

South Jefferson Central School District

**Financial Statements with
Independent Auditors' Report**

Year Ended June 30, 2022

South Jefferson Central School District
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June 30, 2022 and 2021

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Independent Auditors' Report

Board of Education
South Jefferson Central School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Jefferson Central School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the South Jefferson Central School District's basic financial statements as listed in the table of contents.

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 South Jefferson Central School District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Jefferson Central School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the South Jefferson Central School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 South Jefferson Central School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the South Jefferson Central School District's ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in 2022, South Jefferson Central School District adopted new accounting guidance, GASB No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress - other post-employment benefits – last 5 fiscal years, the schedule of revenue, expenditures and changes in fund balance – budget and actual – general fund, the schedules of District contributions – NYSTRS & NYSERS pension plans – last 8 fiscal years, and the schedules of District's proportionate share of the net pension liability – NYSTRS & NYSERS pension plans – last 8 fiscal years on pages 5-15 and 63-67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Jefferson Central School District's basic financial statements. The accompanying schedule of change from adopted budget to final budget and the real property tax limit – general fund, net investment in capital assets and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of change from adopted budget to final budget and the real property tax limit – general fund, net investment in capital assets and schedule expenditures of federal awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022, on our consideration of South Jefferson Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Jefferson Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Jefferson Central School's internal control over financial reporting and compliance.

Stackel & Navarra, CPA, PC

Watertown, NY
October 24, 2022

**South Jefferson Central School District
Management's Discussion and Analysis
June 30, 2022**

The following is a discussion and analysis of South Jefferson Central School District's financial performance for the fiscal year ended June 30, 2022. 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. This section is only an introduction and should be read in conjunction with the school district's financial statements, which immediately follows this section. Responsibility for completeness and fairness of the information contained rests with the school district.

School District Overview and Highlights

The school district is located in the northern tier of the state, approximately 45 miles from the Canadian border and employs approximately 350 full and part time professional and support staff. These employees are organized into three collective bargaining units (teaching staff, support staff, and administration). All agreements are set to expire on June 30, 2023.

The school district has continued to maximize sources of grants and aid from Federal and New York State sources, resulting in an average tax rate of \$10.810289 dollars of assessed value over the ten towns and three counties that comprise the district. In general, taxpayers are content with the district; budgets have been adopted with consistent tax levy increases while school events are always a popular attraction.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information (Supplemental Schedule SS-2) that further explains and supports the financial statements with a comparison of the school district's budget and actual for the year.

**South Jefferson Central School District
Management's Discussion and Analysis
June 30, 2022**

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

Major Features of the District-Wide and Fund Financial Statements			
		Fund Financial Statements	
→	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the school district that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the school district administers resources on behalf of someone else, i.e. scholarship programs and student activities' monies
Required Financial Statements	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Assets 6. Statement of Changes in Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/ Liability Information	All assets and liabilities, both financial and capital, short term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/ Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	Additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

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

**South Jefferson Central School District
Management's Discussion and Analysis
June 30, 2022**

The two district-wide statements report the school district's *net position* and how it has changed. The net position, the difference between the school district's assets and liabilities, is one way to measure the school district's financial health.

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

In the district-wide financial statements, the Statement of Activities depicts most of the school's basic services. Entitled *Governmental Activities*, include regular and special education services, pupil transportation, general support, and administration. Property taxes and state and federal aid finance most of these activities.

Fund Financial Statements

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

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

The district has two kinds of funds:

- 1.) **Governmental Funds:** Most of the school district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps 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.
- 2.) **Fiduciary Funds:** The school district is the trustee, or fiduciary, for assets that belong to others. The school district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The school district excludes these assets to finance its operations.

**South Jefferson Central School District
Management's Discussion and Analysis
June 30, 2022**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The net position may serve as a useful indicator of a government's financial position. Over time in the case of the school district, liabilities exceeded assets by \$88,808,180 at the close of the most recent fiscal year, an increase of \$29,573,000. The negative net position is largely due to the required liability reporting mandated by GASB 75 regarding Other Postemployment Benefits Payable (OPEB). GASB 75 replaced GASB 45 for fiscal years beginning after June 15, 2017, resulting in an instant \$44,115,428 increase to the District's liability in 2018. The valuation methodology of Net OPEB Obligation has been modified to report the entire unfunded liability of OPEB obligations. GASB 75 is further discussed in the notes to the financial statements.

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

The following schedule summarizes the school district's net position. The complete Statement of Net Position can be found in the school district's basic financial statements.

	Condensed Statement of Net Position	
	<u>2021-2022</u>	<u>2020-2021</u>
Assets		
Current and other assets	\$ 24,232,946	\$ 8,916,531
Capital assets, net	<u>53,684,125</u>	<u>46,121,984</u>
Total Assets	<u>\$ 77,917,071</u>	<u>\$ 55,038,515</u>
Deferred Outflows of Resources	<u>\$ 19,511,972</u>	<u>\$ 52,337,494</u>
Liabilities		
Current liabilities	\$ 11,550,660	\$ 12,193,574
Deferred revenue	105,868	4,135
Long-term liabilities	<u>158,915,360</u>	<u>149,901,099</u>
Total Liabilities	<u>\$ 170,571,888</u>	<u>\$ 162,098,808</u>
Deferred Outflows of Resources	<u>\$ 15,665,335</u>	<u>\$ 4,512,381</u>
Net Position		
Invested in capital assets net of related debt	\$ 36,565,681	\$ 24,957,889
Restricted	2,847,523	1,497,335
Unrestricted	<u>(128,221,384)</u>	<u>(85,690,404)</u>
Total Net Position	<u>\$ (88,808,180)</u>	<u>\$ (59,235,180)</u>

**South Jefferson Central School District
Management's Discussion and Analysis
June 30, 2022**

In general, current assets are those assets that are available to satisfy current obligations and current liabilities are those liabilities that will be paid within one year. Current assets consist primarily of cash equivalents and state and federal aid receivable.

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

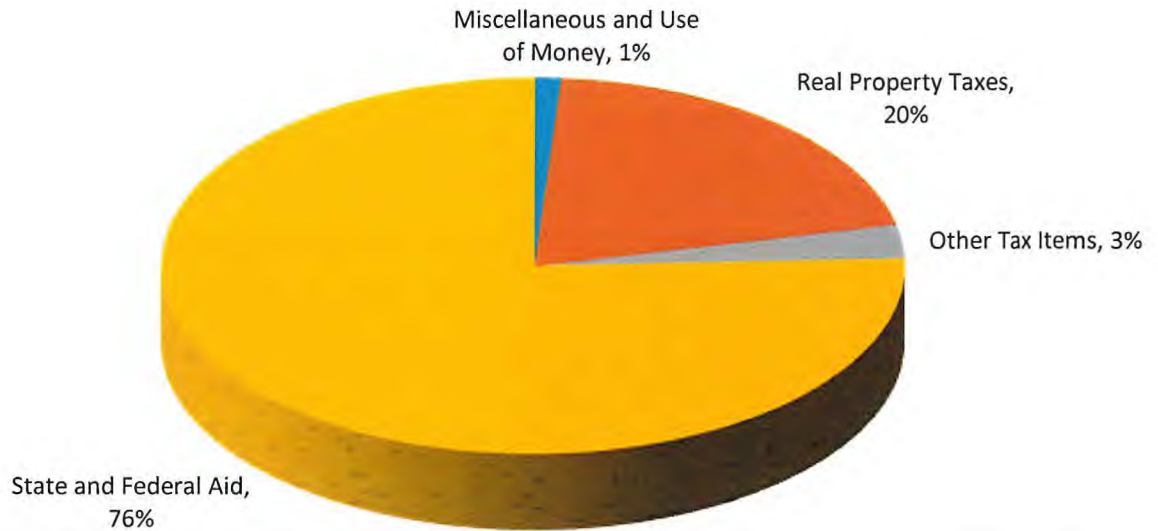
The following schedule summarizes the school district's activities. The complete Statement of Activities can be found in the School District's basic financial statements.

Condensed Statement of Activities

Revenues	<u>2021-2022</u>	<u>2020-2021</u>
Program Revenues		
Charges for services	\$ 257,569	\$ 78,684
Operating grants	5,488,482	2,964,320
General Revenues		
Property and other tax items	8,286,707	8,200,774
Use of money and property	6,458	3,260
Sale of property and compensation for loss	27,765	223
Federal sources	36,543	-
State sources	26,287,596	25,998,945
Other	558,005	656,620
Total Revenues	<u>\$ 40,949,125</u>	<u>\$ 37,902,826</u>
Expenses		
General Support	\$ 8,603,557	\$ 5,998,257
Instruction	62,677,815	35,803,263
Pupil Transportation	6,708,811	3,875,664
Debt Service	322,225	620,842
School Lunch Program - Cost of Food Sales	2,352,219	1,299,441
Total Expenses	<u>\$ 80,664,627</u>	<u>\$ 47,597,467</u>
Change in Net Position	<u>\$ (39,715,502)</u>	<u>\$ (9,694,641)</u>

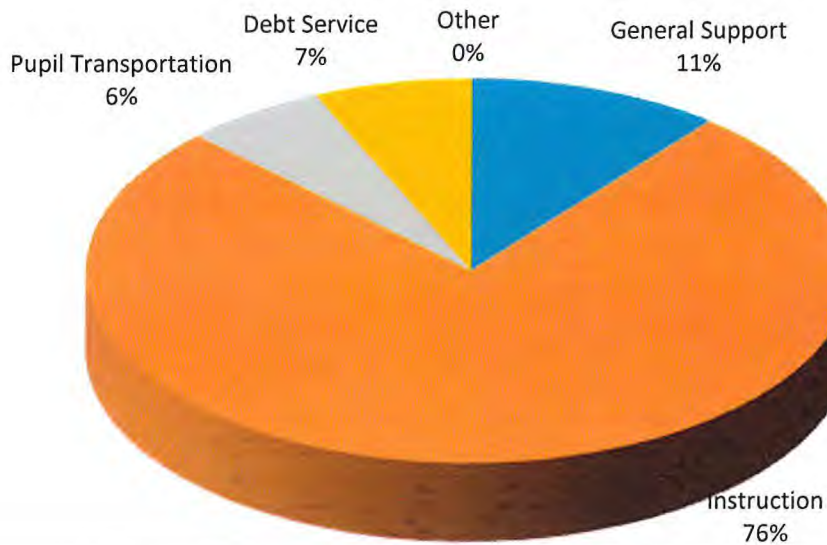
The Statement of Activities includes the activity of the Special Aid funds, which are comprised of a number of state and federal grant programs. The school lunch fund, also known as the cafeteria fund, is included here as well. It is designed to be self-supporting, with revenues nearly matching expenditures. For many years prior to 2012 school lunch revenues exceed expenses; however, thereafter the program experienced a significant decrease in the fund balance. For the third year in a row, the School Lunch fund experienced a positive fund balance, primarily due to the COVID-19 shutdown and the USDA initiative to provide availability of free meals to children and reimburse districts at the New York State Free Lunch Rate. Finally, the statements also include the related debt service funds and the capital projects fund. These are also discussed later.

General Revenues for Year Ended 6/30/22



The school district is heavily dependent on both state and federal aid for its funding. State aid and the federal grants combined account for 76% of total revenues – consistent with prior year.

General Expenses for Year Ended 6/30/22



**South Jefferson Central School District
Management's Discussion and Analysis
June 30, 2022**

General Fund Budgetary Highlights

The school district's adjusted budget for the 2021-2022 school year was \$37,389,326. Actual expenditures totaled \$33,675,191 which includes transfers out of \$3,522,437, for a favorable variance of \$3,714,135 (including \$131,849 encumbered and carried into the next year as an adjustment to the 2022-2023 budget). The schedule below shows, in general terms, how the actual expenditures are distributed and compared to final budgeted appropriations:

Results vs. Budget (in thousands of dollars)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:				
Local Sources	\$ 8,472	\$ 8,548	\$ 8,738	\$ (190)
State Sources	26,658	26,658	26,458	200
Federal Sources	-	-	37	(37)
Total	<u>\$ 35,130</u>	<u>\$ 35,206</u>	<u>\$ 35,233</u>	<u>\$ (27)</u>
Expense:				
General Support	\$ 3,751	\$ 3,756	\$ 3,332	\$ 424
Instruction	15,832	15,848	13,991	1,857
Pupil Transportation	2,188	2,236	1,781	455
Community Services	-	-	-	-
Employee Benefits	10,608	10,255	9,168	1,087
Debt Service	1,388	1,747	2,012	(265)
Transfers to Other Funds	3,547	3,547	3,522	25
Total	<u>\$ 37,314</u>	<u>\$ 37,389</u>	<u>\$ 33,806</u>	<u>\$ 3,583</u>

The school district under-expended its budget by \$3,714,135. The 2021-2022 school year returned to a more typical school year. Supervision regular school, guidance regular school costs, psychological, and social work services were under budget due to the assistance of the American Rescue Plan ESSER 3 grant. Subsequently, employee benefits costs associated with said salaries were under expended proportionately. Lastly, transportation costs were under expended as well and can be attributed to the bus driver shortage.

The school district's general fund receives its funding from many sources. The schedule above also depicts the actual revenues relative to the final budgeted revenues.

The district attempts to facilitate a conservative prediction of revenues; district officials show caution when building budgets. Due to the tenuous nature of predicting state aid, the district strategy is to underestimate all revenues; this year the district received more than they budgeted. The net variance was a positive \$560,846 for total revenues in the 2021-2022 school year.

**South Jefferson Central School District
Management's Discussion and Analysis
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ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Financial position (year to year) – General Fund

The General Fund, fund balance increased to \$8,506,394 on June 30, 2022. This was an increase of \$2,091,793. That change in position is as follows:

June 30, 2022	\$ 8,506,394
June 30, 2021	\$ 6,414,601
Restated June 30, 2020	\$ 4,462,967
June 30, 2019	\$ 5,432,126
June 30, 2018	\$ 4,490,001
June 30, 2017	\$ 4,015,953

The attempt on the part of the district to maintain the size of the fund balance from changing significantly has been reasonably successful over the years. The increase in the 2021-22 year reflects the positive variance in revenues coupled with unexpended budget results due to the assistance of the American Rescue Plan ESSER 3 funds. The proposition at the May 2022 annual vote was successful with voter approval for a Capital Reserve Fund. The District was able to establish and fund a Capital Reserve for \$1,000,000, fund the Retirement Contribution Fund (ERS) for \$110,505, Workers Compensation Reserve for \$60,311, and fund the Teacher Retirement System reserve in the amount of \$200,992.

Capital Projects Fund

The Capital Projects Fund shows a negative fund balance of (\$9,535,234). The Capital Projects Fund continues to show a negative fund balance as a result of the issuance of short-term bus and capital project bond anticipation notes (BAN). The outstanding bus BAN represents (\$2,308,800) of the total fund balance of (\$9,535,234) in the Capital Projects Fund.

Because the district uses short term financing to purchase buses (to more closely match state aid streams) and uses short term financing for capital projects, the capital fund will continue to show deficit fund balances until permanent financing is secured.

School Lunch (Cafeteria) Fund

The School Lunch Fund fund balance showed a net increase of \$287,640, bringing the fund balance as of June 30, 2022, to \$457,402.

During the COVID-19 shutdown the United State Department of Agriculture initiated a “summer meal program” to allow our District to offer free meals to all children under 18. The District received the child nutrition state and federal free/reduced meal reimbursement rate. The program did not see the same participation as prior year when the District delivered meals to households during the 2020 COVID shutdown. The department continued it’s concentrated efforts to cut costs and utilize government commodities inventory by providing nutritious meals. Expenses in this fund largely reflect food costs, employee wages, and fringe benefits. While the General Fund covers some of the fringe benefits of the employees that work in that fund, a \$32,100 transfer was budgeted from the General Fund to the School

**South Jefferson Central School District
Management's Discussion and Analysis
June 30, 2022**

Lunch Fund during the 2021-2022 school year. The General Fund is responsible to reimburse the School Lunch Fund for all outstanding student meal charges at year end, due to student meals being free there were no charges. The District maintains it's goal to eventually sustain the School Lunch fund without a transfer from General Fund. In an effort to improve participation, School Lunch is evaluating successful menu items, trialing new meals, and concentrating on a more positive dining room experience. Continued evaluation of food costs, implementing more product cross utilization, detailed menu planning and encouraging an increase in staff attendance with a positive environment are priorities for the department and will help the long-term goal of self-sustainability.

Special Aid Funds

Federal and State grants provide funding for specific purposes ranging from reading improvement to servicing the needs of students with disabilities. The chart below indicates the 2020-2021 and the 2021-2022 revenues and corresponding expenses for each grant that is outlined in the audit report. These grants are included in a schedule of Expenditures of Federal Awards. All federal and state grants require the filing of an original budget, a budget amendment (if necessary), and a final cost report at the end of the project. Final cost reports have been filed and approved by the State Education Department for the ESSA, IDEA, and Homeless grants.

	Purpose	2021-2022	2020-2021
ESSA Title I	Basic Grant	393,367	396,382
ESSA Title IIA	Effective Instruction/Teacher Quality	61,370	57,624
ESSA Title IV	Student Support & Academic Enrich	29,265	31,528
IDEA	Handicapped Programs	446,975	433,814
ARP IDEA	Handicapped Programs	99,468	0
ARP Homeless	Homeless assistance	10,380	0
ARP ESSER 3	School Emergency Relief	1,030,870	0
ARP Summer	Summer Enrichment	29,648	0
ARP After School	After School	44,598	0
ARP Learning Loss	Learning Loss	570,815	0
CARES	Impact of COVID-19- Reported in General Fund	0	444,632
CRRSA	Impact of COVID-19	934,151	0
	Total Federal Aid	3,650,907	1,363,980

CAPITAL ASSET AND DEBT ADMINISTRATION

The financial statements provide a picture of capital assets over time. These include land, buildings, equipment and furniture. In response to the auditors' management letter from several years ago, the district contracted with the firm of Industrial Appraisal to take a physical inventory of all district assets; a tagging inventory system was also among the services that were contracted. This effort was completed in late Fall, 2006. As a result, the estimated costs of fixed assets acquired prior to 2002 have been adjusted.

**South Jefferson Central School District
Management’s Discussion and Analysis
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The original cost of fixed assets has been increased by construction in progress, the purchase of buses, and the acquisition of other fixed assets. Accumulated depreciation has been changed according to the sale of certain buses and the normal depreciation schedule.

For more information regarding fixed assets, refer to Note 6 in the notes to financial statements.

Long-Term Debt

When favorable interest rates provide a significant savings, district officials will consider refunding its serial bonds. The current capital project is estimated to close for permanent financing in 2022-2023 the schedule will reflect those borrowings when secured.

The table below represents the bond payment schedule.

Fiscal Year Ended	Principal	Interest	Total
2023	\$3,100,000	\$254,694	\$3,354,694
2024	\$1,760,000	\$142,094	\$1,902,094
2025	\$1,825,000	\$82,875	\$1,907,875
2026	\$120,000	\$20,613	\$140,613
2027	\$125,000	\$17,712	\$142,712
5 subsequent years	\$560,000	\$41,187	\$601,187
Totals	\$7,490,000	\$559,175	\$8,049,175

FACTORS BEARING ON THE DISTRICT’S FUTURE

The District’s annual audit as of June 30, 2022 indicates that it is in sound financial condition. Management believes this audit confirms and continues that trend. Past budgets for South Jefferson have been difficult with the uncertainty of the fiscal condition of New York State, unpredictable pension costs, state aid short falls, the looming fiscal cliff, and the restricting impact of the tax cap legislation. District officials continue to comply with the tax cap legislation; voters approved the 2022-2023 budget with an increase in its local levy by 2.00%, which represented the allowable increase under the law without asking for a supermajority vote. The District will continue to meet the current program needs while following the multiyear plan to leverage unappropriated fund balance in order to strengthen the District’s ability to weather seasons of fiscal stress. New York State has reached an agreement to settle and discontinue the New Yorkers for Students' Educational Rights v. New York State case, following through on the State's commitment to fully fund the current Foundation Aid formula to New York's school districts over three years. This announcement is good news for South Jefferson as the District’s Foundation Aid has been underfunded over \$64 million since the 2007-2008 fiscal year and an estimated \$2.7 for 2021-2022. The foundation aid formula takes school district wealth and student need into account to create an equitable distribution of state funding. The aid has never been fully funded and litigation has been ongoing since 2014.

Due to the COVID19 Pandemic, the federal government passed two major federal grants that South Jefferson has accessed: CRRSA (Coronavirus Response and Relief Supplemental Appropriations Act of 2021) and ARP (American Rescue Plan). These funds focus on supporting the safe return to in-person instruction and continuity of service, addressing the impact of lost instructional time, support social and emotional needs, and addressing the impacts on economically disadvantaged students, children with

**South Jefferson Central School District
Management's Discussion and Analysis
June 30, 2022**

disabilities, and minorities. The CRRSA grant is over a 2 fiscal year period, ending September 30, 2023 and the ARP is over a 3-year fiscal period ending September 30, 2024. The District was successful in application and approval for these funds and the spending plan is in process.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT TEAM

This report is designed to provide the school district's citizens, taxpayers, customers, investors, and creditors with a general overview of the school district's finances and to demonstrate the school district's accountability for the money it receives. If you have questions about this report or need additional information, contact the following district officials at the address below.

Scott Slater, Superintendent of Schools
South Jefferson Central School District
P.O. Box 10
Adams, New York 13605

Phone: 315-583-6104
Fax: 315-583-6381
Email: sslater@spartanpride.org

**South Jefferson Central School District
Statement of Net Position
Governmental Activities
June 30, 2022**

Assets

Cash		
Unrestricted	\$	4,784,925
Restricted		2,914,032
Accounts receivable		96,457
State and Federal aid receivable		3,400,938
Prepaid expenses		36,259
Inventories		35,002
Utility deposit		29,626
Right-to-use assets, net		897,500
Capital assets, net		53,684,125
Net pension asset - proportionate share		<u>12,038,207</u>
Total Assets		<u>\$ 77,917,071</u>

Deferred outflows of resources

Pensions	\$	9,609,126
OPEB (GASB 75)		<u>9,902,846</u>
Total deferred outflows of resources		<u>\$ 19,511,972</u>

Liabilities

Payables

Accounts payable	\$	179,418
Accrued liabilities		301,934
Unearned revenue		105,868
Due to teachers' retirement system		1,246,474
Due to employees' retirement system		127,583
Due to other governments		71,451
Bond anticipation notes payable		9,623,800
Long-term liabilities		
Due and payable within one year		
Employees' retirement system		80,582
Lease liabilities		219,936
Serial bonds		3,100,476
Due and payable after one year		
Employees' retirement system		106,918
Lease liabilities		356,290
Serial bonds		4,394,168
Compensated absences payable		202,921
Other postemployment benefits payable		<u>150,454,069</u>
Total Liabilities		<u>\$ 170,571,888</u>

Deferred inflows of resources

Pensions	\$	<u>15,665,335</u>
----------	----	-------------------

Net Position

Net investment in capital assets	\$	36,565,681
Restricted		2,847,523
Unrestricted (Deficit)		<u>(128,221,384)</u>
Total Net Position		<u>\$ (88,808,180)</u>

South Jefferson Central School District
Statement of Activities and Changes in Net Position
Governmental Activities
For the Year Ended June 30, 2022

		<u>Program Revenues</u>			Net (Expense)
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	Revenue and
		<u>Services</u>	<u>Grants</u>	<u>Grants</u>	Changes in
					<u>Net Position</u>
Functions/Programs					
General support	\$ 8,603,557	\$ -	-	-	\$ (8,603,557)
Instruction	62,677,815	182,491	4,215,293	101,188	(58,178,843)
Pupil transportation	6,708,811	-	-	-	(6,708,811)
Debt service	322,225	-	-	-	(322,225)
School food service	<u>2,352,219</u>	<u>75,078</u>	<u>1,172,001</u>	<u>-</u>	<u>(1,105,140)</u>
Total Functions and Programs	<u>\$ 80,664,627</u>	<u>\$ 257,569</u>	<u>\$ 5,387,294</u>	<u>\$ 101,188</u>	<u>(74,918,576)</u>
General Revenues					
Real property taxes					7,288,252
Other tax items					998,455
Use of money and property					6,458
Sale of property and compensation for loss					27,765
Miscellaneous					558,005
State sources					26,287,596
Federal sources					<u>36,543</u>
Total General Revenues					<u>35,203,074</u>
Change in Net Position					(39,715,502)
Total Net Position - Beginning of year, restated					<u>(49,092,678)</u>
Total Net Position - End of year					<u>\$ (88,808,180)</u>

**South Jefferson Central School District
Balance Sheet - Governmental Funds
June 30, 2022**

	<u>General</u>	<u>Special Aid</u>	<u>School Food Service</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Miscellaneous Special Revenue</u>	<u>Total Governmental Funds</u>
Assets							
Cash							
Unrestricted	\$ 4,697,947	\$ -	\$ 86,978	\$ -	\$ -	\$ -	\$ 4,784,925
Restricted	2,552,199	-	-	-	108,545	253,288	2,914,032
Receivables							
Accounts receivable	96,457	-	-	-	-	-	96,457
Due from other funds	1,295,841	-	126,069	42,544	-	-	1,464,454
State and Federal aid	1,630,224	1,243,127	226,342	-	301,245	-	3,400,938
Utility deposit	29,626	-	-	-	-	-	29,626
Inventories	-	-	35,002	-	-	-	35,002
Prepaid expenses	35,119	-	-	-	1,140	-	36,259
Total Assets	<u>\$ 10,337,413</u>	<u>\$ 1,243,127</u>	<u>\$ 474,391</u>	<u>\$ 42,544</u>	<u>\$ 410,930</u>	<u>\$ 253,288</u>	<u>\$ 12,761,693</u>
Liabilities							
Payables							
Accounts payable	\$ 158,807	\$ -	\$ -	\$ -	\$ 20,611	\$ -	\$ 179,418
Accrued liabilities	216,611	-	2,148	-	-	-	218,759
Unearned revenue	11,095	80,426	14,347	-	-	-	105,868
Due to other funds	-	1,162,701	-	-	301,753	-	1,464,454
Due to other governments	70,449	-	494	-	-	508	71,451
Due to teachers' retirement system	1,246,474	-	-	-	-	-	1,246,474
Due to employees' retirement system	127,583	-	-	-	-	-	127,583
Bond anticipation notes payable	-	-	-	-	9,623,800	-	9,623,800
Total Liabilities	<u>1,831,019</u>	<u>1,243,127</u>	<u>16,989</u>	<u>-</u>	<u>9,946,164</u>	<u>508</u>	<u>13,037,807</u>
Fund Balances							
Nonspendable	35,119	-	35,002	-	1,140	-	71,261
Restricted	2,552,199	-	-	42,544	-	252,780	2,847,523
Assigned	2,031,849	-	422,400	-	-	-	2,454,249
Unassigned	3,887,227	-	-	-	(9,536,374)	-	(5,649,147)
Total Fund Balances	<u>8,506,394</u>	<u>-</u>	<u>457,402</u>	<u>42,544</u>	<u>(9,535,234)</u>	<u>252,780</u>	<u>(276,114)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,337,413</u>	<u>\$ 1,243,127</u>	<u>\$ 474,391</u>	<u>\$ 42,544</u>	<u>\$ 410,930</u>	<u>\$ 253,288</u>	<u>\$ 12,761,693</u>

**South Jefferson Central School District
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended June 30, 2022**

	Total Governmental Funds	Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
Assets				
Unrestricted	\$ 4,784,925	\$ -	\$ -	\$ 4,784,925
Restricted	2,914,032	-	-	2,914,032
Accounts receivable	96,457	-	-	96,457
Due from other funds	1,464,454	-	(1,464,454)	-
State & federal aid receivable	3,400,938	-	-	3,400,938
Utility deposit	29,626	-	-	29,626
Prepaid expenses	36,259	-	-	36,259
Inventories	35,002	-	-	35,002
Right-to-use assets, net	-	897,500	-	897,500
Land, buildings and equipment (net)	-	53,684,125	-	53,684,125
Net pension asset - proportionate share	-	12,038,207	-	12,038,207
Total Assets	\$ 12,761,693	\$ 66,619,832	\$ (1,464,454)	\$ 77,917,071
Deferred outflows of resources				
Pensions	\$ -	\$ 9,609,126	\$ -	\$ 9,609,126
OPEB (GASB 75)	-	9,902,846	-	9,902,846
Total deferred outflows of resources	\$ -	\$ 19,511,972	\$ -	\$ 19,511,972
Liabilities				
Accounts payable	\$ 179,418	\$ -	\$ -	\$ 179,418
Accrued liabilities	218,759	83,175	-	301,934
Unearned revenue	105,868	-	-	105,868
Due to teachers' retirement system	1,246,474	-	-	1,246,474
Due to employees' retirement system	127,583	187,500	-	315,083
Due to other governments	71,451	-	-	71,451
Due to other funds	1,464,454	-	(1,464,454)	-
Bond anticipation notes payable	9,623,800	-	-	9,623,800
Compensated absences payable	-	202,921	-	202,921
Lease liabilities	-	576,226	-	576,226
Serial bonds payable	-	7,494,644	-	7,494,644
Net OPEB obligation	-	150,454,069	-	150,454,069
Total Liabilities	\$ 13,037,807	\$158,998,535	\$ (1,464,454)	\$170,571,888
Deferred inflows of resources				
Pensions	\$ -	\$ 15,665,335	\$ -	\$ 15,665,335
Total deferred inflows of resources	\$ -	\$ 15,665,335	\$ -	\$ 15,665,335
Fund Balance/Net Position				
Total Fund Balance/Net Position	(276,114)	(88,532,066)	-	(88,808,180)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ 12,761,693	\$ 86,131,804	\$ (1,464,454)	\$ 97,429,043

See notes to financial statements.

**South Jefferson Central School District
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2022**

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Miscellaneous Special Reveue	Total Governmental Funds
Revenues							
Real property taxes	\$ 7,288,252	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,288,252
Other tax items	998,455	-	-	-	-	-	998,455
Charges for services	182,491	-	-	-	-	-	182,491
Use of money and property	6,382	-	23	46	-	7	6,458
Sale of property and compensation for loss	27,765	-	-	-	-	-	27,765
Miscellaneous	235,151	7,305	-	-	-	315,549	558,005
State sources	26,425,218	393,852	18,235	-	101,188	-	26,938,493
Federal sources	36,543	3,650,754	1,062,956	-	-	-	4,750,253
Medicaid reimbursement	33,065	-	-	-	-	-	33,065
Surplus food	-	-	90,810	-	-	-	90,810
Sales - school lunch	-	-	75,078	-	-	-	75,078
Total Revenues	35,233,322	4,051,911	1,247,102	46	101,188	315,556	40,949,125
Expenditures							
General support	3,244,851	-	470,845	-	-	290,008	4,005,704
Instruction	13,946,137	3,228,653	-	-	-	-	17,174,790
Pupil transportation	1,781,500	26,985	-	-	-	-	1,808,485
Employee benefits	9,167,885	822,423	31,632	-	-	-	10,021,940
Debt service							
Principal	1,902,069	-	-	3,105,000	-	-	5,007,069
Interest	110,312	-	-	259,186	-	-	369,498
Cost of sales	-	-	489,085	-	-	-	489,085
Capital outlay	-	-	-	-	1,215,231	-	1,215,231
Total Expenditures	30,152,754	4,078,061	991,562	3,364,186	1,215,231	290,008	40,091,802
Excess (Deficiency) of Revenues Over Expenditures	5,080,568	(26,150)	255,540	(3,364,140)	(1,114,043)	25,548	857,323
Other Financing Sources and Uses							
Operating transfers in	72,308	26,150	32,100	3,364,187	100,000	-	3,594,745
Operating transfers (out)	(3,522,437)	-	-	(72,308)	-	-	(3,594,745)
Lease proceeds	461,354	-	-	-	-	-	461,354
Proceeds of debt	-	-	-	5,170,000	1,636,295	-	6,806,295
Premium on bonds	-	-	-	258,370	-	-	258,370
Bond issuance fees	-	-	-	(82,678)	-	-	(82,678)
Payment to escrow agent	-	-	-	(5,340,929)	-	-	(5,340,929)
Total Other Sources (Uses)	(2,988,775)	26,150	32,100	3,296,642	1,736,295	-	2,102,412
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	2,091,793	-	287,640	(67,498)	622,252	25,548	2,959,735
Fund Balances - Beginning of year	6,414,601	-	169,762	110,042	(10,157,486)	227,232	(3,235,849)
Fund Balances - End of year	\$ 8,506,394	\$ -	\$ 457,402	\$ 42,544	\$ (9,535,234)	\$ 252,780	\$ (276,114)

See notes to financial statements.

**South Jefferson Central School District
Reconciliation of Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2022**

Net Change in Fund Balances - Total Governmental Funds		\$ 2,959,735
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period, net of related losses on disposal of capital assets.</p>		
	Capital outlays	\$ 1,227,005
	Depreciation expense	<u>(3,542,701)</u> (2,315,696)
<p>Governmental funds report right-to-use assets as expenditures. However, in the Statement of Activities right-to-use assets are capitalized and the cost is allocated over the lease term.</p>		
	Right-to-use assets additions	471,637
	Amortization expense	<u>(219,448)</u> 252,189
<p>Repayment of debt and lease principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period.</p>		
		10,607,929
<p>Proceeds of debt and leases are recorded as an other financing source for governmental funds, but is not recorded in the Statement of Activities.</p>		
		(7,526,019)
<p>(Increases) decreases in accrued compensated absences reported in the statement of activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds.</p>		
		(22,091)
<p>On the Statement of Activities, the actual and projected long term expenditures for post employment benefits are reported, whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.</p>		
		(45,857,749)
<p>(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds.</p>		
	Teachers' Retirement System	445,966
	Employees' Retirement System	<u>1,778,080</u> 2,224,046
<p>Accrued interest expense is recorded in the Statement of Activities but not in the governmental funds. The increase in accrued interest is reported in expense.</p>		
		<u>(37,846)</u>
Change in net position of governmental activities		<u>\$ (39,715,502)</u>

**South Jefferson Central School District
Statement of Fiduciary Net Position
For the Year Ended June 30, 2022**

	Other Employee Benefit Trust Fund
Assets	
Cash and cash equivalents	\$ 5,256,785
Accounts receivable	<u>6,910</u>
Total assets	5,263,695
Liabilities	
Accounts payable	<u>148,218</u>
Net Position	
Restricted for employee and retiree health benefits	<u><u>\$ 5,115,477</u></u>

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022**

	Other Employee Benefit Trust Fund
Additions	
Contributions	
Employer	\$ 6,806,632
Members	<u>557,400</u>
Total contributions	7,364,032
Interest income	3,492
Prescription drug rebates	<u>1,233,986</u>
Total additions	<u>8,601,510</u>
Deductions	
Benefits	6,190,079
Stop loss insurance	201,972
Administrative	<u>348,250</u>
Total deductions	<u>6,740,301</u>
Net increase in fiduciary net position	1,861,209
Net Position - Beginning of year	<u>3,254,268</u>
Net Position - End of Year	<u><u>\$ 5,115,477</u></u>

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

1 – Summary of accounting policies

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

A) Reporting entity:

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

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

The accompanying financial statements present the activities of the District and its component unit and other organizational entities determined to be included 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

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

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 at the District's business office. The district accounts for assets held as an agent for various student organizations in a miscellaneous special revenue fund.

ii) Other Employee Benefit Trust Fund

South Jefferson Central School District Health Plan Trust provides health, dental, and accident benefits to employees and retirees of the District. The Board of Education exercises general oversight of the trust. The trust is organized as a separate entity from the District. The District accounts for the trust activities in a fiduciary fund.

B) Joint venture:

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

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

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

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

During the year, the District was billed \$3,032,175 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$1,551,066.

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

C) Basis of presentation:

i) District-wide statements:

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

The Statement of Activities presents a comparison between direct 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. 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.

ii) Funds statements:

The fund statements provide information about the District's funds, including each type of fiduciary fund. 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:

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

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

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

Special Aid Fund: Used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State or Local grants.

School Food Service: Use to account for transactions of the lunch and breakfast programs.

Miscellaneous Special Revenue Fund: This fund is used to account for transactions of activities for which the District has administrative control, but the activities are not part of the District's operations. Included in this fund are the extraclassroom activity funds and scholarship funds.

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

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

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

The District reports the following fiduciary funds:

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

There is one class of fiduciary fund:

Other Employee Benefit Trust Fund: South Jefferson Central School District Health Plan Trust provides health, dental, and accident benefits to enrolled individuals.

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. Non-exchange 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 governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year as it matches the liquidation of related obligations.

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pensions, and other post-employment benefits 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 Counties in which the District is located. The Counties pay an amount representing uncollected real property taxes transmitted to the counties 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) Inter-fund transactions:

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

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

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

The governmental funds report all inter-fund transactions as originally recorded. Inter-fund 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 10 for a detailed disclosure by individual fund for inter-fund 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, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures 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 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.

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

J) Accounts Receivable:

No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K) Inventories and prepaid items:

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

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

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of the 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 subsequent to June 30, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

conducted by independent third-party professionals were used. 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>
Buildings	\$ 50,000	Straight line	50 years
Land improvements	\$ 25,000	Straight line	20 years
Furniture, vehicles & equipment	\$ 5,000	Straight line	5 to 20 years

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. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has 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 item is the District's 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 Statements of Net Position. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

measurements periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

O) Pension Obligations

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS) (the Systems).

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 Statute. The New York State TRS issued a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

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

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier IV 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 System's 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.

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

	<u>ERS</u>	<u>TRS</u>
2021-2022	\$ 660,740	\$ 1,152,125
2020-2021	\$ 633,626	\$ 1,072,958
2019-2020	\$ 528,027	\$ 1,263,133

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year. ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

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

At June 30, 2022, 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

South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022

asset/(liability) was measured as of March 31, 2022 for ERS and June 30, 2021 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2021	June 30, 2020
Net pension asset/(liability)	\$ 986,885	\$ 11,051,322
District's portion of the Plan's total net pension asset/(liability)	0.0120726%	0.0637730%

For the year ended June 30, 2022, the District recognized its proportionate share of pension expense of \$44,635 for ERS and the actuarial value \$1,031,565 for TRS. At June 30, 2022 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Difference between expected and actual experience	\$ 74,738	\$ 1,523,307	\$ 96,940	\$ 57,416
Changes of assumptions	1,647,001	3,635,011	27,791	643,707
Net difference between projected and actual earnings on pension plan investments	-	-	3,231,635	11,566,352
Changes in proportion and differences between the District's contributions and proportionate share of contributions	68,827	191,140	41,494	-
District's contributions subsequent to the measurement date	127,583	2,341,519	-	-
Total	<u>\$ 1,918,149</u>	<u>\$ 7,690,977</u>	<u>\$ 3,397,860</u>	<u>\$ 12,267,475</u>

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2023 for ERS and June 30, 2022 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Notes to Financial Statements
For the Year Ended June 30, 2022**

	<u>NYSERS</u>	<u>NYSTRS</u>
Year ended:		
2022	\$ -	\$ -
2023	(231,146)	(1,370,159)
2024	(347,631)	(1,633,762)
2025	(843,852)	(2,084,241)
2026	(184,667)	(2,760,630)
2027	-	547,884
Thereafter	-	382,892

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2022	June 30, 2021
Actuarial valuation date	April 1, 2021	June 30, 2020
Interest rate	5.90%	6.95%
Salary scale	4.40%	Differ based on service
Decrement tables	April 1, 2015- March 31, 2020	July 1, 2015 - June 30, 2020
	System's Experience	System's Experience
Inflation rate	2.70%	2.40%
Projected cost of living adjustments	1.40%	1.30%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2020. For TRS, annuitant mortality rates are based on July 1, 2015 – June 30, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2020.

For ERS, the actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

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The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

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

<u>ERS</u>	<u>Target Allocation</u>	<u>Long-term expected Real rate of return*</u>
Asset class:		
Domestic equities	32%	3.30%
International equities	15%	5.85%
Private equities	10%	6.50%
Real estate equities	9%	5.00%
Opportunistic/ARS portfolio	3%	4.10%
Real assets	3%	5.58%
Fixed income	23%	0.00%
Cash	1%	-1.00%
Credit	<u>4%</u>	3.78%
Total	<u>100%</u>	

*Real rates of return are net of the long-term inflation assumption of 2.5%.

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Notes to Financial Statements
For the Year Ended June 30, 2022**

<u>TRS</u>	<u>Target Allocation</u>	<u>Long-term expected Real rate of return*</u>
Asset class:		
Domestic equities	33%	6.80%
International equities	16%	7.60%
Global equities	4%	7.10%
Private equities	8%	10.00%
Real estate equities	11%	6.50%
Domestic fixed income securities	16%	1.30%
Global bonds	2%	0.80%
Private debt	1%	5.90%
Real estate debt	7%	3.30%
Cash equivalents	1%	-0.20%
High-yield bonds	<u>1%</u>	3.80%
Total	<u>100%</u>	

*Real rates of return are net of the long-term inflation assumption of 2.4%.

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 5.9% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

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

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2022 calculated using the discount rate of 5.9% for ERS and 6.95% 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

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

point lower (4.9% for ERS and 5.95% for TRS) or 1 percentage point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

	Decrease	Assumption	Increase
<u>ERS</u>	<u>(4.9%)</u>	<u>(5.9%)</u>	<u>(6.9%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ 2,540,231	\$ 986,885	\$ 3,937,148
	1%	Current	1%
<u>TRS</u>	<u>(5.95%)</u>	<u>(6.95%)</u>	<u>(7.95%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ 1,159,675	\$ 11,051,322	\$ 19,364,533

Changes of Assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits.

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends March 31st. Accrued retirement contributions as of June 30, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$127,583.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the System in September, October and November 2022 through a state aid intercept. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 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, 2022 amounted to \$1,246,474.

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

P) Unearned Credits

The District reports unearned credits on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned credits arise 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 credits is removed and revenue is recognized.

Q) Vested employee benefits:

Compensated absences

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

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 rated in effect at year-end.

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

R) Other benefits:

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

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

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

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

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

S) Short-term debt:

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

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. Such notes may be classified as part of the General Long-Term Debt Account Group when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance-sheet issuance of long-term debt or by an acceptable financing agreement. State Law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

T) Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments,

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

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

U) Equity classifications:

District-wide statements:

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

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

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

Unrestricted net position – reports the balance of net position that does not meet the definition of the above two classifications and 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:

Non-spendable – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes inventory recorded in the School Food Service Fund of \$35,002 and \$35,119 and \$1,140 in prepaid expense in the General Fund and Capital Fund, respectively.

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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. The District has established the following restricted fund balances:

Unemployment Insurance Payment Reserve Fund

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

Liability Claims and Property Loss Reserve Funds

According to Education Law §1709(8), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts with a population under 125,000. This reserve is accounted for in the General Fund.

Retirement Contributions Reserve Fund

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

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Capital Reserve Fund

According to Education Law §3651, expenditures made from the capital reserve fund must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditures 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.

Encumbrances

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

Workers' Compensation Reserve Fund

According to General Municipal Law §6-j, all expenditures made from the worker's compensation reserve fund 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.

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

Restricted fund balance includes the following:

General Fund:	
Unemployment insurance	\$ 70,238
Workers' compensation	300,311
Property loss	7,059
Liability	23,504
Retirement contributions	1,151,087
Capital reserve	1,000,000
Miscellaneous Special Revenue Fund	252,780
Debt Service Fund	<u>42,544</u>
	<u>\$ 2,847,523</u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision-making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2022.

Assigned – Includes amounts that are constrained by the District’s intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund. Assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$131,849. Appropriated fund balance in the General Fund amounted to \$1,900,000. Any remaining fund balance in other funds is considered assigned. The school food service fund also reports assigned fund balance of \$422,400. As of June 30, 2022, the District’s General Fund encumbrances were classified as follows:

General support	\$ 87,148
Instruction	<u>44,701</u>
Total	<u>\$ 131,849</u>

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. 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.

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

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

Net Position/Fund Balance

Net Position Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for expenditures incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order: committed, assigned, and unassigned.

V) Implementation of New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2022, the District implemented the following new standards issued by GASB.

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

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

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

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates* (paragraphs 11b, 13 and 14), effective for the year ending June 30, 2022.

GASB has issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an Amendment of GASB Statements No. 14 and 84, and a Supersession of GASB Statement No. 32, effective for the year ending June 30, 2022 (the requirements in paragraph 4, as they apply to defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans, and paragraph 5 were effective as of June 2020).

2 – Explanation of certain differences between fund statements and District-wide statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund’s 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.

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

Total fund balances of the District’s governmental funds differ from the “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 Sheet, as applied to the reporting of capital assets and long-term liabilities, including pensions and other post-employment benefits.

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

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

i) Long-term revenue and expense differences:

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

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

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.

3 - Stewardship, compliance and accountability

Budgets

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

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

Appropriations are adopted at the program line-item level.

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

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 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. The following supplemental appropriations occurred during the year:

Additional revenue designated for specific uses totaling \$75,800.

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

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2022.

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

Encumbrances 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.

The Capital Projects Fund has a deficit fund balance of \$9,535,234. This will be funded when the District obtains permanent financing for its current construction project and receives transportation aid for purchased buses.

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

4 – Cash (and cash equivalents) – custodial credit, concentration of credits, interest rate, and foreign currency risks

Cash

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

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District’s name	\$5,101,960
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Restricted cash and investments represent cash 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 \$2,552,199 restricted for various fund balance reserves in the general fund, \$108,545 restricted for the voter approved capital project in the capital projects fund, \$253,288 restricted for extraclassroom and scholarships in the miscellaneous revenue fund and \$5,256,785 restricted for other employee benefits trust in the fiduciary fund.

Deposits

Deposits are valued at cost- or cost-plus interest and are categorized as either (1) insured, or for which the securities are held by the District’s agent in the District’s name, (2) collateralized, and for which the securities are held by the pledging financial institution’s trust department or agent in the District’s name, or (3) uncollateralized. At June 30, 2022 all deposits were fully insured or collateralized.

Investment and Deposit Policy

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

Interest Rate Risk

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

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

Credit Risk

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

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

Custodial Credit Risk

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

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

Investment Pool

The District participates in the Cooperative Liquid Assets Security System – New York (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

Total investments of the cooperative at June 30, 2022 are \$4,221,756,185, which consisted of \$1,151,932,926 in repurchase agreements, \$2,228,081,678 in U.S. Treasury Securities, and \$841,741,581 in collateralized bank deposits, with various interest rate and due dates.

The amount of \$6,286,895 on deposit with NYCLASS is included as cash in the financial statements.

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

The above amounts represent the fair value of the investment pool shares. The Lead Participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

The following amounts are included as unrestricted and restricted cash:

<u>Fund</u>	<u>Balance</u>
General	\$ 2,088,647
Capital Projects	\$ 8,350
Fiduciary	\$ 4,189,898

5 – Receivables

Receivables at year-end for individual major funds and non-major funds, including the applicable allowances for uncollected accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>				<u>Total</u>
	<u>General</u>	<u>Special Aid</u>	School Food <u>Service</u>	<u>Capital Projects</u>	
Accounts receivable	\$ 96,457	\$ -	\$ -	\$ -	\$ 96,457
State and federal aid	<u>1,630,224</u>	<u>1,243,127</u>	<u>226,342</u>	<u>301,245</u>	<u>3,400,938</u>
	<u>\$ 1,726,681</u>	<u>\$ 1,243,127</u>	<u>\$ 226,342</u>	<u>\$ 301,245</u>	<u>\$ 3,497,395</u>

District management has deemed the amounts to be fully collectible.

6 – Capital assets

Capital asset balances and activity for the year ended June 30, 2022 were as follows:

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

	Beginning <u>Balance</u> (Restated)	Additions/ <u>Adjustments</u>	Retirements/ <u>Reclassifications</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 345,900	\$ -	\$ -	\$ 345,900
Construction in progress	<u>8,352,956</u>	<u>348,774</u>	<u>(8,701,730)</u>	<u>-</u>
Total nondepreciable assets	<u>8,698,856</u>	<u>348,774</u>	<u>(8,701,730)</u>	<u>345,900</u>
Capital assets that are depreciated:				
Buildings	73,581,838	8,701,730	-	82,283,568
Furniture, vehicles and equipment	<u>9,579,247</u>	<u>878,231</u>	<u>(521,234)</u>	<u>9,936,244</u>
Total depreciable assets	<u>83,161,085</u>	<u>9,579,961</u>	<u>(521,234)</u>	<u>92,219,812</u>
Less accumulated depreciation:				
Buildings	31,078,167	2,633,598	-	33,711,765
Furniture, vehicles and equipment	<u>4,781,953</u>	<u>909,103</u>	<u>(521,234)</u>	<u>5,169,822</u>
Total accumulated depreciation	<u>35,860,120</u>	<u>3,542,701</u>	<u>(521,234)</u>	<u>38,881,587</u>
Total depreciated assets, net	<u>47,300,965</u>	<u>6,037,260</u>	<u>-</u>	<u>53,338,225</u>
Capital assets, net	<u>\$ 55,999,821</u>	<u>\$ 6,386,034</u>	<u>\$ (8,701,730)</u>	<u>\$ 53,684,125</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 317,595
Instruction	2,423,056
Pupil transportation	761,045
School food service	<u>41,005</u>
	<u>\$ 3,542,701</u>

7 – Right-to-use assets

The District is in possession of assets for which it paid for the right to use the assets over a period of time. The present value of the lease is amortized over the term of the lease using the straight-line method. The right-to-use asset, net is computed as follows:

Right-to-use assets, cost	\$ 1,490,763
Less amortization	<u>593,263</u>
Right-to-use assets, net	<u>\$ 897,500</u>

Payments for the right-to-use assets are payable over the term of the leases. The amount payable is recorded as a liability. Lease liability at June 30, 2022 was \$576,226. Principal payments are due as follows:

2023	\$ 219,936
2024	129,581
2025	133,782
2026	92,927

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

8 – Short-term debt

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

	Beginning <u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	Ending <u>Balance</u>
BAN maturing 2/11/2022 at .75%	\$ 2,229,095	\$ -	\$ 2,229,095	\$ -
BAN maturing 2/10/2023 at .79%	-	2,308,800	-	2,308,800
BAN maturing 6/29/2022 at 1.00%	8,255,000	-	8,255,000	-
BAN maturing 6/28/2023 at 2.85%	-	7,315,000	-	7,315,000
	<u>\$ 10,484,095</u>	<u>\$ 9,623,800</u>	<u>\$ 10,484,095</u>	<u>\$ 9,623,800</u>

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

Interest paid	\$ 99,268
Less interest accrued in the prior year	(6,593)
Plus interest accrued in the current year	<u>8,138</u>
Total expense	<u>\$ 100,813</u>

9 – Long-term obligations

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

Serial Bonds

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

South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022

Noncurrent liability balances and activity are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts due within one year</u>
Government activities:					
Bonds and notes payable:					
Serial bonds at 3% - 5%, Issued February 16, 2012					
Final payment due 4/15/2032	\$ 3,045,000	\$ -	\$ 3,045,000	\$ -	\$ -
Serial bonds at 1% - 3% Issued June 19, 2014					
Final payment due 6/15/2025	4,695,000	-	4,695,000	-	-
Serial bonds at 1% - 2.25%, Issued June 18, 2015					
Final payment due 6/15/2025	1,950,000	-	470,000	1,480,000	480,000
Serial bonds at 4%, Issued March 21, 2022					
Final payment due 4/15/2032	-	5,170,000	60,000	5,110,000	2,530,000
Serial bonds at 2% - 2.25%, Issued July 28, 2016					
Final payment due 6/15/2031	<u>990,000</u>	<u>-</u>	<u>90,000</u>	<u>900,000</u>	<u>90,000</u>
Total bonds payable	<u>\$ 10,680,000</u>	<u>\$ 5,170,000</u>	<u>\$ 8,360,000</u>	<u>\$ 7,490,000</u>	<u>\$ 3,100,000</u>
Other liabilities					
Lease liabilities	\$ 380,646	\$ 461,353	\$ 265,773	\$ 576,226	\$ 219,936
Compensated absences payable	180,830	22,091	-	202,921	-
Other postemployment benefits payable	136,893,076	13,560,993	-	150,454,069	-
Net pension liability - proportionate share	1,867,559	-	1,867,559	-	-
Due to retirement systems	<u>279,634</u>	<u>-</u>	<u>92,134</u>	<u>187,500</u>	<u>80,582</u>
Total other long-term liabilities	<u>139,601,745</u>	<u>14,044,437</u>	<u>2,225,466</u>	<u>151,420,716</u>	<u>300,518</u>
	<u>\$ 150,281,745</u>	<u>\$ 19,214,437</u>	<u>\$ 10,585,466</u>	<u>\$ 158,910,716</u>	<u>\$ 3,400,518</u>

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

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

The following is a summary of debt service requirements for bonds payable:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30,			
2023	\$ 3,100,000	\$ 254,694	\$ 3,354,694
2024	1,760,000	142,094	1,902,094
2025	1,825,000	82,875	1,907,875
2026	120,000	20,613	140,613
2027	125,000	17,712	142,712
5 subsequent years	<u>560,000</u>	<u>41,187</u>	<u>601,187</u>
Totals	<u>\$ 7,490,000</u>	<u>\$ 559,175</u>	<u>\$ 8,049,175</u>

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

Interest paid	\$ 259,187
Less interest accrued in the prior year	(38,736)
Amortization of bond premium/deferred charges on refunding	(119)
Plus interest accrued in the current year	<u>75,037</u>
Total expense	<u>\$ 295,369</u>

Defeased Debt

On April 15, 2022, the School District issued \$5,170,000 in general obligation bonds with an interest rate of 4.0% to advance refund \$5,255,000 of outstanding serial bonds issued in 2012 and 2014 with an average interest rate of 1.0% to 5.0%. The District received a premium of \$258,370 when the bonds were issued. The net proceeds of \$5,345,692 (after payment of \$82,678 in underwriting fees, insurance, and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, a portion of the 2012 and 2014 serial bonds are considered to be defeased, and the liability for those bonds has been removed from the School District's financial statements. At June 30, 2022, the balance of the advance refunded bonds was \$5,255,000. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$80,781. The aggregate budgetary savings will be \$90,338.

The deferred gain on the advance refunding of the 2012 and 2014 Series Bonds will be amortized on the district-wide financial statements using the straight-line method over ten years, the remaining time to maturity of the refunded bonds. Amortization in the amount of \$2,258 was recorded for the year ending June 30, 2022.

10 – Interfund transactions – governmental funds

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

10 – Interfund transactions – governmental funds

	Interfund			
	<u>Receivable</u>	<u>Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 1,295,841	\$ -	\$ 72,308	\$ 3,522,437
Special Aid	-	1,162,701	26,150	-
School Food Service	126,069	-	32,100	-
Debt Service	42,544	-	3,364,187	72,308
Capital Projects	-	301,753	100,000	-
Total Governmental Funds	<u>\$ 1,464,454</u>	<u>\$ 1,464,454</u>	<u>\$ 3,594,745</u>	<u>\$ 3,594,745</u>

The District typically transfers from the General Fund to the Special Aid Fund, to cover the local share of programs and from the General Fund to the Debt Service Fund to pay long term debt payments.

The District made a one-time transfer of \$32,100 from the General Fund to the School Food Service Fund. This amount was to fund an anticipated deficit.

The District also made a transfer from the General Fund to the Capital Fund to finance a \$100,000 capital project.

11 – Postemployment Benefits Obligation Payable

Plan Description

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

Funding Policy

The obligations of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements.

South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022

Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 10 years of service to qualify for other post-employment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2022 approximately \$3,281,407 was paid on behalf of 215 retirees.

Benefits Provided

The District provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses. The benefit terms are dependent on which contract each employee falls under, retirees and their spouses receive benefits for the lifetime of the retired employee. 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, 2022, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	215
Active plan members	<u>250</u>
Total plan members	<u><u>465</u></u>

Net OPEB Liability

The District’s total OPEB liability of \$150,454,069 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability at June 30, 2022 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

Inflation	2.25% (Based on CPI)
Salary Increases	3.0%
Discount Rate	2.09% (Average of Bond-Buyer - 20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, and Fidelity GA AA 20 years)
Healthcare Cost Trend Rates	7.00%, decreasing to an ultimate rate of 4.50% for 2031 and later.
Retirees' Share of Benefit-Related Costs	0% to 100% of projected health insurance premiums for retirees.

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

Retirement participation rate assumed that 85% of eligible Teachers and Instructional Administrators and 75% of participants other than Teachers and Instructional Administrators will elect medical coverage at retirement age, and 48% of active member’s spouses will elect medical coverage. Additionally, a tiered approach based on age and years of service was used to determine retirement rate assumption.

Termination rates are based on tables used by the New York State Teachers’ Retirement System and the New York State and Local Retirement System for female employees. Rates are tiered based on the percentage of employees who will terminate employment at any given age each year, for reasons other than death or retirement.

The discount rate is based on an average of three 20-year bond indices as of June 30, 2021.

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

Changes in the Total OPEB Liability

Changes in the District's net OPEB liability were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)
Balance at June 30, 2021	<u>\$136,893,076</u>	<u>\$ -</u>	<u>\$136,893,076</u>
Changes for the year:			
Service cost	3,786,581	-	3,786,581
Interest	2,830,148	-	2,830,148
Contributions - employer		2,958,582	(2,958,582)
Changes of assumptions or other inputs	9,902,846	-	9,902,846
Benefit payments	<u>(2,958,582)</u>	<u>(2,958,582)</u>	<u>-</u>
Net changes	<u>13,560,993</u>	<u>-</u>	<u>13,560,993</u>
Balance at June 30, 2022	<u>\$150,454,069</u>	<u>\$ -</u>	<u>\$150,454,069</u>

Changes of benefit terms reflect changes in assumptions and other inputs including a change in the discount rate from 2.44% in 2021 to a 2.09% in 2022.

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

The following presents the District's 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 (1.09%) or 1 percentage point higher (3.09%) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	<u>\$ 184,412,170</u>	<u>\$ 150,454,069</u>	<u>\$ 124,526,634</u>

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare costs trend rates that are 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current healthcare cost trend rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	<u>\$ 120,551,887</u>	<u>\$ 150,454,069</u>	<u>\$ 191,059,260</u>

South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$45,857,749. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	9,902,846	-
Contributions subsequent to the measurement period	-	-
Total	<u>\$ 9,902,846</u>	<u>\$ -</u>

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

For the year ended:

2023	\$ 1,491,392
2024	1,491,392
2025	1,491,392
2026	1,491,392
2027	1,491,392
Thereafter	2,445,886

12 – Risk Management

General

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

Consortiums and Self-Insured Plans

The District participates in South Jefferson Central School District Health Plan Trust for its employee health, dental and accident insurance coverage. The trust is operated for the benefit of the District and is considered a self-sustaining risk pool that will provide coverage for its members up to \$170,000 per insured event. The pool obtains independent coverage for insured

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

events in excess of the \$170,000 limit, and the District has essentially transferred all related risk to the trust.

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

13 – Commitments and contingencies

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

14 – Tax abatements

The County of Jefferson entered into a property tax abatement program for the purpose of economic development. The School District property tax revenue was reduced by \$305,271. The District received Payment in Lieu of Tax (PILOT) payment totaling \$44,766.

15 – Adoption of New Pronouncements and Restatement of Prior Period Net Position

During the year ended June 30, 2022, the district adopted GASB No. 87, *Leases*. Lease assets and lease liabilities are recorded and resulted in a restatement of net position at June 30, 2021 as follows:

Right-to-use assets	\$ 1,019,126
Accumulated amortization	(373,815)
Lease liability	<u>(380,646)</u>
	<u>\$ 264,665</u>

During the year the District conducted an inventory of its capital assets. The result of the inventory was an increase in the recorded capital assets. As a result, the beginning balance of net position has been adjusted.

**South Jefferson Central School District
Notes to Financial Statements
For the Year Ended June 30, 2022**

Increase in recorded capital assets	\$ 8,626,825
Decrease in accumulated depreciation	<u>1,251,012</u>
	<u>\$ 9,877,837</u>
June 30, 2021 net position before adjustment	\$ (59,235,180)
GASB 87 adjustment	264,665
Capital assets adjustment	<u>9,877,837</u>
June 30, 2021 restated	<u>\$ (49,092,678)</u>

16 – Departure from GAAP

The District reports its fiduciary fund statements on the cash basis of accounting. This basis of accounting records revenue and expenses when the related cash transaction takes place, rather than when revenue is earned and expenses incurred as required by accounting principles generally accepted in the United States of America.

17 – Subsequent Events

Management has evaluated subsequent events through October 24, 2022, the date on which the financial statements were available to be issued.

South Jefferson Central School District
 Required Supplementary Information
 Schedule of Funding Progress
 Other Post Employment Benefits Plan
 June 30, 2022

SS #1

Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability					
Service cost	\$ 3,786,581	\$ 3,251,977	\$ 2,616,568	\$ 2,372,352	\$ 2,763,397
Interest	2,830,148	2,210,543	2,523,909	2,794,911	2,455,885
Differences between expected and actual experience in the measurement of the total OPEB liability	-	-	-	3,477,603	-
Changes of assumptions or other inputs	9,902,846	42,199,602	7,724,476	(1,984,525)	(8,180,446)
Benefit payments	<u>(2,958,582)</u>	<u>(2,730,170)</u>	<u>(2,566,213)</u>	<u>(2,268,700)</u>	<u>(2,220,712)</u>
Net change in total OPEB liability	13,560,993	44,931,952	10,298,740	4,391,641	(5,181,876)
Total OPEB liability - beginning	<u>136,893,076</u>	<u>91,961,124</u>	<u>81,662,384</u>	<u>77,270,743</u>	<u>82,452,619</u>
Total OPEB liability - ending	<u>\$150,454,069</u>	<u>\$136,893,076</u>	<u>\$ 91,961,124</u>	<u>\$ 81,662,384</u>	<u>\$ 77,270,743</u>
Covered payroll	<u>\$ 12,504,448</u>	<u>\$ 12,504,448</u>	<u>\$ 15,859,062</u>	<u>\$ 15,859,062</u>	<u>\$ 15,490,742</u>
Total OPEB liability as a percentage of covered payro	1203.20%	1094.76%	579.86%	514.93%	498.82%

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

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

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

South Jefferson Central School District
 Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget And Actual - General Fund
 For the Year Ended June 30, 2022

SS #2

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
Revenues				
Local Sources				
Real property taxes	\$ 8,225,440	\$ 8,225,440	\$ 7,288,252	\$ (937,188)
Other tax items	53,500	53,500	998,455	944,955
Charges for services	29,000	104,800	182,491	77,691
Use of money and property	2,500	2,500	6,382	3,882
Sale of property and compensation for loss	-	-	27,765	27,765
Miscellaneous	161,500	161,500	235,151	73,651
Total Local Sources	8,471,940	8,547,740	8,738,496	190,756
State sources	26,658,398	26,658,398	26,458,283	(200,115)
Federal sources	-	-	36,543	36,543
Total Revenues	<u>35,130,338</u>	<u>35,206,138</u>	<u>35,233,322</u>	<u>27,184</u>
Other Financing Sources				
Transfers from other funds	-	-	72,308	72,308
Lease proceeds	-	-	461,354	461,354
Total revenues and other sources	<u>\$ 35,130,338</u>	<u>\$ 35,206,138</u>	<u>\$ 35,766,984</u>	<u>\$ 560,846</u>
Appropriated Fund Balance				
Prior year's surplus				
Appropriated reserves	2,111,228	2,111,228		
Prior year's encumbrances	71,960	71,960		
Total Appropriated Fund Balance	<u>2,183,188</u>	<u>2,183,188</u>		
Total Revenues, Other Sources and Appropriated Fund Balance	<u>\$ 37,313,526</u>	<u>\$ 37,389,326</u>		

Budget basis of accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

South Jefferson Central School District
 Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual - General Fund
 For the Year Ended June 30, 2022

Expenditures	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With	
				Year-end Encumbrances	Budgeting Actual and Encumbrances
General Support					
Board of education	\$ 40,867	\$ 46,656	\$ 31,046	\$ -	\$ 15,610
Central administration	207,891	202,102	200,740	-	1,362
Finance	423,910	424,971	392,409	-	32,562
Staff	71,294	72,245	54,384	-	17,861
Central services	2,461,991	2,470,411	2,056,441	87,148	326,822
Special items	544,867	539,620	509,831	-	29,789
Total General Support	<u>3,750,820</u>	<u>3,756,005</u>	<u>3,244,851</u>	<u>87,148</u>	<u>424,006</u>
Instruction					
Instruction, administration and improvement	893,789	968,559	470,236	1,000	497,323
Teaching - regular school	9,158,518	9,099,212	8,801,238	7,047	290,927
Programs for children with handicapping conditic	2,927,964	2,878,464	2,557,505	-	320,959
Occupational education	969,628	969,628	964,755	-	4,873
Teaching - special school	13,677	61,559	57,662	-	3,897
Instructional media	422,566	424,566	401,883	4,879	17,804
Pupil services	1,445,660	1,445,660	692,858	31,775	721,027
Total Instruction	<u>15,831,802</u>	<u>15,847,648</u>	<u>13,946,137</u>	<u>44,701</u>	<u>1,856,810</u>
Pupil Transportation	2,188,440	2,236,688	1,781,500	-	455,188
Employee Benefits	10,608,280	10,255,014	9,167,885	-	1,087,129
Debt Service	1,387,777	1,747,564	2,012,381	-	(264,817)
Total Expenditures	<u>33,767,119</u>	<u>33,842,919</u>	<u>30,152,754</u>	<u>131,849</u>	<u>3,558,316</u>
Other Financing Uses					
Transfers to other funds	3,546,407	3,546,407	3,522,437	-	23,970
Total Expenditures and Other Uses	<u>\$ 37,313,526</u>	<u>\$ 37,389,326</u>	<u>\$ 33,675,191</u>	<u>\$ 131,849</u>	<u>\$ 3,582,286</u>
Net change in fund balances			2,091,793		
Fund balance - beginning, restated			6,414,601		
Fund balance - ending			<u>\$ 8,506,394</u>		

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

**South Jefferson Central School District
 Required Supplementary Information
 Schedules of District Contributions
 NYSTRS Pension Plan
 Last 8 Fiscal Years
 For the Year Ended June 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,152,125	\$ 1,035,275	\$ 1,263,133	\$ 1,149,978	\$ 1,273,039	\$ 1,566,583	\$ 1,871,452	\$ 1,949,624
Contributions in Relation to the Contractually Required Contribut	<u>1,152,125</u>	<u>1,035,275</u>	<u>1,263,133</u>	<u>1,149,978</u>	<u>1,273,039</u>	<u>1,566,583</u>	<u>1,871,452</u>	<u>1,949,624</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 12,046,421	\$ 10,839,287	\$ 11,331,888	\$ 11,083,487	\$ 11,178,699	\$ 11,814,351	\$ 10,695,234	\$ 10,675,710
Contributions as a Percentage of Covered-Employee Payroll	9.56%	9.55%	11.15%	10.38%	11.39%	13.26%	17.50%	18.26%

**Schedules of District Contributions
 NYSERS Pension Plan
 Last 8 Fiscal Years
 For the Year Ended June 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 660,740	\$ 658,746	\$ 528,027	\$ 481,103	\$ 495,713	\$ 530,000	\$ 633,478	\$ 678,960
Contributions in Relation to the Contractually Required Contribut	<u>660,740</u>	<u>658,746</u>	<u>528,027</u>	<u>481,103</u>	<u>495,713</u>	<u>530,000</u>	<u>633,478</u>	<u>678,960</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 4,014,538	\$ 3,431,573	\$ 3,821,275	\$ 3,825,624	\$ 3,462,308	\$ 3,544,472	\$ 3,545,219	\$ 3,423,773
Contributions as a Percentage of Covered-Employee Payroll	16.46%	19.20%	13.82%	12.58%	14.32%	14.95%	17.87%	19.83%

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

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

South Jefferson Central School District
Required Supplementary Information
Schedules of District's Proportionate Share of the Net Pension Liability
NYSTRS Pension Plan
Last 8 Fiscal Years
For the Year Ended June 30, 2022

Supplemental Schedule #4

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
District's Proportion of the Net Pension Liability (Asset)	0.0637730%	0.067141%	0.067890%	0.068043%	0.068200%	0.069310%	0.071070%	0.071200%
District's Proportionate Share of the Net Pension Liability (Asset)	\$11,051,322	\$ 1,855,295	\$ (1,763,778)	\$ (1,230,402)	\$ (518,387)	\$ 742,339	\$ (7,381,930)	\$ (7,939,006)
District's Covered-Employee Payroll	\$12,046,421	\$ 10,839,287	\$ 11,331,888	\$11,083,487	\$11,178,699	\$ 11,814,351	\$ 10,695,234	\$ 10,675,710
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	91.74%	17.12%	15.56%	11.10%	4.63%	-6.28%	69.02%	73.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	113.20%	97.80%	102.20%	101.53%	-100.66%	99.01%	110.46%	93.00%

Schedules of District's Proportionate Share of the Net Pension Liability
NYSERS Pension Plan
Last 8 Fiscal Years
For the Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	<u>3/31/2022</u>	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0120726%	0.012317%	0.012278%	0.011556%	0.012105%	0.012409%	0.012886%	0.012362%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ (986,885)	\$ 12,264	\$ 3,251,372	\$ 818,763	\$ 390,690	\$ 1,165,951	\$ 2,068,243	\$ 417,600
District's Covered-Employee Payroll	\$ 4,014,538	\$ 3,431,573	\$ 3,821,275	\$ 3,825,624	\$ 3,462,308	\$ 3,544,472	\$ 3,545,219	\$ 3,423,773
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	24.58%	0.36%	85.09%	21.40%	11.28%	32.89%	58.34%	12.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	100.00%

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

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

**South Jefferson Central School District
 Schedule of Change from Adopted Budget to Final Budget
 And the Real Property Tax Limit - General Fund
 For the Year Ended June 30, 2022**

Supplemental Schedule #5

Change from Adopted Budget to Final Budget

Adopted Budget	\$ 37,241,566
Additions:	
Prior year's encumbrances	<u>71,960</u>
Original budget	37,313,526
Budget revisions:	
Summer recreation program	75,800
 Final budget	 <u><u>\$ 37,389,326</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2022-2023 subsequent year's voter-approved expenditure budget	
Maximum allowed (4% of 2022-2023 budget of \$39,083,979)	<u><u>\$ 1,563,359</u></u>

General Fund Balance Subject to Section 1318 of Real Property Tax Law:

Unrestricted fund balance:		
Assigned fund balance	2,031,849	
Unassigned fund balance	<u>3,887,227</u>	
Total unrestricted fund balance		<u><u>\$ 5,919,076</u></u>
Less:		
Appropriated fund balance	1,900,000	
Encumbrances included in assigned fund balance	<u>131,849</u>	
Total adjustments		<u><u>2,031,849</u></u>
 General Fund Balance Subject to Section 1318 of Real Property Tax Law		 <u><u>\$ 3,887,227</u></u>
 Actual percentage		 <u><u>9.95%</u></u>

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

**South Jefferson Central School District
 Schedule of Project Expenditures -
 Capital Projects Fund
 For the Year Ended June 30, 2022**

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2022	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Source	Local Sources		Total
Buses*	\$ 765,268	\$ 765,268	\$ -	\$ 765,268	\$ 765,268	\$ -	\$ 696,295	\$ -	\$ -	\$ 696,295	(2,202,154)
Districtwide Project	8,575,000	8,575,000	8,326,226	248,774	8,575,000	-	1,260,000	-	-	\$ 1,260,000	(7,315,000)
Smart Schools Bond Act	101,189	101,189	-	101,189	101,189	-	-	101,189	-	101,189	-
Electrical and fire system	100,000	100,000	-	100,000	100,000	-	-	-	100,000	100,000	-
Additions & Alterations - Clarke	<u>70,000</u>	<u>70,000</u>	<u>78,478</u>	<u>-</u>	<u>78,478</u>	<u>(8,478)</u>	<u>-</u>	<u>-</u>	<u>60,398</u>	<u>60,398</u>	<u>(18,080)</u>
	<u>\$ 9,611,457</u>	<u>\$ 9,611,457</u>	<u>\$ 8,404,704</u>	<u>\$ 1,215,231</u>	<u>\$ 9,619,935</u>	<u>\$ (8,478)</u>	<u>\$ 1,956,295</u>	<u>\$ 101,189</u>	<u>\$ 160,398</u>	<u>\$ 2,217,882</u>	<u>\$ (9,535,234)</u>

* Buses are financed by BANs when purchased.
 Only current year appropriations are listed.

**South Jefferson Central School District
Net Investment in Capital Assets
For the Year Ended June 30, 2022**

Supplemental Schedule #7

Capital assets, net		\$53,684,125
Deduct:		
Bond anticipation notes	\$ 9,623,800	
Short-term portion of bonds payable	3,100,476	
Long-term portion of bonds payable	<u>4,394,168</u>	
		<u>17,118,444</u>
Net Investment in capital assets		<u>\$36,565,681</u>

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

STACKEL & NAVARRA, C.P.A., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Robert F. Stackel, C.P.A.
Jacob Navarra, C.P.A.
Mark B. Hills, C.P.A.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Education
South Jefferson Central School District
Adams, 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 South Jefferson Central School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise South Jefferson Central School District's basic financial statements, and have issued our report thereon dated October 24, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Jefferson Central School District's internal control over financial reporting (internal control) as a basis for designing 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 South Jefferson Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Jefferson Central School District's internal control.

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

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

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Jefferson Central School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-1.

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.



Stackel & Navarra, C.P.A., P.C.
Watertown, NY
October 24, 2022

STACKEL & NAVARRA, C.P.A., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education
South Jefferson Central School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Jefferson Central School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Jefferson Central School District's major federal programs for the year ended June 30, 2022. South Jefferson Central School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Jefferson Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Jefferson Central School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of South Jefferson Central School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and the maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the South Jefferson Central School District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the South Jefferson Central School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the South Jefferson Central School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the South Jefferson Central School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the South Jefferson Central School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the South Jefferson Central School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Stackel & Navarra, CPA, PC

Watertown, NY
October 24, 2022

**South Jefferson School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

Federal/Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Agency or Pass-through Number	
U.S. Department of Education			
Passed-through NYS Education Department:			
Special Education Cluster:			
IDEA - Part B (Section 619)	84.173	0033220314	\$ 6,910
COVID 19- IDEA- Part B (Section 619)	84.173X		4,099
IDEA - Part B (Section 611)	84.027	0032220314	440,064
COVID 19 - IDEA - Part B (Section 611)	84.027X		<u>95,369</u>
Total Special Education Cluster			<u>546,442</u>
Education Stabilization Fund			
COVID 19 - Governors Emergency Education Relief Fund	84.425C	5896-21-1155	48,221
COVID 19 - Elementary and Secondary School Emergency Relief Fund	84.425D	5891-21-1155	885,930
COVID 19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP-ESSER)	84.425U	5883-21-1155	44,598
COVID 19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP-ESSER)	84.425U	5884-21-1155	29,649
COVID 19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP-ESSER)	84.425U	5884-21-1155	570,815
COVID 19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP-ESSER)	84.425U	5580-21-1155	1,030,870
COVID 19 - American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	5218-21-1155	<u>10,380</u>
Total Education Stabilization Fund			<u>2,620,463</u>
Title I - ESEA - Basic Grant	84.010	0021221155	393,367
Title IV Part A - Student Support & Academic Enrichment	84.424	0204221155	29,265
Title IIA - Supporting Effective Instruction	84.367	0147221155	<u>61,370</u>
Total U.S. Department of Education			<u>3,650,907</u>

See notes to Schedule of Expenditures of Federal Awards.

**South Jefferson School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

Federal/Grantor/Pass-Through Grantor/Program Title	<u>Assistance Listing Number</u>	<u>Agency or Pass-through Number</u>
U.S. Department of Agriculture		
Passed-through NYS Education Department:		
Child Nutrition Cluster:		
Non-cash assistance (food distribution)		
National School Lunch Program	10.555	<u>90,810</u>
Cash assistance		
National School Lunch Program	10.555	884,071
School Breakfast Program	10.553	154,845
COVID 19 - Pandemic EBT Admin, Costs	10.649	2,368
Summer Food Service Program for Children	10.559	20,787
After School Snack Program	10.555	<u>885</u>
Cash Assistance Subtotal		<u>1,062,956</u>
Total Child Nutrition Cluster		<u>1,153,766</u>
U.S. Department of Homeland Security		
Passed through NYS Division of Homeland Security		
FEMA Disaster Grants	97.036	<u>36,390</u>
Total Federal Awards Expended		<u>\$ 4,841,063</u>

See notes to Schedule of Expenditures of Federal Awards.

**South Jefferson School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

1 – Summary of certain significant accounting policies:

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

2 – Food distribution:

Nonmonetary assistance is recorded in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District has food commodities totaling \$18,112 in inventory.

3 – Subrecipients:

No amounts were provided to subrecipients.

4 – Other disclosures:

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

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

**South Jefferson Central School District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2022**

Section I - Summary of Auditor’s Results

Financial Statements

Type of auditor’s opinion(s) issued: Unmodified

Internal control over financial reporting:

Material weakness (es) identified? _____ yes X no

Significant deficiency (ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness (es) identified? _____ yes X no

Significant deficiency (ies) identified? _____ yes X none reported

Type of auditor’s opinion(s) issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance _____ yes X no

Identification of major programs:

<u>Name of federal program</u>	<u>Assistance Listing</u>
COVID 19- Governor’s Emergency Education Relief	84.425C
COVID 19 – Elementary/Secondary School Emergency Relief	84.425D
COVID 19- American Rescue Plan- Elementary and Secondary School Emergency Relief (ARP-ESSER)	84.425U
COVID 19 – American Rescue Plan – Elementary and Secondary School Emergency Relief- Homeless Children and Youth	84.425W
Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$750,000</u>

Auditee qualified as low risk? _____ yes X no

**South Jefferson Central School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section II - Financial Statements Findings

2022-01: Condition and criteria: Undesignated General Fund balance exceeds the 4% allowed by Section 1318 of the Real Property Tax Law.

Cause: The School District’s budget overestimated expenditures.

Effect: The School District is in violation of Section 1318 of the Real Property Tax Law. At June 30, 2022, the School District appropriated \$1,900,000 of fund balance for the 2022-2023 fiscal year leaving a balance of \$3,887,227 unassigned. The amount left unappropriated is in excess of four percent of the ensuing fiscal year balance by \$2,323,868.

Auditors’ recommendation: We recommend the School District implement procedures to ensure that the budget is accurate and allows the School District to comply with the fund balance limit.

Corrective Action Planned: The District is aware that it exceeded the four percent limitation. The District is implementing procedures to better track budgetary expenditures throughout the year in order to more accurately predict the year-end fund balance during the budget development process. Another strategy in response to this finding is that the District recently established a Reserve Fund for required contributions to the NYS Teachers Retirement System (NYSTRS). Each year, the District will allocate the maximum allowable contribution to this fund from the unassigned fund balance.

Section III - Federal Award Findings and Questioned Costs

NONE