

GERMANTOWN CENTRAL SCHOOL DISTRICT

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Germantown Central School District
Germantown, 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 Germantown Central School District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Germantown Central School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows 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, schedule of changes in total other post-employment benefits liability and related ratios and schedules of local government's proportionate share of the net pension liability and contributions on pages 3 through 11 and pages 47 through 51 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information on pages 52 through 54, as described in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York
October 28, 2020

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

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

FINANCIAL HIGHLIGHTS

- Government-wide net position of the School District was a deficit of \$35,849,074. The deficit is primarily the result of the implantation of GASB 75, “Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions” which required the recognition of an unfunded liability of \$56,361,204 at June 30, 2020.
- The School District continued to offer substantially all programs without reducing services.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements are *District-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the District-wide statements. The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending.

Fiduciary funds statements provide information about the financial relationships, in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

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

Table A-1 summarizes the major features of the School District's basic financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

Table A-1 Major Features of the District-wide and Fund Financial Statements

| | District-Wide | Fund Financial Statements | |
|--|---|--|--|
| | | Governmental Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the School District that are not proprietary or fiduciary, such as instruction and special education | Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus |
| Type of asset/deferred outflows of resources/liability/deferred inflows of resources information | All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term | Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included | All assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid |

District-Wide Statements

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

The two District-wide statements report the School District's *net position* and how it has changed. Net position – the difference between the School District's assets, deferred outflows of resources and 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.
- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

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

Fund Financial Statements

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

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

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs.

Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund and the capital project fund. Required financial statements are the balance sheet and the statement of revenue, expenditures and changes in fund balances.

- **Fiduciary Fund:** 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. Fiduciary fund reporting focuses on net position and changes in net position.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2

Condensed Statement of Net Position (In Thousands of Dollars)

| | <u>Fiscal Year 2020</u> | <u>Fiscal Year 2019</u> | <u>Percentage Change (Incr.;-Decr.)</u> |
|---|-----------------------------|-----------------------------|---|
| Assets | | | |
| Current and other assets | \$ 12,550 | \$ 16,397 | -23.5% |
| Capital assets | 17,096 | 10,528 | 62.4% |
| Total Assets | <u>29,646</u> | <u>26,925</u> | 10.1% |
| Deferred Outflows of Resources | | | |
| Other post-employment benefits | 5,269 | 728 | 623.8% |
| Pensions | <u>3,126</u> | <u>3,248</u> | -3.8% |
| Total Deferred Outflows of Resources | <u>8,395</u> | <u>3,976</u> | 111.1% |
| Liabilities | | | |
| Long-term debt outstanding | 57,107 | 48,518 | 17.7% |
| Other liabilities | <u>12,023</u> | <u>9,953</u> | 20.8% |
| Total Liabilities | 69,130 | 58,471 | 18.2% |
| Deferred Inflows of Resources | | | |
| Other post-employment benefits | 3,367 | 3,968 | -15.1% |
| Pensions | <u>1,395</u> | <u>846</u> | 64.9% |
| Total Deferred Inflows of Resources | <u>4,762</u> | <u>4,814</u> | -1.1% |
| Net Position | | | |
| Net investment in capital assets | 6,461 | 1,473 | 338.6% |
| Restricted | 4,196 | 4,086 | 2.7% |
| Unrestricted | <u>(46,506)</u> | <u>(37,943)</u> | -22.6% |
| Total Net Position (Deficit) | <u>\$ (35,849)</u> | <u>\$ (32,384)</u> | -10.7% |

Changes in Net Position

The School District's 2020 revenue was \$15,590,234 (See Table A-3). Property taxes and New York State aid accounted for the majority of revenue by contributing 59.8% and 32.1%, respectively, of the total revenue raised (see Table A-4). The remainder of revenue came from fees for services, use of money and property, operating grants and other miscellaneous sources.

The total cost of all programs and services totaled \$19,053,349 for 2020. These expenses (81%) are predominantly for the education, supervision and transportation of students (see Table A-5). The School District's administrative, occupancy and business activities accounted for 16.2% of total costs.

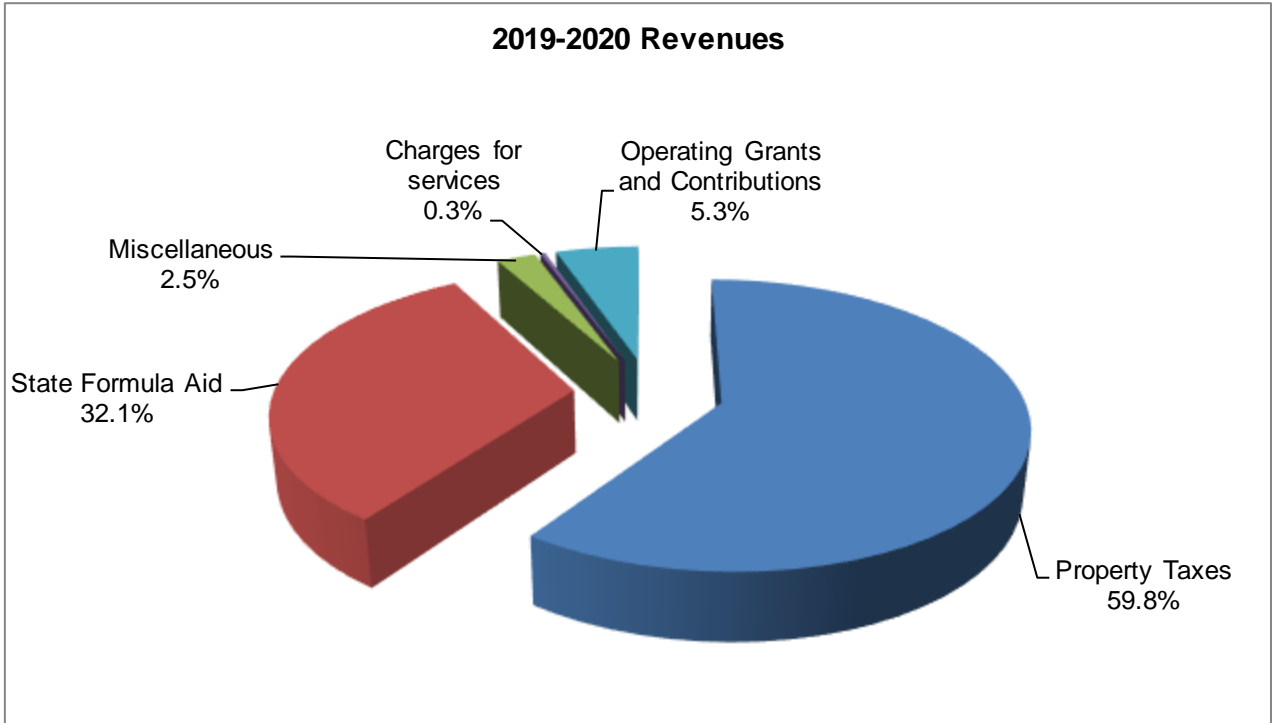
Net position decreased during the year by \$3,464,425 after an other change in net position of \$1,310.

Table A-3

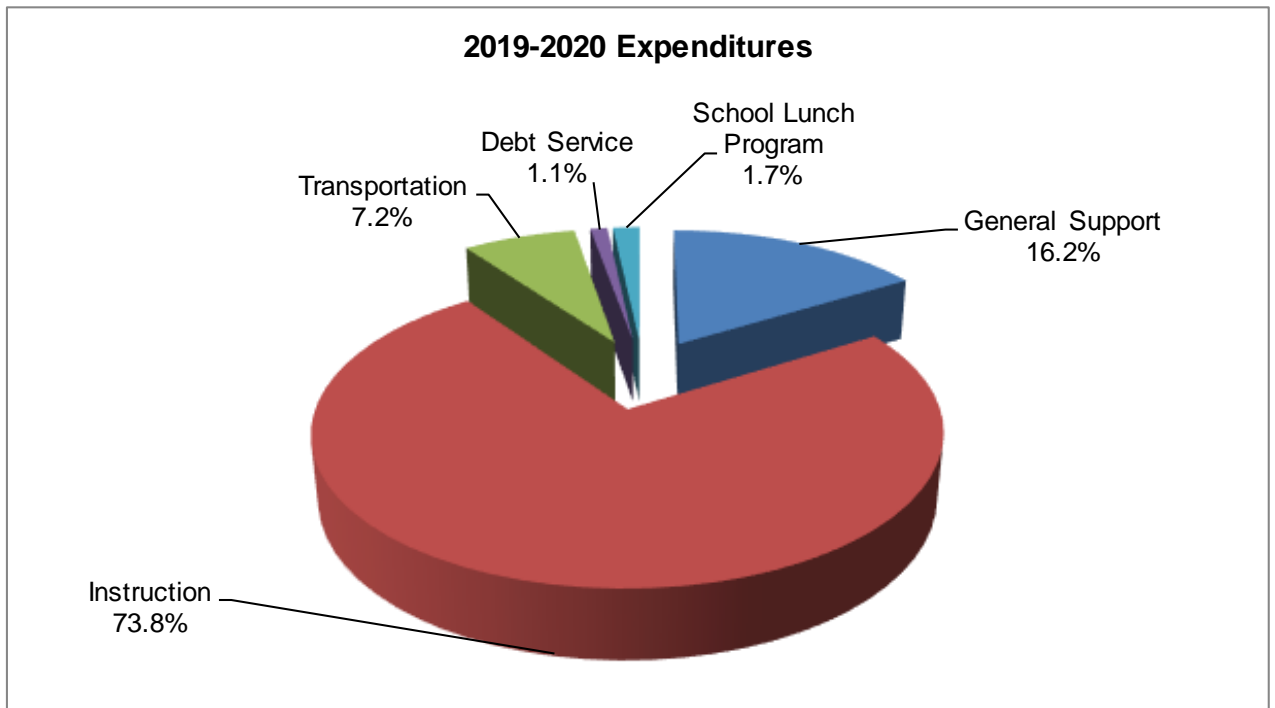
Changes in Net Position from Operating Results (In Thousands of Dollars)

| | <u>Fiscal Year 2020</u> | <u>Fiscal Year 2019</u> | <u>Percentage Change (Incr.;-Decr.)</u> |
|-------------------------------------|-----------------------------|-----------------------------|---|
| Revenues | | | |
| Program revenues | | | |
| Charges for services | \$ 48 | \$ 66 | -27.3% |
| Operating grants and contributions | 822 | 686 | 19.8% |
| General revenues | | | |
| Property taxes | 9,326 | 8,940 | 4.3% |
| State formula aid | 5,007 | 5,057 | -1.0% |
| Other | 387 | 415 | -6.7% |
| Total Revenues | <u>15,590</u> | <u>15,164</u> | 2.8% |
| Expenses | | | |
| General support | 3,091 | 3,134 | -1.4% |
| Instruction | 14,068 | 13,484 | 4.3% |
| Transportation | 1,365 | 1,561 | -12.6% |
| Debt service - interest | 206 | 258 | -20.2% |
| Cost of sales - food | 323 | 350 | -7.7% |
| Total Expenses | <u>19,053</u> | <u>18,787</u> | 1.4% |
| OTHER CHANGE IN NET POSITION | <u>(1)</u> | <u>(1,127)</u> | 100.0% |
| (DECREASE) IN NET POSITION | <u>\$ (3,464)</u> | <u>\$ (4,750)</u> | 27.1% |

REVENUES - TABLE A-4



EXPENDITURES - TABLE A-5



Governmental Activities

Revenue for the School District's governmental activities totaled \$15,590,234 while total expenses were \$19,053,349. Accordingly, net position decreased during the year by \$3,464,425 after an other change in net position of \$1,310.

Table A-6 presents the cost of several of the School District's major activities. The table also shows each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

Table A-6

Net Cost of Governmental Activities (In Thousands of Dollars)

| | Total Cost of Services | | Percentage Change | Net Cost of Services | | Percentage Change |
|-------------------------|------------------------|------------------|-------------------|----------------------|------------------|-------------------|
| | 2020 | 2019 | (Incr.;-Decr.) | 2020 | 2019 | (Incr.;-Decr.) |
| General support | \$ 3,091 | \$ 3,134 | -1.4% | \$ 3,091 | \$ 3,134 | -1.4% |
| Instruction | 14,068 | 13,484 | 4.3% | 13,359 | 12,918 | 3.4% |
| Pupil Transportation | 1,365 | 1,561 | -12.6% | 1,365 | 1,561 | -12.5% |
| Debt Service - Interest | 206 | 258 | -20.2% | 206 | 258 | -20.2% |
| Cost of Sales - Food | 323 | 350 | -7.7% | 163 | 165 | -1.2% |
| Totals | \$ 19,053 | \$ 18,787 | 1.4% | \$ 18,184 | \$ 18,036 | 0.8% |

- The cost of all governmental activities for the year was \$19,053,349.
- The users of the School District's programs financed \$47,893 of the costs.
- The federal and state government grants financed \$821,616.
- The majority of costs were financed by the School District's taxpayers and state aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

No other variances are reflected in the governmental funds financial statements for 2020.

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund. The general fund is the only fund for which a budget is legally adopted.

Results vs. Budget

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Revenues</u> | <u>Variance</u> |
|--|----------------------------|-------------------------|----------------------------|-----------------------|
| REVENUES: | | | | |
| Local Sources | \$ 9,542,828 | \$ 9,595,160 | \$ 9,629,309 | \$ 34,149 |
| State Sources | 5,209,190 | 5,209,190 | 4,948,478 | (260,712) |
| Federal Sources | 45,000 | 45,000 | 67,369 | 22,369 |
| Total Revenues | <u>14,797,018</u> | <u>14,849,350</u> | <u>14,645,156</u> | <u>(204,194)</u> |
| EXPENSES: | | | | |
| General Support | 1,883,400 | 1,884,220 | 1,676,684 | 207,536 |
| Instructional | 7,889,270 | 8,053,435 | 7,031,854 | 1,021,581 |
| Pupil Transportation | 891,850 | 896,527 | 738,294 | 158,233 |
| Employee Benefits | 4,227,800 | 4,339,005 | 4,190,395 | 148,610 |
| Debt Service | 575,298 | 575,298 | 508,068 | 67,230 |
| Transfers out | 130,000 | 130,000 | 109,588 | 20,412 |
| Total Expenses | <u>15,597,618</u> | <u>15,878,485</u> | <u>14,254,883</u> | <u>1,623,602</u> |
| Excess (Deficiency) of Revenues Over Expenses | <u>\$ (800,600)</u> | <u>\$ (1,029,135)</u> | <u>\$ 390,273</u> | <u>\$ (1,827,796)</u> |

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2020, the School District had \$17,096,104 (net of accumulated depreciation) invested in a broad range of capital assets including land, buildings, buses, athletic facilities, computers and other educational equipment.

Capital Assets

Table A-7

Capital Assets (Net of Depreciation)

| | <u>Fiscal Year 2020</u> | <u>Fiscal Year 2019</u> | <u>Percentage Change (Incr.; -Decr.)</u> |
|-----------------------------------|-----------------------------|-----------------------------|--|
| Land and construction in progress | \$ 7,990,337 | \$ 940,414 | 749.7% |
| Buildings and equipment | 9,105,767 | 9,587,458 | -5.0% |
| Totals | <u>\$ 17,096,104</u> | <u>\$ 10,527,872</u> | 62.4% |

Long-Term Debt

As of June 30, 2020, the School District had \$56,674,986 in general obligation and other long-term debt outstanding. More detailed information about the School District's long-term debt is included in the notes to the basic financial statements.

Table A-8

Outstanding Long-Term Debt

| | <u>Fiscal Year 2020</u> | <u>Fiscal Year 2019</u> | Percentage Change (Incr.; -Decr.) |
|--------------------------|-----------------------------|-----------------------------|--|
| General obligation bonds | \$ 0 | \$ 165,000 | -100.0% |
| Other debt | <u>56,674,986</u> | <u>48,372,590</u> | 17.2% |
| Totals | <u><u>\$ 56,674,986</u></u> | <u><u>\$ 48,537,590</u></u> | 16.8% |

During 2020, the School District paid down its debt by retiring \$165,000 of outstanding bonds. Other debt represents compensated absences and other post-employment benefits.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The COVID-19 pandemic and the associated expenditures.
- 20% state aid reductions.
- The rising cost of health insurance cost, specifically prescription drug costs.
- The cost of operating, maintaining and upgrading a school building.
- The increasing cost of transporting our students.
- The cost of Special Education and the related unfunded mandates by State and Federal Governments.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Germantown Central School District
Attn: Deana Bizzarro, School Business Administrator
123 Main Street
Germantown, NY 12526

GERMANTOWN CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

| | |
|---|------------------------|
| ASSETS | |
| Cash | |
| Unrestricted | \$ 8,162,270 |
| Restricted | 2,285,438 |
| Receivables | |
| Due from fiduciary fund | 4,608 |
| State and federal aid | 864,705 |
| Due from other governments | 353,917 |
| Other receivables | 11,655 |
| Inventories | 9,386 |
| Net pension asset - proportionate share | 858,199 |
| Capital assets, net of depreciation | 17,096,104 |
| | <hr/> |
| Total Assets | 29,646,282 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Other post-employment benefits | 5,269,438 |
| Pensions | 3,126,485 |
| | <hr/> |
| Total Deferred Outflows of Resources | 8,395,923 |
| LIABILITIES | |
| Payables | |
| Accounts payable | 460,688 |
| BANs payable | 10,635,000 |
| Unearned grant revenues | 352,236 |
| Due to Employees' Retirement System | 21,117 |
| Due to Teachers' Retirement System | 553,622 |
| Due and payable after one year | |
| Other post-employment benefits payable | 56,361,204 |
| Net pension liability - proportionate share | 431,875 |
| Compensated absences payable | 313,782 |
| | <hr/> |
| Total Liabilities | 69,129,524 |
| DEFERRED INFLOWS OF RESOURCES | |
| Other post-employment benefits | 3,366,632 |
| Pensions | 1,395,123 |
| | <hr/> |
| Total Deferred Inflows of Resources | 4,761,755 |
| NET POSITION | |
| Net investment in capital assets | 6,461,104 |
| Restricted | |
| Workers' compensation reserve fund | 611,787 |
| Reserve for debt service | 73,045 |
| Capital reserve | 1,463,780 |
| Repair reserve | 250,000 |
| Retirement contribution reserve fund - ERS | 932,006 |
| Retirement contribution reserve fund - TRS | 110,275 |
| Tax certiorari reserve | 20,000 |
| Employee benefit accrued liability reserve | 336,291 |
| Unemployment insurance reserve | 398,600 |
| Unrestricted | (46,505,962) |
| | <hr/> |
| TOTAL NET POSITION | \$ (35,849,074) |

See notes to basic financial statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenues and Changes in Net Position</u> |
|---|----------------------|---------------------------------|-----------------------------|---|
| | | <u>Charges for Services</u> | <u>Operating Grants</u> | |
| FUNCTIONS/PROGRAMS | | | | |
| General support | \$ 3,091,215 | \$ 0 | \$ 0 | \$ (3,091,215) |
| Instruction | 14,067,874 | 3,011 | 706,340 | (13,358,523) |
| Pupil transportation | 1,365,185 | 0 | 0 | (1,365,185) |
| Debt service | 206,068 | 0 | 0 | (206,068) |
| School lunch program | 323,007 | 44,882 | 115,276 | (162,849) |
| Total Functions and Programs | <u>\$ 19,053,349</u> | <u>\$ 47,893</u> | <u>\$ 821,616</u> | <u>(18,183,840)</u> |
| GENERAL REVENUES | | | | |
| Real property taxes | | | | 8,746,411 |
| Other tax items | | | | 579,909 |
| Use of money and property | | | | 57,909 |
| Sale of property and compensation for loss | | | | 15,926 |
| Miscellaneous | | | | 245,801 |
| State sources | | | | 5,007,400 |
| Medicaid reimbursement | | | | 67,369 |
| Total General Revenues | | | | <u>14,720,725</u> |
| CHANGE IN NET POSITION | | | | (3,463,115) |
| TOTAL NET POSITION - BEGINNING OF YEAR | | | | (32,384,649) |
| OTHER CHANGE IN NET POSITION | | | | <u>(1,310)</u> |
| TOTAL NET POSITION - END OF YEAR | | | | <u>\$ (35,849,074)</u> |

See notes to basic financial statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2020

| | <u>General</u> | <u>Special Aid</u> | <u>School Lunch</u> | <u>Debt Service</u> | <u>CM Misc. Special Revenue</u> | <u>Capital</u> | <u>Total Governmental Funds</u> |
|--|---------------------|------------------------|-------------------------|-------------------------|-------------------------------------|---------------------|---|
| ASSETS | | | | | | | |
| Cash | | | | | | | |
| Unrestricted | \$ 3,578,677 | \$ 35,773 | \$ 29,192 | \$ 0 | \$ 8,895 | \$ 4,509,733 | \$ 8,162,270 |
| Restricted | 2,212,393 | 0 | 0 | 73,045 | 0 | 0 | 2,285,438 |
| Due from other funds | 1,015,969 | 83,847 | 0 | 0 | 0 | 240,488 | 1,340,304 |
| Due from fiduciary funds | 4,608 | 0 | 0 | 0 | 0 | 0 | 4,608 |
| State and federal aid | 232,099 | 616,894 | 15,712 | 0 | 0 | 0 | 864,705 |
| Due from other governments | 353,917 | 0 | 0 | 0 | 0 | 0 | 353,917 |
| Other receivables | 0 | 0 | 11,655 | 0 | 0 | 0 | 11,655 |
| Inventories | 0 | 0 | 9,386 | 0 | 0 | 0 | 9,386 |
| TOTAL ASSETS | <u>\$ 7,397,663</u> | <u>\$ 736,514</u> | <u>\$ 65,945</u> | <u>\$ 73,045</u> | <u>\$ 8,895</u> | <u>\$ 4,750,221</u> | <u>\$ 13,032,283</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 156,141 | \$ 16,374 | \$ 177 | \$ 0 | \$ 0 | \$ 287,996 | \$ 460,688 |
| Unearned revenues | 290,631 | 47,585 | 14,020 | 0 | 0 | 0 | 352,236 |
| Due to other funds | 326,546 | 672,555 | 36,909 | 0 | 0 | 304,294 | 1,340,304 |
| BANs payable | 0 | 0 | 0 | 0 | 0 | 10,635,000 | 10,635,000 |
| Due to Employees' Retirement System | 21,117 | 0 | 0 | 0 | 0 | 0 | 21,117 |
| Due to Teachers' Retirement System | 553,622 | 0 | 0 | 0 | 0 | 0 | 553,622 |
| Total Liabilities | <u>1,348,057</u> | <u>736,514</u> | <u>51,106</u> | <u>0</u> | <u>0</u> | <u>11,227,290</u> | <u>13,362,967</u> |
| FUND BALANCE | | | | | | | |
| Nonspendable | | | | | | | |
| Inventory | 0 | 0 | 9,386 | 0 | 0 | 0 | 9,386 |
| Restricted | | | | | | | |
| Workers' compensation reserve fund | 611,787 | 0 | 0 | 0 | 0 | 0 | 611,787 |
| Reserve for debt service | 0 | 0 | 0 | 73,045 | 0 | 0 | 73,045 |
| Capital reserve | 1,463,780 | 0 | 0 | 0 | 0 | 0 | 1,463,780 |
| Repair reserve | 250,000 | 0 | 0 | 0 | 0 | 0 | 250,000 |
| Retirement contribution reserve fund - ERS | 932,006 | 0 | 0 | 0 | 0 | 0 | 932,006 |
| Retirement contribution reserve fund - TRS | 110,275 | 0 | 0 | 0 | 0 | 0 | 110,275 |
| Tax certiorari reserve | 20,000 | 0 | 0 | 0 | 0 | 0 | 20,000 |
| Employee benefit accrued liability reserve | 336,291 | 0 | 0 | 0 | 0 | 0 | 336,291 |
| Unemployment insurance reserve | 398,600 | 0 | 0 | 0 | 0 | 0 | 398,600 |
| Assigned | 939,238 | 650 | 5,453 | 0 | 8,895 | (6,477,069) | (5,522,833) |
| Unassigned | 987,629 | (650) | 0 | 0 | 0 | 0 | 986,979 |
| Total Fund Balance | <u>6,049,606</u> | <u>0</u> | <u>14,839</u> | <u>73,045</u> | <u>8,895</u> | <u>(6,477,069)</u> | <u>(330,684)</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 7,397,663</u> | <u>\$ 736,514</u> | <u>\$ 65,945</u> | <u>\$ 73,045</u> | <u>\$ 8,895</u> | <u>\$ 4,750,221</u> | <u>\$ 13,032,283</u> |

See notes to basic financial statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION

JUNE 30, 2020

| | |
|---|--------------------------------------|
| Total fund balance - governmental funds balance sheet (page 14) | \$ (330,684) |
| Add: | |
| Pensions | 2,157,686 |
| Capital assets, net of accumulated depreciation | <u>17,096,104</u> |
| Totals | 19,253,790 |
| Deduct: | |
| Other post-employment benefits | 54,458,398 |
| Compensated absences | <u>313,782</u> |
| Totals | <u>54,772,180</u> |
| NET POSITION (DEFICIT), GOVERNMENTAL ACTIVITIES | <u><u>\$ (35,849,074)</u></u> |

See notes to basic financial statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>General</u> | <u>Special Aid</u> | <u>School Lunch</u> | <u>Debt Service</u> | <u>CM Misc. Special Revenue</u> | <u>Capital</u> | <u>Total Governmental Funds</u> |
|---|---------------------|--------------------|---------------------|---------------------|---------------------------------|-----------------------|---------------------------------|
| REVENUES | | | | | | | |
| Real property taxes | \$ 8,746,411 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 8,746,411 |
| Other tax items | 579,909 | 0 | 0 | 0 | 0 | 0 | 579,909 |
| Charges for services | 3,011 | 0 | 0 | 0 | 0 | 0 | 3,011 |
| Use of money and property | 57,909 | 0 | 0 | 0 | 0 | 0 | 57,909 |
| Sale of property and compensation for loss | 15,926 | 0 | 0 | 0 | 0 | 0 | 15,926 |
| Miscellaneous | 226,143 | 0 | 600 | 0 | 3,913 | 15,145 | 245,801 |
| State sources | 4,948,478 | 410,056 | 3,850 | 0 | 0 | 58,922 | 5,421,306 |
| Federal sources | 67,369 | 296,284 | 105,306 | 0 | 0 | 0 | 468,959 |
| Surplus food | 0 | 0 | 6,120 | 0 | 0 | 0 | 6,120 |
| Sales - school lunch | 0 | 0 | 44,882 | 0 | 0 | 0 | 44,882 |
| Total Revenues | <u>14,645,156</u> | <u>706,340</u> | <u>160,758</u> | <u>0</u> | <u>3,913</u> | <u>74,067</u> | <u>15,590,234</u> |
| EXPENDITURES | | | | | | | |
| General support | 1,676,684 | 0 | 0 | 0 | 3,805 | 0 | 1,680,489 |
| Instruction | 7,031,854 | 608,005 | 0 | 0 | 0 | 0 | 7,639,859 |
| Pupil transportation | 738,294 | 5,706 | 0 | 0 | 0 | 0 | 744,000 |
| Employee benefits | 4,190,395 | 108,041 | 26,810 | 0 | 0 | 0 | 4,325,246 |
| Debt service | | | | | | | |
| Principal | 302,000 | 0 | 0 | 0 | 0 | 0 | 302,000 |
| Interest | 206,068 | 0 | 0 | 0 | 0 | 0 | 206,068 |
| Cost of sales | 0 | 0 | 160,938 | 0 | 0 | 0 | 160,938 |
| Capital outlay | 0 | 0 | 0 | 0 | 0 | 7,049,923 | 7,049,923 |
| Total Expenditures | <u>14,145,295</u> | <u>721,752</u> | <u>187,748</u> | <u>0</u> | <u>3,805</u> | <u>7,049,923</u> | <u>22,108,523</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>499,861</u> | <u>(15,412)</u> | <u>(26,990)</u> | <u>0</u> | <u>108</u> | <u>(6,975,856)</u> | <u>(6,518,289)</u> |
| OTHER FINANCING SOURCES AND USES | | | | | | | |
| BANs redeemed from appropriations | 0 | 0 | 0 | 0 | 0 | 137,000 | 137,000 |
| Operating transfers in | 0 | 15,412 | 10,000 | 0 | 0 | 84,176 | 109,588 |
| Operating transfers (out) | (109,588) | 0 | 0 | 0 | 0 | 0 | (109,588) |
| Total Other Sources (Uses) | <u>(109,588)</u> | <u>15,412</u> | <u>10,000</u> | <u>0</u> | <u>0</u> | <u>221,176</u> | <u>137,000</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND USES | 390,273 | 0 | (16,990) | 0 | 108 | (6,754,680) | (6,381,289) |
| FUND BALANCE - BEGINNING OF YEAR | 5,659,333 | 1,310 | 31,829 | 73,045 | 8,787 | 277,611 | 6,051,915 |
| OTHER CHANGE IN FUND BALANCE | 0 | (1,310) | 0 | 0 | 0 | 0 | (1,310) |
| FUND BALANCE - END OF YEAR | <u>\$ 6,049,606</u> | <u>\$ 0</u> | <u>\$ 14,839</u> | <u>\$ 73,045</u> | <u>\$ 8,895</u> | <u>\$ (6,477,069)</u> | <u>\$ (330,684)</u> |

See notes to basic financial statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2020

| | | |
|---|------------------|------------------------------|
| REVENUES - GOVERNMENTAL FUNDS AND STATEMENTS OF ACTIVITIES | | \$ 15,590,234 |
| EXPENDITURES - GOVERNMENTAL FUNDS | \$ 22,108,523 | |
| Add: | | |
| Depreciation expense | 481,691 | |
| Other post-employment benefits | 3,159,353 | |
| Pensions | 655,705 | |
| Total | <u>4,296,749</u> | |
| Deduct: | | |
| Principal payments on long-term debt | 165,000 | |
| Change in fixed assets | 7,049,923 | |
| BANs redeemed from appropriations | 137,000 | |
| Total | <u>7,351,923</u> | |
| EXPENDITURES - STATEMENT OF ACTIVITIES | | <u>19,053,349</u> |
| CHANGE IN NET POSITION | | <u><u>\$ (3,463,115)</u></u> |

See notes to basic financial statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

| | <u>Private Purpose Trusts</u> | <u>Agency</u> |
|----------------------------------|---------------------------------------|-------------------|
| ASSETS | | |
| Cash | | |
| Restricted | \$ 172,870 | \$ 270,899 |
| Total Assets | <u>\$ 172,870</u> | <u>\$ 270,899</u> |
| LIABILITIES | | |
| Due to other funds | \$ 0 | \$ 4,608 |
| Extraclassroom activity balances | 0 | 51,098 |
| Other liabilities | 0 | 215,193 |
| Total Liabilities | <u>\$ 0</u> | <u>\$ 270,899</u> |
| NET POSITION | | |
| Reserved for scholarships | <u>\$ 172,870</u> | |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Private Purpose Trusts</u> |
|---|---------------------------------------|
| ADDITIONS | |
| Gifts and contributions | \$ 250 |
| Investment earnings | 409 |
| Total Additions | 659 |
| DEDUCTIONS | |
| Scholarships and awards | 2,627 |
| CHANGE IN NET POSITION | (1,968) |
| NET POSITION - BEGINNING OF YEAR | 174,838 |
| NET POSITION - END OF YEAR | \$ 172,870 |

See notes to basic financial statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A) Reporting Entity

The Germantown Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

i) Extraclassroom Activity Funds

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

B) Joint Venture

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

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

B) Joint Venture – (Continued)

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

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

During the year, the District was billed \$912,607 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year, the District issued \$-0- of serial bonds on behalf of BOCES. As of year-end, the District had outstanding BOCES debt of \$-0-.

The District's share of BOCES aid amounted to \$280,620.

The basic financial statements for the BOCES are available from the BOCES administrative office.

C) Basis of Presentation

1) District-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

Eliminations have been made to minimize 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.

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

C) Basis of Presentation – (Continued)

2) Funds Statements

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

The District reports the following major governmental funds:

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

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

School Lunch Fund – This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted for expenditures of the school breakfast and lunch programs.

Miscellaneous Special Revenue Fund – This fund is used to account for those revenues that are restricted and committed to expenditures for specified purposes.

Debt Service Fund – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.

Capital Projects Fund – These funds are used to account for and report financial resources used for the acquisition, construction or major repair of capital facilities.

The District reports the following fiduciary funds:

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

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

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

D) Measurement Focus and Basis of Accounting

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

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

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 365 days after the end of the fiscal year.

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

E) Property Taxes

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

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

F) Restricted Resources

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

G) Interfund Transactions

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

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

G) Interfund Transactions – (Continued)

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

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

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

H) Estimates

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

I) Cash (and Cash Equivalents)/Investments

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

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

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

Investments are stated at fair value.

J) Accounts Receivable

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

GERMANTOWN CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

K) Inventories and Prepaid Items

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

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

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

L) Other Assets/Restricted Assets

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

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

M) Capital Assets

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

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the District-wide statements are as follows:

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|---------------------------|--|---------------------------------------|---|
| Land improvements | \$ 500 | Straight-line | 20 Years |
| Building and improvements | 1,000 | Straight-line | 25 Years |
| Furniture and equipment | 500 | Straight-line | 5-15 Years |

GERMANTOWN CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

N) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District’s proportion of the collective net pension asset or liability and difference during the measurement period between the District’s contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the District-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the District’s proportion of the collective net pension liability (ERS System) and net pension asset (TRS System) and difference during the measurement periods between the District’s contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth item is related to OPEB reporting in the District-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

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

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

| | <u>ERS</u> March 31, 2020 | <u>TRS</u> June 30, 2019 |
|--|------------------------------|-----------------------------|
| Measurement date | | |
| District's proportionate share of the net pension asset (liability) | \$ (431,875) | \$ 858,199 |
| District's portion of the Plan's total net pension asset (liability) | (0.0016309)% | 0.033033% |
| Change in proportion since the prior measurement date | 0.0004201% | 0.002225% |

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

N) Deferred Outflows and Inflows of Resources – (Continued)

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

For the year ended June 30, 2020, the District recognized pension expense of \$73,023 for ERS and \$482,746 for TRS. At June 30, 2020, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|---|---|---------------------|--|---------------------|
| | <u>ERS</u> | <u>TRS</u> | <u>ERS</u> | <u>TRS</u> |
| Differences between expected and actual experience | \$ 25,418 | \$ 581,580 | \$ 0 | \$ 63,817 |
| Changes of assumptions | 8,696 | 1,621,253 | 7,509 | 395,307 |
| Net difference between projected and actual earnings on pension plan investments | 221,400 | 0 | 0 | 688,231 |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 25,541 | 138,734 | 47,460 | 192,799 |
| District's contributions subsequent to the measurement date | 21,117 | 482,746 | 0 | 0 |
| Total | \$ 302,172 | \$ 2,824,313 | \$ 54,969 | \$ 1,340,154 |

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

| | <u>ERS</u> | <u>TRS</u> |
|-------------|------------|------------|
| Year ended: | | |
| 2021 | \$ 38,132 | \$ 14,897 |
| 2022 | 54,285 | 377,115 |
| 2023 | 71,199 | 249,272 |
| 2024 | 62,470 | 32,044 |
| 2025 | 0 | (50,438) |
| Thereafter | 0 | 0 |

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

N) Deferred Outflows and Inflows of Resources – (Continued)

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

| | <u>ERS</u> | <u>TRS</u> |
|----------------------------|-----------------------------------|---------------------------------|
| Measurement date | March 31, 2020 | June 30, 2019 |
| Actuarial valuation date | April 1, 2019 | June 30, 2018 |
| Interest rate | 6.8% | 7.10% |
| Salary scale | 4.2% | 1.90% - 4.72% |
| Decrement tables | April 1, 2010 - March 31, 2015 | July 1, 2009 - June 30, 2014 |
| | System's experience | System's experience |
| Inflation rate | 2.5% | 2.20% |
| Cost of living adjustments | 1.3% | 1.3% |

For ERS, annuitant mortality rates are based on April 1, 2010 through March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 through June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 through March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

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

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

N) Deferred Outflows and Inflows of Resources – (Continued)

Actuarial Assumptions – (Continued)

| Measurement date | <u>ERS</u> March 31, 2020 | <u>TRS</u> June 30, 2019 |
|--|------------------------------|-----------------------------|
| <u>Asset type</u> | | |
| Domestic equity | 4.05% | 6.3% |
| International equity | 6.15 | 7.8 |
| Global equities | 0 | 7.2 |
| Real estate | 4.95 | 4.6 |
| Domestic fixed income securities | 0 | 1.3 |
| Global fixed income securities | 0 | 0.9 |
| High-yield fixed income securities | 0 | 3.6 |
| Mortgages | 0 | 2.9 |
| Private debt | 0 | 6.5 |
| Short-term | 0 | 0 |
| Private equity/alternative investments | 6.75 | 9.9 |
| Absolute return strategies | 3.25 | 0 |
| Opportunistic portfolio | 4.65 | 0 |
| Bonds and mortgages | 0.75 | 0 |
| Cash | 0.00 | 0.3 |
| Inflation index bonds | 0.50 | 0 |
| Real assets | 5.95 | 0 |

Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.10% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 6.8% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1 percentage point lower (5.8% for ERS and 6.10% for TRS) or 1 percentage point higher (7.8% for ERS and 8.10% for TRS) than the current rate:

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

N) Deferred Outflows and Inflows of Resources – (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption – (Continued)

| <u>ERS</u> | <u>1% Decrease (5.8%)</u> | <u>Current Assumption (6.8%)</u> | <u>1% Increase (7.8%)</u> |
|---|---|--|---|
| District's proportionate share of the net pension asset (liability) | \$ (792,612) | \$ (431,875) | \$ (99,634) |
| | | | |
| <u>TRS</u> | <u>1% Decrease (6.10%)</u> | <u>Current Assumption (7.10%)</u> | <u>1% Increase (8.10%)</u> |
| District's proportionate share of the net pension asset (liability) | \$ (3,873,821) | \$ 858,199 | \$ 4,827,829 |

Pension Plan Fiduciary Net Position

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

| | (Dollars in Thousands) | | |
|--|-------------------------------|-------------------|---------------------|
| | <u>ERS</u> | <u>TRS</u> | <u>Total</u> |
| Measurement date | March 31, 2020 | June 30, 2019 | |
| Employers' total pension asset (liability) | \$(194,596,261) | \$(119,879,474) | \$(314,475,735) |
| Plan fiduciary net position asset (liability) | 168,115,682 | 122,477,481 | 290,593,163 |
| Employers' net pension asset (liability) | (26,480,579) | 2,598,007 | (23,882,572) |
| | | | |
| Ratio of plan fiduciary net position to the employers' total pension asset (liability) | 86.39% | 102.2% | 92.4% |

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$21,117.

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 amount to \$553,622.

Additional pension information can be found in Note 9.

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

O) Unearned Revenue

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

P) 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.

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

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

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

Q) Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

R) Short-Term Debt

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

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

R) Short-Term Debt – (Continued)

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

The District may issue Bond Anticipation Notes (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.

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

S) Accrued Liabilities and Long-Term Obligations

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

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

T) Equity Classifications

District-Wide Statements

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

i) Net Investment in Capital Assets

Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

ii) Restricted Net Position

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

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

T) Equity Classifications – (Continued)

District-Wide Statements – (Continued)

iii) Unrestricted Net Position

Reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Funds Statements

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

1. Nonspendable Fund Balance

Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$9,386.

2. Restricted

Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance.

The School District has established the following restricted fund balances:

Currently Utilized by the District:

Unemployment Insurance

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

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund under Restricted Fund Balance.

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

T) Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the District: – (Continued)

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. Under the new amendments to General Municipal Law §6-r, the Board of Education, by resolution, can establish a sub-fund within its retirement contribution reserve fund to finance retirement contributions to the New York State Teacher Retirement System. In addition, the amount of monies contributed annually to the sub-fund cannot exceed 2%, nor can the balance of the sub-fund exceed 10% of the compensation or salaries of the TRS members during the immediate preceding fiscal year. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Capital

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

Tax Certiorari

According to Education Law §3651.1-a, this reserve must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Workers' Compensation

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

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

T) Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the District: – (Continued)

Debt Service

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. This reserve is accounted for in the Debt Service Fund under Restricted Fund Balance.

Repairs

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

T) Equity Classifications – (Continued)

Funds Statements – (Continued)

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

Order of Use of Fund Balance

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

U) New Accounting Standards

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

GASB has issued Statement No. 92, *Omnibus 2020*, portions of the Statement are effective for the year ending June 30, 2020. The statement aims to improve the consistency of various authoritative accounting literature including items such as changing the effective date of Statement No. 87, *Leases*, and updating terminology.

GASB has issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective for the year ending June 30, 2020. This statement postponed the effective dates of various GASB Statements as a result of the COVID-19 pandemic.

GASB has issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective dates vary by the particular paragraph of the Statement. The first items become effective for the year ending June 30, 2020. This statement aims to provide more consistent financial reporting for defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans.

V) Future Changes in Accounting Standards

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2021. This statement establishes criteria for identifying fiduciary activities.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2022. This statement requires the recognition of certain lease assets and liabilities for leases previously classified as operating leases along with recognition of inflows and outflows of resources, as appropriate.

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

V) Future Changes in Accounting Standards – (Continued)

GASB has issued Statement No. 89, *Accounting Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2022. This statement requires that interest cost incurred during construction be expensed in that period rather than being included in the cost of the capital asset.

GASB has issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2021. This statement requires the reporting of majority equity interests which meet the definition of an investment at fair value and requires the reporting of majority equity interests which do not meet the definition of an investment as a component unit.

GASB has issued Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023. This statement provides a single method of reporting conduit debt obligations by issuers.

GASB has issued Statement No. 92, *Omnibus 2020*, portions of the Statement are effective for the year ending June 30, 2021. The statement aims to improve the consistency of various authoritative accounting literature including items such as reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan, the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements, and measurement of liabilities related to asset retirement obligations (AROs) in a government acquisition.

GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending June 30, 2021. This statement addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rates (IBOR).

GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending June 30, 2023. This statement improves the financial reporting related to Public-Private and Public-Public Partnerships to provide services.

GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023. This statement requires the recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements for government end users.

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

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

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

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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

A) Total Fund Balance of Governmental Funds vs. Net Position of Governmental Activities

Total fund balance of the District’s governmental funds differs from “net position” of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund balance sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

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

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

i) Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available,” whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital Related Differences

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

iii) Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Pension Differences

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

v) OPEB Differences

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

GERMANTOWN CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.

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

Appropriations are adopted at the program line item level.

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

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

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

Encumbrances

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

Excess Fund Balance – Real Property Tax Law Limit

The portion of the District's fund balance subject to the New York State Real Property Tax Law §1318 limit exceed the amount allowable, which is 4% of the District's budget for the upcoming school year.

Capital Projects Fund Deficit

The Capital Projects Fund had a deficit fund balance of \$6,477,069. This will be funded when the District obtains permanent financing for its current construction project.

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

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

GERMANTOWN CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

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

| | | |
|---|----|------------|
| Uncollateralized | \$ | 0 |
| Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District’s name | | 11,737,853 |

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$2,285,438 within the governmental funds and \$443,769 in the fiduciary funds.

NOTE 5 – CAPITAL ASSETS

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements/ Reclassifications</u> | <u>Ending Balance</u> |
|--|------------------------------|----------------------------|---|-----------------------------|
| Governmental activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Land | \$ 89,100 | \$ 0 | \$ 0 | \$ 89,100 |
| Construction in progress | 851,314 | 7,049,923 | 0 | 7,901,237 |
| Total nondepreciable historical cost | <u>940,414</u> | <u>7,049,923</u> | <u>0</u> | <u>7,990,337</u> |
| Capital assets that are depreciated: | | | | |
| Buildings | 19,222,804 | 0 | 0 | 19,222,804 |
| Furniture and equipment | 879,102 | 0 | 0 | 879,102 |
| Vehicles | 63,811 | 0 | 0 | 63,811 |
| Total depreciable historical cost | <u>20,165,717</u> | <u>0</u> | <u>0</u> | <u>20,165,717</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 9,895,185 | 381,330 | 0 | 10,276,515 |
| Furniture and equipment | 636,258 | 95,067 | 0 | 731,325 |
| Vehicles | 46,816 | 5,294 | 0 | 52,110 |
| Total accumulated depreciation | <u>10,578,259</u> | <u>481,691</u> | <u>0</u> | <u>11,059,950</u> |
| Total depreciable historical cost – net | <u>9,587,458</u> | <u>(481,691)</u> | <u>0</u> | <u>9,105,767</u> |
| GRAND TOTAL – NET | <u><u>\$ 10,527,872</u></u> | <u><u>\$ 6,568,232</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 17,096,104</u></u> |

Depreciation was allocated to the following programs as follows:

| | | |
|----------------------|-----------|----------------|
| General support | \$ | 79,060 |
| Instruction | | 360,239 |
| Pupil transportation | | 34,812 |
| School lunch program | | 7,580 |
| Total | <u>\$</u> | <u>481,691</u> |

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 6 – SHORT-TERM DEBT

Interest on short-term debt for the year was \$199,468.

Transactions in short-term debt for the year ended June 30, 2020 are summarized below:

| | <u>Maturity</u> | <u>Interest Rate</u> | <u>Beginning Balance</u> | <u>Issued</u> | <u>Redemmed</u> | <u>Ending Balance</u> |
|-----|-----------------|----------------------|--------------------------|----------------------|---------------------|-----------------------|
| BAN | 06/26/20 | 2.25% | \$ 8,889,944 | \$ 0 | \$ 8,889,944 | \$ 0 |
| BAN | 06/25/21 | 1.5% | 0 | 10,635,000 | 0 | 10,635,000 |
| | | | <u>\$ 8,889,944</u> | <u>\$ 10,635,000</u> | <u>\$ 8,889,944</u> | <u>\$ 10,635,000</u> |

NOTE 7 – LONG-TERM DEBT

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

| | |
|---------------|-----------------|
| Interest paid | <u>\$ 6,600</u> |
| | <u>\$ 6,600</u> |

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

| | <u>Beginning Balance</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|------------------------------------|--------------------------|---------------------|-------------------|-----------------------|------------------------------------|
| Governmental activities: | | | | | |
| Bonds and notes payable | \$ 165,000 | \$ 0 | \$ 165,000 | \$ 0 | \$ 0 |
| Other liabilities: | | | | | |
| Other post-employment benefits | 48,058,808 | 8,302,396 | 0 | 56,361,204 | 0 |
| Compensated absences | 313,782 | 0 | 0 | 313,782 | 0 |
| TOTAL LONG-TERM LIABILITIES | <u>\$ 48,537,590</u> | <u>\$ 8,302,396</u> | <u>\$ 165,000</u> | <u>\$ 56,674,986</u> | <u>\$ 0</u> |

The current portion (amount due within one year) of other liabilities as of June 30, 2020, was not determinable.

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

GERMANTOWN CENTRAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

| | Interfund | | Interfund | |
|-----------------------------|---------------------|---------------------|-------------------|-------------------|
| | Receivables | Payables | Revenues | Expenditures |
| General Fund | \$ 1,020,577 | \$ 326,546 | \$ 0 | \$ 109,588 |
| Special Aid Fund | 83,847 | 672,555 | 15,412 | 0 |
| School Lunch Fund | 0 | 36,909 | 10,000 | 0 |
| Capital Fund | 240,488 | 304,294 | 84,176 | 0 |
| Total government activities | 1,344,912 | 1,340,304 | 109,588 | 109,588 |
| Fiduciary Agency Fund | 0 | 4,608 | 0 | 0 |
| Totals | \$ 1,344,912 | \$ 1,344,912 | \$ 109,588 | \$ 109,588 |

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The 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.

NOTE 9 – PENSION PLANS

General Information

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

Plan Descriptions and Benefits Provided:

Teachers’ Retirement System (TRS)

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

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 9 – PENSION PLANS – (CONTINUED)

Plan Descriptions and Benefits Provided: – (Continued)

Employees’ Retirement System (ERS)

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

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

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

| | <u>NYSTRS</u> | <u>NYSERS</u> |
|-----------|---------------|---------------|
| 2019-2020 | \$ 482,746 | \$ 73,023 |
| 2018-2019 | 601,711 | 85,729 |
| 2017-2018 | 622,874 | 120,576 |

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System’s fiscal years ending March 31, 1988 and 1989 over a 17 year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District did not exercise.

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

Additional pension information can be found in Note 1 N.

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information About the OPEB Plan:

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

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

| | |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 86 |
| Inactive employees entitled to but not yet receiving benefit payments | 0 |
| Active employees | <u>95</u> |
| Total | <u><u>181</u></u> |

Total OPEB Liability:

The District's total OPEB liability of \$56,361,204 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:

| | |
|-----------------------------|--|
| Inflation | 2.60% |
| Discount Rate | 2.21% |
| Healthcare Cost Trend Rates | 6.1% for 2019, decreasing 0.5% per year to an ultimate rate of 4.1% over 57 years. |

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Adjusted 2006 Total Dataset Mortality Table generationally projected using Scale MP-2018. This assumption includes a margin for future improvements in longevity.

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

Changes in the Total OPEB Liability:

| | |
|---------------------------------------|----------------------|
| Balance at June 30, 2019 | \$ 48,058,808 |
| Changes for the year: | |
| Service cost | 2,301,493 |
| Interest | 1,742,538 |
| Effect of plan changes | 0 |
| Effect of demographic gains or losses | 0 |
| Effect of assumptions or other inputs | 5,415,277 |
| Benefit payments | <u>(1,156,912)</u> |
| Net changes | <u>8,302,396</u> |
| Balance at June 30, 2020 | <u>\$ 56,361,204</u> |

Assumptions changes for this fiscal year were as follows:

Plan Changes and Assumption Changes

Healthcare cost trend rates were updated from an initial rate of 7.50% scaling down to 4.50% over 6 years to an initial rate of 6.10% scaling down to 4.10% over 57 years. Additionally, the salary scale was updated to 2.60% (from 3.00%), the Mortality rate tables were updated to reflect mortality improvement Scale MP-2018 (from MP-2016), and the Medicare Part B/Vision cost trend rate was updated to 3.00% (from 4.50%). This increased liabilities by about \$3.1 million (6.8%) after the inclusion of all the plan changes described above.

The discount rate was changed to 2.21% since this is the discount rate that will be used to measure the total OPEB liability for purposes of GASB 75. This decreased liabilities by about \$6.9 million (13.9%) after the inclusion of all plan and assumption changes described above.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

| | <u>1% Decrease</u> | <u>Discount Rate</u> | <u>1% Increase</u> |
|----------------------|---------------------------|-----------------------------|---------------------------|
| Total OPEB Liability | \$ 67,827,920 | \$ 56,361,204 | \$ 47,388,333 |

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

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

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.10% decreasing to 3.10%) or 1 percentage point higher (7.10% decreasing to 5.10%) than the current healthcare cost trend rate:

| | 1% Decrease (5.10% Decreasing to 3.10%) | Healthcare Cost Trend Rates (6.10% Decreasing to 4.10%) | 1% Increase (7.10% Decreasing to 5.10%) |
|----------------------|--|--|--|
| Total OPEB Liability | \$ 45,397,470 | \$ 56,361,204 | \$ 71,120,837 |

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$3,159,353. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 617,772 | \$ (50,416) |
| Changes of assumptions or other inputs | <u>4,641,666</u> | <u>(3,316,216)</u> |
| Total | <u>\$ 5,259,438</u> | <u>\$ (3,366,632)</u> |

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

| <u>Fiscal Year Ending June 30:</u> | |
|---|---------------------|
| 2021 | \$ 282,234 |
| 2022 | 282,234 |
| 2023 | 282,234 |
| 2024 | 282,234 |
| 2025 | 282,234 |
| Thereafter | <u>481,636</u> |
| Total | <u>\$ 1,892,806</u> |

GERMANTOWN CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 11 – RISK MANAGEMENT

General Information

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

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

Litigation

There are currently pending tax certiorari proceedings, the results of which could require the payments of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. The School District has established a tax certiorari reserve to cover a portion of the potential refund exposure and the District has legal authority to borrow funds to repay school taxes when needed.

NOTE 13 – TAX ABATEMENTS

The District has no tax abatements for the year ended June 30, 2020.

NOTE 14 – OTHER CHANGES IN NET POSITION

The District has decreased its net position by \$1,310 to adjust the special aid to actual based on writing off old 4408 receivables.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the issuance date of the financial statements. On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result of the economic challenges and uncertainties caused by the pandemic, New York State began withholding 20% of most local aid payments in June, 2020. The State is expected to continue to withhold payments through September, 2020. Depending on the size and timing of federal aid provided to the State, if any, all or a portion of the amounts withheld may be converted to permanent reductions. Other financial impacts could occur though such potential impact is unknown at this time.

GERMANTOWN CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Revenues</u> | <u>Final Budget Variance with Budgetary Actual Over (Under)</u> |
|--|----------------------------|-------------------------|----------------------------|---|
| REVENUES: | | | | |
| Local Sources | | | | |
| Real property taxes | \$ 9,315,828 | \$ 9,315,828 | \$ 8,746,411 | \$ (569,417) |
| Real property tax items | 20,000 | 20,000 | 579,909 | 559,909 |
| Charges for services | 0 | 0 | 3,011 | 3,011 |
| Use of money and property | 26,000 | 26,000 | 57,909 | 31,909 |
| Sale of property and compensation for loss | 0 | 0 | 15,926 | 15,926 |
| Miscellaneous | 181,000 | 233,332 | 226,143 | (7,189) |
| Total Local Sources | 9,542,828 | 9,595,160 | 9,629,309 | 34,149 |
| State Sources | 5,209,190 | 5,209,190 | 4,948,478 | (260,712) |
| Federal Sources | 45,000 | 45,000 | 67,369 | 22,369 |
| Total Revenues | 14,797,018 | 14,849,350 | 14,645,156 | \$ (204,194) |

See paragraph on supplementary schedules included in independent auditors' report.

GERMANTOWN CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Expenditures</u> | <u>Year End Encumbrances</u> | <u>Final Budget Variance With Budgetary Actual and Encumbrances (Over) Under</u> |
|---|----------------------------|-------------------------|--------------------------------|----------------------------------|--|
| EXPENDITURES | | | | | |
| General Support | | | | | |
| Board of Education | 10,100 | 10,100 | 9,522 | \$ 0 | \$ 578 |
| Central administration | 240,700 | 240,877 | 239,712 | 61 | 1,104 |
| Finance | 262,800 | 278,397 | 255,990 | 21 | 22,386 |
| Staff | 124,600 | 145,956 | 120,544 | 15,625 | 9,787 |
| Central services | 1,034,200 | 1,088,101 | 938,661 | 37,836 | 111,604 |
| Special items | 211,000 | 120,789 | 112,255 | 0 | 8,534 |
| Instructional | | | | | |
| Instruction, administration and improvements | 448,000 | 448,936 | 431,526 | 85 | 17,325 |
| Teaching – regular school | 4,074,800 | 4,163,154 | 3,602,352 | 22,883 | 537,919 |
| Programs for children with handicapping conditions | 2,308,920 | 2,264,276 | 1,980,081 | 63,080 | 221,115 |
| Occupational education | 241,000 | 254,368 | 254,368 | 0 | 0 |
| Instructional media | 286,900 | 373,175 | 295,045 | 1,069 | 77,061 |
| Pupil services | 529,650 | 549,526 | 468,482 | 4,150 | 76,894 |
| Pupil Transportation | 891,850 | 896,527 | 738,294 | 0 | 158,233 |
| Employee Benefits | 4,227,800 | 4,339,005 | 4,190,395 | 0 | 148,610 |
| Debt Service | 575,298 | 575,298 | 508,068 | 0 | 67,230 |
| Total Expenditures | 15,467,618 | 15,748,485 | 14,145,295 | 144,810 | 1,458,380 |
| Other Financing Uses | | | | | |
| Transfers to other funds | 130,000 | 130,000 | 109,588 | 0 | 20,412 |
| Total Expenditures and Other Uses | 15,597,618 | 15,878,485 | 14,254,883 | \$ 144,810 | \$ 1,478,792 |
| NET CHANGE IN FUND BALANCE | (800,600) | (1,029,135) | 390,273 | | |
| FUND BALANCE – BEGINNING | 5,659,333 | 5,659,333 | 5,659,333 | | |
| FUND BALANCE – ENDING | \$ 4,858,733 | \$ 4,630,198 | \$ 6,049,606 | | |

See paragraph on supplementary schedules included in independent auditors' report.

GERMANTOWN CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30, 2020, 2019 AND 2018

| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|---|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | |
| Service cost | \$ 2,301,493 | \$ 2,409,036 | \$ 1,887,804 |
| Interest | 1,742,538 | 1,489,457 | 1,410,287 |
| Change of benefit terms | 0 | 1,136,222 | 0 |
| Differences between expected and actual experience | 0 | 838,404 | (78,952) |
| Change of assumptions or other inputs | 5,415,277 | (4,500,578) | 0 |
| Benefit payments | (1,156,912) | (1,098,412) | (1,104,250) |
| Net change in total OPEB liability | 8,302,396 | 274,129 | 2,114,889 |
| Total OPEB Liability - beginning | 48,058,808 | 47,784,679 | 45,669,790 |
| Total OPEB Liability - ending | \$ 56,361,204 | \$ 48,058,808 | \$ 47,784,679 |
| Covered-employee payroll | \$ 5,679,751 | \$ 5,679,751 | \$ 5,644,441 |
| Total OPEB liability as a percentage of covered-employee payroll | 992.32% | 846.14% | 846.58% |
| Plan's fiduciary net position | \$ 0 | \$ 0 | \$ 0 |
| Net OPEB Liability | \$ 56,361,204 | \$ 48,058,808 | \$ 47,784,679 |

See paragraph on supplementary schedules included in independent auditors' report.

GERMANTOWN CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

FOR THE YEARS ENDED JUNE 30, 2020, 2019, 2018, 2017, 2016 AND 2015

NYS Employees' Retirement System

| | <u>2020</u> | | <u>2019</u> | | <u>2018</u> | | <u>2017</u> | | <u>2016</u> | | <u>2015</u> |
|---|-------------|----|-------------|----|-------------|----|-------------|----|-------------|----|-------------|
| District's proportion of the net pension liability (asset) | 0.0016309% | | 0.0020510% | | 0.0027829% | | 0.0002904% | | 0.0025662% | | 0.0027731% |
| District's proportionate share of the net pension liability (asset) | \$ 432 | \$ | 145 | \$ | 90 | \$ | 273 | \$ | 412 | \$ | 94 |
| District's covered-employee payroll | 648 | | 751 | | 704 | | 875 | | 857 | | 760 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 66.7% | | 19.3% | | 12.8% | | 31.2% | | 48.1% | | 12.3% |
| Plan fiduciary net position as a percentage of the total pension liability | 86.4% | | 96.3% | | 98.2% | | 94.7% | | 90.7% | | 97.9% |

NYS Teachers' Retirement System

| | <u>2020</u> | | <u>2019</u> | | <u>2018</u> | | <u>2017</u> | | <u>2016</u> | | <u>2015</u> |
|---|-------------|----|-------------|----|-------------|----|-------------|----|-------------|----|-------------|
| District's proportion of the net pension liability (asset) | 0.033033% | | 0.030808% | | 0.033538% | | 0.032962% | | 0.032733% | | 0.003126% |
| District's proportionate share of the net pension liability (asset) | \$ (858) | \$ | (557) | \$ | (255) | \$ | 353 | \$ | (3,400) | \$ | (3,482) |
| District's covered-employee payroll | 5,646 | | 5,665 | | 5,018 | | 5,086 | | 4,917 | | 4,733 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 15.2% | | 9.8% | | 5.1% | | 6.9% | | 69.1% | | 73.6% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 102.20% | | 101.53% | | 100.70% | | 99.00% | | 110.50% | | 111.48% |

See paragraph on supplementary schedules included in independent auditors' report.

GERMANTOWN CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS

FOR THE YEARS ENDED JUNE 30, 2020, 2019, 2018, 2017, 2016 AND 2015

NYS Employees' Retirement System

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 73 | \$ 86 | \$ 121 | \$ 123 | \$ 124 | \$ 125 |
| Contributions in relation to the contractually required contribution | <u>73</u> | <u>86</u> | <u>121</u> | <u>123</u> | <u>124</u> | <u>125</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| District's covered-employee payroll | \$ 648 | \$ 751 | \$ 704 | \$ 875 | \$ 857 | \$ 760 |
| Contribution as a percentage of covered-employee payroll | 11.27% | 11.45% | 17.19% | 14.06% | 14.47% | 16.45% |

NYS Teachers' Retirement System

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 500 | \$ 602 | \$ 623 | \$ 675 | \$ 862 | \$ 690 |
| Contributions in relation to the contractually required contribution | <u>500</u> | <u>602</u> | <u>623</u> | <u>675</u> | <u>862</u> | <u>690</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| District's covered-employee payroll | \$ 5,646 | \$ 5,665 | \$ 5,018 | \$ 5,086 | \$ 4,917 | \$ 4,733 |
| Contribution as a percentage of covered-employee payroll | 8.86% | 10.63% | 12.42% | 13.27% | 17.53% | 14.58% |

See paragraph on supplementary schedules included in independent auditors' report.

GERMANTOWN CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | |
|---------------------------|----------------------|
| ADOPTED BUDGET | \$ 15,597,618 |
| ADDITIONS: | |
| Appropriated reserves | 58,506 |
| Prior year's encumbrances | 222,361 |
| | 987,629 |
| FINAL BUDGET | \$ 15,878,485 |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2020

| | |
|---|-------------------|
| 2020-2021 voter-approved expenditure budget | \$ 15,792,913 |
| Maximum allowed (4% of 2020-2021 budget) | 631,717 |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law: | |
| Unrestricted fund balance: | |
| Assigned fund balance | 939,238 |
| Unassigned fund balance | 987,629 |
| Total unrestricted fund balance | 1,926,867 |
| Less: | |
| Appropriated fund balance and encumbrances | 939,238 |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law | \$ 987,629 |
| Actual percentage | 6.3% |

See paragraph on supplementary schedules included in independent auditors' report.

GERMANTOWN CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

FOR THE YEAR ENDED JUNE 30, 2020

| Project Title | Original Appropriation | Revised Appropriation | Expenditures to Date | | | Unexpended Balance | Methods of Financing | | | Fund Balance |
|-------------------------|-----------------------------------|----------------------------------|-----------------------------|---------------------|---------------------|-------------------------------|------------------------------------|----------------------|--------------------------|-------------------------|
| | | | Prior Year | Current Year | Total | | Proceeds of Obligations | State Aid | Local Sources | |
| | | | | | | | | | | |
| \$11.3M Capital Project | \$ 11,385,056 | \$ 11,382,056 | \$ 855,222 | \$ 6,878,532 | \$ 7,733,754 | \$ 3,648,302 | \$ 78,826 | \$ 0 | \$ 914,344 | \$ (6,740,584) |
| Smart Bond 16/17 | 97,828 | 97,828 | 95,759 | 86,975 | 182,734 | (84,906) | 0 | 95,761 | 97,828 | 10,855 |
| Roof Project 2017 | 104,268 | 186,976 | 172,379 | 84,416 | 256,795 | (69,819) | 0 | 0 | 184,176 | (72,619) |
| Capital Project Water | 0 | 0 | 187,145 | 0 | 187,145 | (187,145) | 0 | 0 | 512,424 | 325,279 |
| TOTALS | \$ 11,587,152 | \$ 11,666,860 | \$ 1,310,505 | \$ 7,049,923 | \$ 8,360,428 | \$ 3,306,432 | \$ 78,826 | \$ 95,761 | \$ 1,708,772 | \$ (6,477,069) |

See paragraph on supplementary schedules included in independent auditors' report.

GERMANTOWN CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

NET INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2020

| | |
|---|----------------------------|
| CAPITAL ASSETS, NET | \$ 17,096,104 |
| DEDUCT: | |
| BAN payable | <u>10,635,000</u> |
| NET INVESTMENT IN CAPITAL ASSETS | <u><u>\$ 6,461,104</u></u> |

See paragraph on supplementary schedules included in independent auditors' report.



**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**

To the President and the Other Members
of the Board of Education of the
Germantown Central School District
Germantown, 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 Germantown Central School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 28, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Germantown Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WEST & COMPANY CPAs PC

Gloversville, New York
October 28, 2020

GERMANTOWN CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020



INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Germantown Central School District
Germantown, New York

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Extraclassroom Activity Funds of Germantown Central School District as of June 30, 2020, and the related statement of revenues collected and expenses paid for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Insufficient accounting controls are exercised over cash receipts at the point of collections to the time of submission to the Central Treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Extraclassroom Activity Funds of the Germantown Central School District as of June 30, 2020, and the revenues collected and expenses paid for the year then ended, on the basis of accounting described in Note 1.

Basis of Accounting

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

WEST & COMPANY CPA PC

Gloversville, New York
October 28, 2020

GERMANTOWN CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

JUNE 30, 2020

| | |
|--|------------------|
| ASSETS | |
| Cash | \$ 51,098 |
| TOTAL ASSETS | <u>\$ 51,098</u> |
| LIABILITIES AND CLUB BALANCES | |
| Club balances | \$ 51,098 |
| TOTAL LIABILITIES AND CLUB BALANCES | <u>\$ 51,098</u> |

See note to financial statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Balance</u> <u>July 1, 2019</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Balance</u> <u>June 30, 2020</u> |
|----------------------------|---------------------------------------|------------------|----------------------|--|
| High School | | | | |
| Band | \$ 552 | \$ 372 | \$ 372 | \$ 552 |
| Cheerleading Club | 509 | 0 | 0 | 509 |
| Science Research | 809 | 0 | 150 | 659 |
| Drama Club | 2,562 | 16,881 | 16,775 | 2,668 |
| Garden Club | 1,908 | 0 | 0 | 1,908 |
| International Club | 901 | 60 | 0 | 961 |
| Class of 2018 | 679 | 0 | 0 | 679 |
| Class of 2020 | 705 | 2,594 | 2,004 | 1,295 |
| Class of 2021 | 4,796 | 531 | 322 | 5,005 |
| Class of 2022 | 4,566 | 1,242 | 920 | 4,888 |
| Class of 2023 | 1,529 | 2,720 | 1,959 | 2,290 |
| Class of 2024 | 5,551 | 416 | 170 | 5,797 |
| Class of 2025 | 592 | 900 | 526 | 966 |
| Class of 2026 | 0 | 9,859 | 8,577 | 1,282 |
| National Honor Society | 1,516 | 1,120 | 515 | 2,121 |
| National Jr. Honor Society | 971 | 448 | 585 | 834 |
| Health Club | 145 | 0 | 0 | 145 |
| SADD | 818 | 727 | 50 | 1,495 |
| Sales Tax | 727 | 323 | 0 | 1,050 |
| Student Council | 2,558 | 726 | 942 | 2,342 |
| Unallocated Interest | 157 | 43 | 0 | 200 |
| GCS Yearbook Club | 15,787 | 4,390 | 6,725 | 13,452 |
| TOTALS | <u>\$ 48,338</u> | <u>\$ 43,352</u> | <u>\$ 40,592</u> | <u>\$ 51,098</u> |

See note to financial statements.

GERMANTOWN CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Funds of the Germantown Central 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. However, since the Board of Education does exercise general oversight, these funds and their corresponding cash accounts are reflected in the Trust and Agency Funds of the basic financial statements of the District.

The books and records of the Germantown Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received, and expenditures are recognized when cash is disbursed.

NOTE 2 – MANAGEMENT LETTER

The management letter items for the Extraclassroom Activity Funds are included in the management letter associated with the basic financial statements.



October 28, 2020

To the President and the Other Members
of the Board of Education of the
Germantown Central School District
Germantown, New York

Re: Management Letter
June 30, 2020

Dear Board Members:

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

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. The following summarizes our comments and recommendations regarding those matters. We previously reported on the District's internal control in our report dated October 28, 2020. This letter does not affect our report dated October 28, 2020, on the financial statements of Germantown Central School District.

Current-Year Findings

(1) Unassigned General Fund Balance

Condition: The District's unassigned General Fund balance at June 30, 2020, was in excess of the New York State Real Property Tax Law limit, which restricts this balance to an amount not greater than 4% of the District's appropriation budget for the upcoming year.

Recommendation: We recommend that the Board review and modify its plan to reduce the District's unassigned General Fund balance to the statutory limit.

* * * * *

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

We appreciate the courtesies, assistance and cooperation extended to us by the Business Office during our audit. Please feel free to contact us regarding our comments and recommendations, or any other matters that may come to your attention, at your convenience.

Very truly yours,

WEST & COMPANY CPAs PC

WEST & COMPANY CPAs PC