,105
Unassigned Fund Balance	<u>1,004,865</u>
Total Unrestricted Fund Balance	<u>1,886,970</u>
Less:	
Appropriated Fund Balance	\$ 850,000
Encumbrances Included in Assigned Fund Balance	<u>32,105</u>
Total Adjustments	<u>882,105</u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law	<u>\$ 1,004,865</u>
Actual Percentage	3.87%

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

	Original Budget	Revised Budget	Expenditures			Total
			Prior Years	Current Year	Transfers	
2019-2020 Buses	\$ 365,000	\$ 365,000	\$	\$ 341,751	\$ 23,249	\$ 365,000
2018-2019 Buses	380,000	380,000	380,000			380,000
Middle School 0003-018	2,461,011	2,461,011	5,389,308	149,768		5,539,076
Nathan T. Hall 002-015	365,388	365,388	809,068	82,140		891,208
High School 0007-020	648,012	648,012	536,801	82,687		619,488
Bus Garage 5004-009	421,398	421,398	329,592	25,506		355,098
Transportation Building 5017-001	9,256,230	9,256,230	4,951,085	1,195,881		6,146,966
District-Wide 7999-001	180,201	180,201	30,321	15,298		45,619
District-Wide 7999-002	872,518	872,518	575,163	194,491		769,654
100K Project 0003-019	100,000	100,000		99,997	3	100,000
Unredeemed BANs						-
Total	<u>\$ 15,049,758</u>	<u>\$ 15,049,758</u>	<u>\$ 13,001,338</u>	<u>\$ 2,187,519</u>	<u>\$ 23,252</u>	<u>\$ 15,212,109</u>

***Architectural and State Approved Budget Modifications for Subproject Reallocations not yet Finalized and Available at this Report Date.**

Unexpended Balance	Methods of Financing			Total	Fund Balance (Deficit) June 30, 2020
	Proceeds of Obligations	State Aid	Local Sources		
\$	\$ 342,000	\$	\$ 78,000	\$ 420,000	\$ 55,000
	380,000			380,000	-
(3,078,065)	3,202,307	38,500	501,925	3,742,732	(1,796,344) *
(525,820)	1,246,037		98,321	1,344,358	453,150 *
28,524	680,089		98,424	778,513	159,025 *
66,300	1,362,267		87,068	1,449,335	1,094,237 *
3,109,264	7,065,977		937,271	8,003,248	1,856,282 *
134,582	46,380		3,056	49,436	3,817 *
102,864					(769,654) *
			100,000	100,000	-
	(13,906,200)			(13,906,200)	(13,906,200)
\$ (162,351)	\$ 418,857	\$ 38,500	\$ 1,904,065	\$ 2,361,422	\$ (12,850,687)

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

Capital Assets, Net	<u>\$ 40,827,658</u>
Add:	
Deferred Charges on Defeased Debt	<u>30,232</u>
Unspent Debt Proceeds	<u>546,028</u>
Deduct:	
Bond Anticipation Notes	<u>(13,906,200)</u>
Unamortized Premium on Bonds Payable	<u>(347,212)</u>
Short-Term Portion of Bonds Payable	<u>(485,000)</u>
Long-Term Portion of Bonds Payable	<u>(2,505,000)</u>
Net Investment in Capital Assets	<u><u>\$ 24,160,506</u></u>

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

Board of Education
Newark Valley
Central School District
Newark Valley, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newark Valley Central School District (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 12, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 School District’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 School District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 12, 2020

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

Board of Education
Newark Valley
Central School District
Newark Valley, New York

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 12, 2020

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA #	Pass - Through Grantor #	Pass - Through to Subrecipients	Expenditures
U.S. Department of Education				
Passed Through NYS Department of Education:				
Title I Grants to Local Educational Agencies	84.010	0021203340	\$	\$ 235,428
		Subtotal		235,428
Special Education Cluster:				
Special Education - Grants to States	84.027	0032200975		277,751
Special Education - Preschool Grants	84.173	0033200975		10,286
Total Special Education Cluster		Subtotal		288,037
Supporting Effective Instruction State Grants	84.367	0147203340		34,050
		Subtotal		34,050
Title IV, Part A Student Support and Academic Enrichment Program	84.424A	0204203340		19,310
Total U.S. Department of Education				576,825
U.S. Department of Agriculture				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	(1)		212,591
School Breakfast Program	10.553	(1)		106,204
COVID-19-Summer Food Service Program	10.559	(1)		141,389
Total Child Nutrition Cluster				460,184
Total U.S. Department of Agriculture				460,184
Total Expenditures of Federal Awards			\$ -	\$ 1,037,009

(1) - Unable to Determine

See Notes to Schedule of Expenditures of Federal Awards

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

Note 1 **Basis of Presentation**

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

Note 2 **Basis of Accounting**

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

Note 3 **Indirect Costs**

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

Note 4 **Matching Costs**

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

Note 5 **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2020, the School District received \$38,305 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 **Subrecipients**

No amounts were provided to subrecipients.

Note 7 **Other Disclosures**

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

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

NEWARK VALLEY CENTRAL SCHOOL DISTRICT

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes √ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ yes √ none reported

Noncompliance material to financial statements noted? ___ yes √ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes √ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ yes √ none reported

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ yes √ no

Identification of major programs

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk? √ yes ___ no

Section II - Financial Statement Findings None

Section III - Federal Award Findings and Questioned Costs None