

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

Mexico, New York

FINANCIAL REPORT

**For the Year Ended
June 30, 2020**



MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

Independent Auditors' Report	1-3
Required Supplementary Information	
Management's Discussion and Analysis	4-4i
Basic Financial Statements	
District-Wide Financial Statements	
Statement of Net Position	5-5a
Statement of Activities	6
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	7-7a
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	9-9a
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	10
Statement of Fiduciary Net Position - Fiduciary Funds	11
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	12
Notes to Financial Statements	13-44
<hr/>	
Required Supplementary Information	
Schedule of Revenues Compared to Budget (Non-U.S. GAAP) - General Fund	45
Schedule of Expenditures Compared to Budget (Non-U.S. GAAP) - General Fund	46-46a
Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans	47-47a
Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability	48-48a
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios	49-49a
Notes to Required Supplementary Information	50-53
Supplementary Financial Information	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit	54
Schedule of Project Expenditures - Capital Projects Fund	55-55a
Schedule of Net Investment in Capital Assets	56
Report Required Under Government Auditing Standards	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

Reports Required Under the Single Audit Act (Uniform Guidance)	
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by Uniform Guidance	59-60
Schedule of Expenditures of Federal Awards	61
Notes to Schedule of Expenditures of Federal Awards	62
Schedule of Findings and Questioned Costs	63

INDEPENDENT AUDITORS' REPORT

Board of Education
Mexico Academy and Central School District
Mexico, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Changes in the School District's Total OPEB Liability and Related Ratios, the Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability, and related notes to required supplementary information on pages 4-4i and 45-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information on pages 54-56 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2020 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Respectfully submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 9, 2020

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

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

FINANCIAL HIGHLIGHTS

- The School District recognizes its total other postemployment benefits (OPEB) liability, as well as deferred outflows and deferred inflows of resources related to the OPEB plan in accordance with the parameters of GASB Statement No. 75. "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." Current year recognition resulted in an increase of Government-wide expenses of \$4,870,138, compared to an increase of \$2,765,896 in 2019.
- The School District ended the year with a total net position of \$688,146, a decrease of \$3,617,411 from the prior year. The year-end net position was composed of \$26,285,101 in net investment in capital assets, \$37,195,631 in restricted, and \$62,812,586 in unrestricted net deficit.
- Expenses exceeded revenues by \$3,617,411 in 2020, compared to revenues exceeding expenses by \$1,256,286 in 2019.
- The 2019-2020 General Fund budgeted expenditures were under spent by \$2,484,289, while revenues were \$887,901 less than estimated. General Fund expenditures exceeded revenues by \$255,108.
- Capital asset additions during 2020 amounted to \$1,382,221 for the purchase of buses, vehicles, equipment, and construction expenditures. Depreciation expense was \$2,398,558 for the current year. The School District also adjusted their estimate of capital asset values, which increased their net book value by \$2,195,509.
- Total fund balance of the General Fund, including reserves, was \$39,450,865 at June 30, 2020. Unassigned fund balance amounted to \$2,304,768 which was subject to and equal to maximum limit (4% of 2020-2021 appropriations) permitted under New York State Real Property Tax Law.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year, a Schedule of Changes in the School District's Total OPEB Liability and Related Ratios, and information related to the School District pension obligations.

District-Wide Financial Statements

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

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

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

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

Governmental Fund Financial Statements

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

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, additional information following the Governmental Funds statements explains the relationship (or differences) between them.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019-2020</i>
<i>Current Assets</i>	\$ 7,324,049	\$ 7,480,287	\$ 156,238
<i>Noncurrent Assets</i>	39,616,665	40,179,919	563,254
<i>Capital Assets, Net</i>	60,143,736	61,322,908	1,179,172
<i>Total Assets</i>	107,084,450	108,983,114	1,898,664
<i>Pensions</i>	12,058,848	13,503,919	1,445,071
<i>OPEB</i>	3,024,288	20,492,144	17,467,856
<i>Total Deferred Outflows of Resources</i>	15,083,136	33,996,063	18,912,927
<i>Current Liabilities</i>	7,615,524	7,630,486	14,962
<i>Noncurrent Liabilities</i>	103,677,914	127,348,602	23,670,688
<i>Total Liabilities</i>	111,293,438	134,979,088	23,685,650
<i>Pensions</i>	3,310,815	4,409,716	1,098,901
<i>OPEB</i>	3,277,776	2,922,227	(355,549)
<i>Total Deferred Inflows of Resources</i>	6,588,591	7,331,943	743,352
<i>Net Investment in Capital Assets</i>	22,058,904	26,285,101	4,226,197
<i>Restricted</i>	37,940,693	37,195,631	(745,062)
<i>Unrestricted Deficit</i>	(55,714,040)	(62,812,586)	(7,098,546)
<i>Total Net Position</i>	\$ 4,285,557	\$ 668,146	\$ (3,617,411)

The increase in current assets is largely a result of decreased cash and cash equivalents at year end, offset by increases in amounts due from state and federal. The increase in noncurrent assets, changes in deferred outflows of resources, and deferred inflows of resources related to pensions and OPEB, are related to changes in the actuarially determined proportionate share of the pension systems' plan's net pension asset/liabilities and OPEB liabilities. Capital assets, net of depreciation, increased largely as a result of a change in the estimate of capital assets.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Changes in noncurrent liabilities are primarily due to a current year increase in the OPEB liability, based on an actuarial valuation of the School District's OPEB plan, and partially offset by regular principal payments on long-term debt.

Net investment in capital assets increased based on capital outlay and debt principal payments exceeding debt proceeds, net book value of disposed assets, and depreciation expense for the current year. Restricted net position decreased primarily due to decreases in the debt service reserve.

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

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019 - 2020</i>
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 606,562	\$ 374,510	\$ (232,052)
<i>Operating Grants</i>	2,353,727	2,555,393	201,666
<i>Capital Grants</i>		599,677	599,677
<i>General Revenues:</i>			
<i>Real Property Taxes and Tax Items</i>	22,266,938	21,643,764	(623,174)
<i>State Sources</i>	31,342,175	32,104,501	762,326
<i>Use of Money and Property</i>	220,109	230,645	10,536
<i>Other General Revenues</i>	1,058,802	1,197,811	139,009
<i>Change in Estimate of Capital Assets</i>		2,195,509	2,195,509
Total Revenues	\$ 57,848,313	\$ 60,901,810	\$ 3,053,497
PROGRAM EXPENSES			
<i>General Support</i>	\$ 7,381,910	\$ 8,451,268	\$ 1,069,358
<i>Instruction</i>	41,947,274	48,110,276	6,163,002
<i>Pupil Transportation</i>	4,628,345	5,324,762	696,417
<i>Community Services</i>	203,191	214,482	11,291
<i>School Lunch Program</i>	1,144,780	1,242,015	97,235
<i>Interest on Debt</i>	1,286,527	1,176,418	(110,109)
Total Expenses	\$ 56,592,027	\$ 64,519,221	\$ 7,927,194
CHANGE IN NET POSITION	\$ 1,256,286	\$ (3,617,411)	\$ (4,873,697)

Total revenues for the School District's Governmental Activities increased by \$3,053,497, or 5.28%, while total expenses increased by \$7,927,194 or 14.01%. Revenues increased compared to the prior year primarily due to state aid, capital grants and the change in estimate of capital assets.

The increase in total expenses is primarily due to increased OPEB, pension, and employee benefits expenses which were allocated across the functions.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

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

Figure 3

Sources of Revenue for 2020

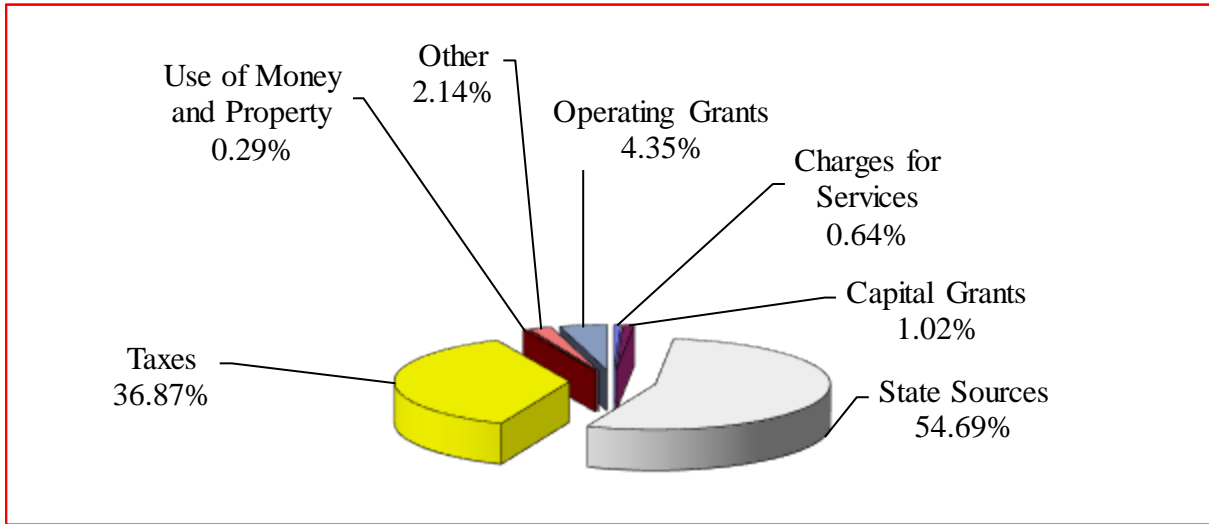
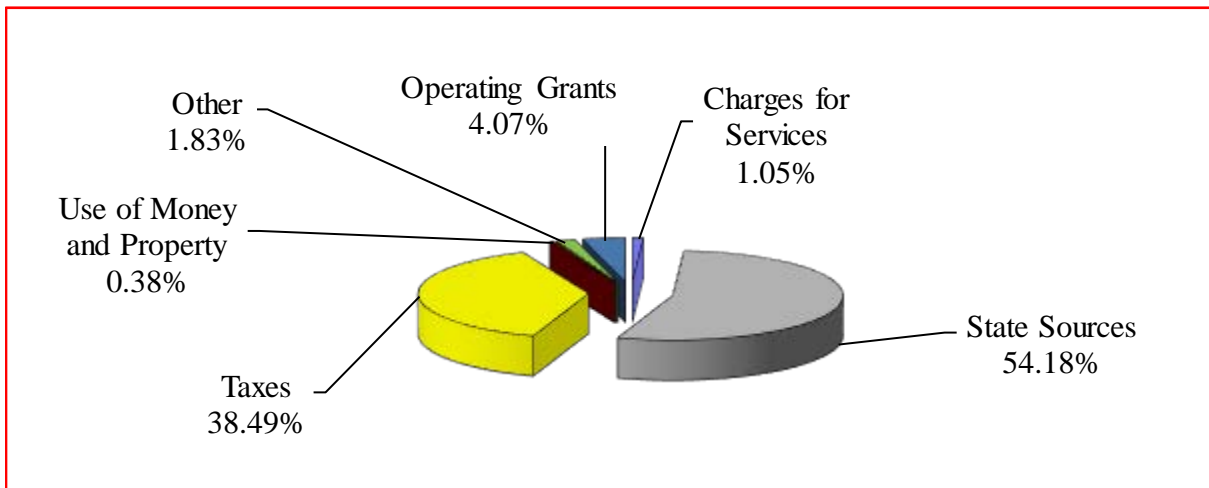


Figure 4

Sources of Revenue for 2019



MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

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

Figure 5

Cost of Programs for 2020

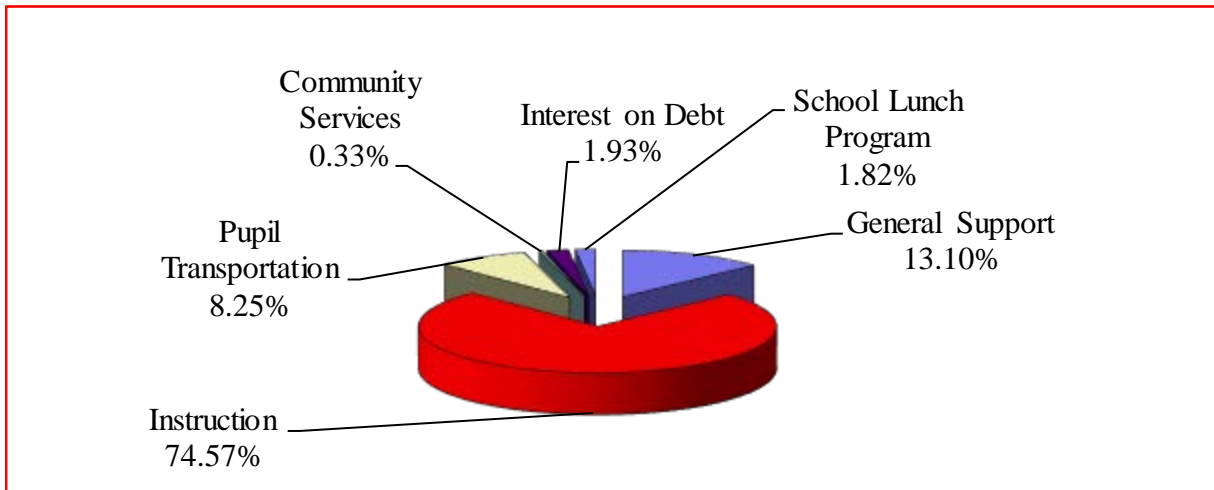
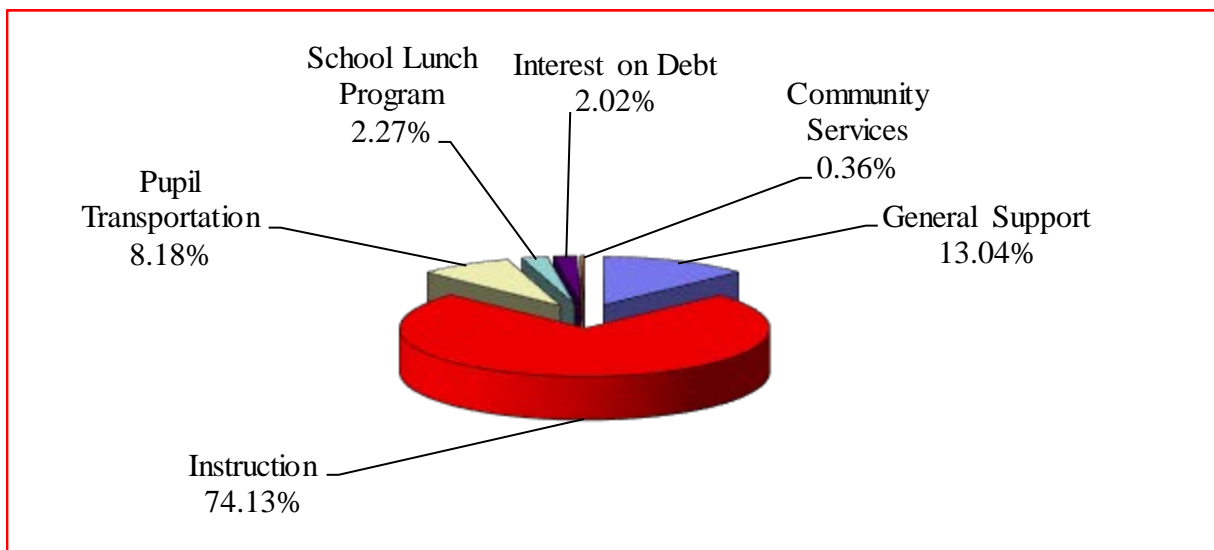


Figure 6

Cost of Programs for 2019



MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the change in the School District's fund balances for the year.

As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported combined fund balances of \$41,292,741.

Figure 7

<i>Governmental Fund Balances</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019 - 2020</i>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 39,705,973	\$ 39,450,865	\$ (255,108)
<i>School Lunch Fund</i>	341,514	423,927	82,413
<i>Debt Service Fund</i>	1,943,340	1,418,657	(524,683)
<i>Capital Projects Fund - Buses</i>	45,095		(45,095)
<i>Capital Projects Fund - Construction</i>	(608,403)	(708)	607,695
<i>Total Governmental Funds</i>	\$ 41,427,519	\$ 41,292,741	\$ (134,778)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Education approved budgetary transfers that revised the School District's budget line items. These budget amendments consisted of budget transfers between functions, which did not increase the overall budget for the year ended June 30, 2020. Additionally, the Board increased the original budget by \$11,828 for unanticipated gifts and donations.

The School District recorded \$887,901, or 1.59%, less in revenues than estimated, largely due to real property taxes and State Aid.

Expenditures (including encumbrances) were less than the revised budget by \$2,484,289 or 4.29%. This was primarily due to lower than expected costs for general support, instructional programs, and employee benefit expense.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

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

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2020</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real Property Taxes</i>	\$ 20,257,748	\$ 20,257,748	\$ 10,474,290	\$ (9,783,458)
<i>Other Tax Items</i>	2,220,000	2,220,000	11,169,474	8,949,474
<i>State Sources</i>	32,247,981	32,247,981	31,713,160	(534,821)
<i>Other, Including Financing Sources</i>	1,159,709	1,171,537	1,652,441	480,904
Total Revenues and Other Financing Sources	\$ 55,885,438	\$ 55,897,266	\$ 55,009,365	\$ (887,901)
Appropriated Fund Balances	\$ 2,032,507	\$ 2,032,507		
EXPENDITURES				
<i>General Support</i>	\$ 7,230,327	\$ 7,232,046	\$ 6,328,020	\$ 904,026
<i>Instruction</i>	29,624,629	29,607,883	28,873,493	734,390
<i>Pupil Transportation</i>	3,012,311	3,013,087	2,644,640	368,447
<i>Community Services</i>	149,297	149,298	121,832	27,466
<i>Employee Benefits</i>	12,455,762	12,455,762	12,014,243	441,519
<i>Debt Service</i>	5,195,619	5,195,618	5,187,177	8,441
<i>Other Financing Uses</i>	250,000	276,079	276,079	-
Total Expenditures and Other Financing (Uses)	\$ 57,917,945	\$ 57,929,773	\$ 55,445,484	\$ 2,484,289

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the School District had invested in a broad range of capital assets. Net capital assets increased \$1,179,172, primarily due to capital outlay exceeding depreciation expense and the net book value of disposed assets. Capital assets, net of accumulated depreciation of \$32,466,457, were \$61,322,908 at year end.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Figure 9

<i>Changes in Capital Assets</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019 - 2020</i>
<i>Land</i>	\$ 225,039	\$ 225,039	\$ -
<i>Artwork</i>	100,000	100,000	-
<i>Construction in Progress</i>	835,143		(835,143)
<i>Buildings, Net</i>	54,863,698	53,180,507	(1,683,191)
<i>Improvements, Net</i>	113,174	2,046,558	1,933,384
<i>Equipment, Net</i>	4,006,682	5,770,804	1,764,122
<i>Total</i>	\$ 60,143,736	\$ 61,322,908	\$ 1,179,172

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

Equipment	\$ 711,218
Buses and Other Vehicles	671,003
Total Additions	1,382,221
Less Depreciation Expense	(2,398,558)
Plus Change in Estimate of Capital Assets	2,195,509
Net Change in Capital Assets	\$ 1,179,172

Debt Administration

Debt, both short-term and long-term, considered a liability of Governmental Activities, decreased \$3,320,041 in 2020, as shown in *Figure 10*. Serial bonds decreased based on repayment of principal, offset by the issuance of \$670,000 of bus bonds. Total indebtedness represented 60.22% of the constitutional debt limit, exclusive of building aid estimates, at June 30, 2020.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2019 - 2020</i>
	<i>2019</i>	<i>2020</i>	
<i>Serial Bonds</i>	\$ 38,732,848	\$ 35,792,807	\$ (2,940,041)
<i>Installment Purchase Debt</i>	1,890,000	1,510,000	(380,000)
<i>Total</i>	\$ 40,622,848	\$ 37,302,807	\$ (3,320,041)

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

The School District's bond rating is A1 from Moody's, which did not change from the prior year.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

Mexico Academy and Central School District continues to provide opportunities to students in a healthy and safe environment while observing prudent financial management practices. In particular, there have been additional resources allocated to support enhanced levels of school safety and security. A project to renovate space for a health center is currently in progress that will give students better access to health and dental care. School District management continues to develop a strategic view of its future intended to identify requirements for instructional programs and facility maintenance, while continuing to provide stability in taxation, budget growth, and other factors.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, at Mexico Academy and Central School District, 16 Fravor Road, Mexico, New York 13114.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2020

ASSETS

Current Assets

Cash - Unrestricted	\$ 3,164,645
Receivables - State and Federal Aid	<u>3,987,954</u>
Receivables - Other	<u>111,982</u>
Inventories	<u>57,176</u>
Total Current Assets	<u>7,480,287</u>

Noncurrent Assets

Cash - Restricted	<u>37,228,342</u>
Capital Assets:	
Land, Artwork, and Construction in Progress	<u>225,039</u>
Depreciable Capital Assets, Net	<u>61,097,869</u>
Net Pension Asset - Proportionate Share	<u>2,951,577</u>
Total Noncurrent Assets	<u>101,502,827</u>
Total Assets	<u>108,983,114</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources - Pensions	<u>13,503,919</u>
Deferred Outflows of Resources - OPEB	<u>20,492,144</u>
Total Deferred Outflows of Resources	<u>33,996,063</u>

LIABILITIES

Current Liabilities

Payables:

Accounts Payable	<u>173,702</u>
Accrued Liabilities	<u>577,935</u>
Due to Other Governments	<u>267,984</u>
Due to Fiduciary Funds	<u>6,169</u>
Bond Interest and Matured Bonds	<u>109,557</u>
Due to Teachers' Retirement System	<u>1,860,085</u>
Due to Employees' Retirement System	<u>301,540</u>
Compensated Absences Payable	<u>203,225</u>
Overpayments and Collections in Advance	<u>17,796</u>
Unearned Revenues	<u>7,452</u>
Current Portion of Long-Term Obligations	
Bonds Payable	<u>3,705,041</u>
Installment Purchase Debt	<u>400,000</u>
Total Current Liabilities	<u>7,630,486</u>

See Notes to Basic Financial Statements

LIABILITIES (Continued)**Noncurrent Liabilities**

Bonds Payable	\$ 32,087,766
Installment Purchase Debt	<u>1,110,000</u>
Compensated Absences Payable	<u>4,235,803</u>
Other Postemployment Benefits Liability	<u>83,870,342</u>
Net Pension Liability - Proportionate Share	<u>6,044,691</u>
Total Noncurrent Liabilities	<u>127,348,602</u>

Total Liabilities134,979,088**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows of Resources - Pensions	<u>4,409,716</u>
Deferred Inflows of Resources - OPEB	<u>2,922,227</u>

Total Deferred Inflows of Resources7,331,943**NET POSITION**

Net Investment in Capital Assets	<u>26,285,101</u>
Restricted	<u>37,195,631</u>
Unrestricted (Deficit)	<u>(62,812,586)</u>

Total Net Position\$ 668,146

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants	Capital Grants	Revenue and Changes in Net Position
General Support	\$ 8,451,268	\$	\$	\$	\$ (8,451,268)
Instruction	48,110,276	131,184	1,642,439	599,677	(45,736,976)
Pupil Transportation	5,324,762				(5,324,762)
Community Services	214,482				(214,482)
School Lunch Program	1,242,015	243,326	912,954		(85,735)
Interest on Debt	1,176,418				(1,176,418)
Total Functions and Programs	\$ 64,519,221	\$ 374,510	\$2,555,393	\$ 599,677	(60,989,641)
GENERAL REVENUES					
					10,474,290
Real Property Taxes					11,169,474
Real Property Tax Items					171,855
Use of Money and Property					32,104,501
Unrestricted State Sources					58,790
Sale of Property and Compensation for Loss					1,197,811
Miscellaneous					2,195,509
Special Item - Change in Estimate of Capital Assets					
Total General Revenues					57,372,230
					(3,617,411)
Change in Net Position					
Total Net Position - Beginning of Year					4,285,557
Total Net Position - End of Year					\$ 668,146

See Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 3,010,741	\$ 22,595	\$ 102,635
Cash - Restricted	35,410,086		158,530
Receivables:			
Due from Other Funds	1,807,099		
State and Federal Aid	2,483,974	700,119	204,184
Other	107,808	137	4,174
Inventories			57,039
Total Assets	\$ 42,819,708	\$ 722,851	\$ 526,562
LIABILITIES			
Payables:			
Accounts Payable	\$ 173,702	\$	\$
Accrued Liabilities	577,712	223	17,772
Due to Other Funds		715,176	63,265
Due to Fiduciary Funds	6,169		
Due to Other Governments	267,797		187
Due to Teachers' Retirement System	1,860,085		
Due to Employees' Retirement System	280,129		21,411
Compensated Absences	203,225		
Overpayments and Collections in Advance	24		
Unearned Revenues		7,452	
Total Liabilities	3,368,843	722,851	102,635
FUND BALANCES			
Nonspendable			57,039
Restricted	35,410,086		366,888
Assigned	1,736,011		
Unassigned (Deficit)	2,304,768		
Total Fund Balances	39,450,865	-	423,927
Total Liabilities and Fund Balances	\$ 42,819,708	\$ 722,851	\$ 526,562

See Notes to Basic Financial Statements

Major Funds

Capital Projects Fund - Buses	Capital Projects Fund - Construction	Debt Service Fund	Total Governmental Funds
\$	\$ 28,674	\$	\$ 3,164,645
		1,818,256	37,386,872
			1,807,099
	599,677		3,987,954
			112,119
			57,039
\$ -	\$ 628,351	\$1,818,256	\$ 46,515,728
\$	\$	\$	\$ 173,702
			595,707
	629,059	399,599	1,807,099
			6,169
			267,984
			1,860,085
			301,540
			203,225
			24
			7,452
-	629,059	399,599	5,222,987
			57,039
		1,418,657	37,195,631
			1,736,011
	(708)		2,304,060
-	(708)	1,418,657	41,292,741
\$ -	\$ 628,351	\$1,818,256	\$ 46,515,728

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

Fund Balances - Total Governmental Funds **\$ 41,292,741**

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

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

Total Historical Cost	\$ 93,789,365	
Less Accumulated Depreciation	<u>(32,466,457)</u>	61,322,908

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

TRS Net Pension Asset - Proportionate Share	\$ 2,951,577	
ERS Net Pension Liability - Proportionate Share	<u>(6,044,691)</u>	(3,093,114)

Deferred outflows of resources represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred Inflows of Resources - OPEB	\$ (2,922,227)	
Deferred Outflows of Resources - OPEB	20,492,144	
ERS Deferred Outflows of Resources - Pensions	3,868,523	
TRS Deferred Outflows of Resources - Pensions	9,635,396	
ERS Deferred Inflows of Resources - Pensions	(135,026)	
TRS Deferred Inflows of Resources - Pensions	<u>(4,274,690)</u>	26,664,120

Long-term liabilities, including bonds payable, and installment purchase debt, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	\$(34,045,001)	
Installment Purchase Debt	(1,510,000)	
Premiums on Obligations	<u>(1,747,806)</u>	(37,302,807)

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

Compensated Absences	\$ (4,235,803)	
Other Postemployment Benefits Liability	(83,870,342)	
Accrued Interest on Long-Term Debt	<u>(109,557)</u>	(88,215,702)

Net Position of Governmental Activities **\$ 668,146**

See Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
REVENUES			
Real Property Taxes	\$ 10,474,290	\$	\$
Real Property Tax Items	11,169,474		
Charges for Services	131,184		
Use of Money and Property	153,499		119
Sale of Property and Compensation for Loss	58,790		
Miscellaneous	1,039,270		76,168
State Sources	31,713,160	652,389	28,400
Federal Sources	158,541	1,381,391	884,554
Sales - School Lunch			167,158
Total Revenues	54,898,208	2,033,780	1,156,399
EXPENDITURES			
General Support	6,209,625		
Instruction	28,810,877	2,000,909	481,995
Pupil Transportation	2,644,640	132,251	
Community Services	121,832		
Employee Benefits	12,014,243	64,539	282,136
Debt Service:			
Principal	3,760,000		
Interest	1,427,177		
Cost of Sales			309,855
Capital Outlay			
Total Expenditures	54,988,394	2,197,699	1,073,986
Excess (Deficiency) of Revenues Over Expenditures	(90,186)	(163,919)	82,413
OTHER FINANCING SOURCES AND (USES)			
Proceeds of Obligations			
Operating Transfers In	111,157	175,076	
Operating Transfers (Out)	(276,079)	(11,157)	
Total Other Sources and (Uses)	(164,922)	163,919	-
Net Change in Fund Balances	(255,108)	-	82,413
Fund Balances (Deficit) - Beginning of Year	39,705,973	-	341,514
Fund Balances (Deficit) - End of Year	\$ 39,450,865	\$ -	\$ 423,927

See Notes to Basic Financial Statements

Major Funds

Capital Projects Fund - Buses	Capital Projects Fund - Construction	Debt Service Fund	Total Governmental Funds
\$	\$	\$	\$ 10,474,290
			11,169,474
			131,184
		18,237	171,855
			58,790
			1,115,438
	599,677		32,993,626
			2,424,486
			167,158
-	599,677	18,237	58,706,301
			6,209,625
			31,293,781
			2,776,891
			121,832
			12,360,918
			3,760,000
			1,427,177
			309,855
671,003	579,997		1,251,000
671,003	579,997	-	59,511,079
(671,003)	19,680	18,237	(804,778)
670,000			670,000
1,003	588,015	45,095	920,346
(45,095)		(588,015)	(920,346)
625,908	588,015	(542,920)	670,000
(45,095)	607,695	(524,683)	(134,778)
45,095	(608,403)	1,943,340	41,427,519
\$ -	\$ (708)	\$ 1,418,657	\$ 41,292,741

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

Net Change in Fund Balances - Total Governmental Funds **\$ (134,778)**

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

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

Capital Outlay	\$ 1,382,221	
Depreciation Expense	(2,398,558)	
Change in Estimate of Capital Assets	<u>2,195,509</u>	1,179,172

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

Proceeds of Obligations	\$ (670,000)	
Payments of Installment Purchase Debt	380,000	
Principal Payments	<u>3,380,000</u>	3,090,000

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

ERS	\$ (1,157,273)	
TRS	<u>(1,967,970)</u>	(3,125,243)

Long-term liabilities, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore, expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Funds.

Change in Long-Term Compensated Absences	\$ (7,183)	
Change in Other Postemployment Benefits Liability	<u>(4,870,138)</u>	(4,877,321)

Some liabilities reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in Governmental Funds.

Amortization of Premiums on Obligations	\$ 230,041	
Net Change in Accrued Interest Payable	<u>20,718</u>	<u>250,759</u>

Net Change in Net Position of Governmental Activities **\$ (3,617,411)**

See Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2020

	Private Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash - Unrestricted	\$	\$ 49,049
Cash - Restricted	122,930	87,910
Investments - Restricted	62	
Due from Governmental Funds	303	5,866
Accounts Receivable		8,553
Total Assets	<u>123,295</u>	<u>\$ 151,378</u>
LIABILITIES		
Extraclassroom Activity Balances	\$	\$ 87,910
Other Liabilities	6,868	63,468
Total Liabilities	<u>6,868</u>	<u>\$ 151,378</u>
RESTRICTED NET POSITION	<u>\$ 116,427</u>	

See Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

	Private Purpose Trust Fund
ADDITIONS	
Gifts and Contributions	\$ 8,621
Interest and Earnings	993
Total Additions	9,614
DEDUCTIONS	
Scholarships and Awards	4,118
Change in Net Position	5,496
Net Position - Beginning of Year	110,931
Net Position - End of Year	\$ 116,427

See Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

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

Reporting Entity

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

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended.

- The primary government, which is the School District;
- Organizations for which the primary government is financially accountable; and
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

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

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

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. While the Extraclassroom Activity Funds are not considered a component unit of the School District, due to the School District's fiduciary responsibility in relation to the Funds, they are reported in the School District's Agency Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, located at 16 Fravor Road, Mexico, New York 13114.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Joint Venture

The School District is one of nine component school districts in the Oswego County 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.

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

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

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

Basis of Presentation - District-Wide Financial Statements

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

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Basis of Presentation - Governmental Fund Financial Statements

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

The School District reports the following Major Governmental Funds:

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

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

The School District reports the following Fiduciary Funds:

- **Private-Purpose Trust Fund:** Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Basis of Presentation - Governmental Fund Financial Statements - Continued

- Agency Fund: Strictly custodial in nature and does not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

Measurement Focus and Basis of Accounting

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

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within six months after the end of the fiscal year.

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

Cash and Investments

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Accounts Receivable

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

Due To/From Other Funds

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	50 Years
Building Improvements	50,000	50 Years
Site Improvements	25,000	15-25 Years
Furniture and Equipment	5,000	5-15 Years

Capital assets are depreciated over their estimated useful lives using the straight-line method.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Vested Employee Benefits - Compensated Absences

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

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

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

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

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

Other Postemployment Benefits (OPEB)

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

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

The School District follows GASB Statement No. 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 10 for additional information.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports deferred outflows related to pensions and other postemployment benefits in the District-wide Statement of Net Position. The types of deferred outflows related to pensions are described in Notes 9 and 10.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows related to pensions and other postemployment benefits which are further described in Notes 9 and 10.

Unearned and Unavailable Revenues

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

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

Overpayments and Collections in Advance

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

Restricted Resources

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Equity Classifications - District-wide Financial Statements

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

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

Equity Classifications - Governmental Fund Financial Statements

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

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Equity Classifications - Governmental Fund Financial Statements - Continued

- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

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

The Board of Education of the School District has not adopted any resolutions to commit fund balance. The Board of Education has not authorized anyone to assign fund balance. The School District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. Except for the Encumbrance Reserve, these reserve funds are established through board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Reserves currently in use by the School District include the following:

- Unemployment Insurance Reserve (GML §6-m): Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.
- Retirement Contribution Reserves (GML §6-r): Used for the purpose of financing retirement contributions. These reserves must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the funds must be provided to the Board. These reserves are accounted for in the General Fund.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Legally Adopted Reserves - Continued

- Tax Certiorari Reserve (Education Law §3651.1-a): Used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.
- Employee Benefit Accrued Liability Reserve (GML §6-p): Used to reserve funds for payment of accrued employee benefits upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- Liability Reserve (Education Law §1709(8-c): Used to reserve funds for the payment of potential property loss and liability claims. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- Capital Reserve (Education Law §3651): Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserves only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserves and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. These reserves are accounted for in the General Fund.
- Nuclear Facility Tax Stabilization Reserve (Chapter 202 of the Laws of 2001): Used to reserve funds to provide tax stability to municipalities where a nuclear-powered electricity generating facility is located. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other funds as may be legally appropriated to the extent annual tax payments or payments in lieu of taxes attributable to such facility and paid to the School District exceed the base nuclear facility taxes received by the School District in the year preceding the establishment of the reserve. Expenditures may be made from this fund to lessen or prevent any projected increase in the amount of the real property tax levy needed to finance the eligible portion of the annual budget for the next succeeding fiscal year as disclosed in the annual school budget that is presented to the voters for approval. This reserve is accounted for in the General Fund.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Legally Adopted Reserves - Continued

- Mandatory Reserve for Debt Service (GML §6-1): Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, 2019 and became a lien on August 10, 2019. Taxes were collected during the period September 1 to October 31, 2019.

Uncollected real property taxes are subsequently enforced by the County of Oswego. An amount representing uncollected real property taxes transmitted to the county for enforcement is paid by the county to the School District no later than the following April 1.

Interfund Transfers

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

Use of Estimates

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

Future Changes in Accounting Standards

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2021. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2022.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

- GASB has issued Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period,” effective for the year ending June 30, 2022.
- GASB has issued Statement No. 90, “Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61,” effective for the year ending June 30, 2021.
- GASB has issued Statement No. 91, “Conduit Debt Obligations” effective for the year ending June 30, 2023.

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

Note 2 Participation in BOCES

During the year ended June 30, 2020, the School District’s share of BOCES aid amounted to \$3,267,482. The School District was billed \$8,827,128 for BOCES administration and program costs. Financial statements for Oswego County BOCES are available from the BOCES Administrative Office at 179 County Route 64, Mexico, New York 13114.

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

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

The School District’s aggregate bank balances of \$41,843,789 are either insured or collateralized with securities held by the pledging financial institution in the School District’s name.

Restricted cash of the School District’s Governmental and Fiduciary Funds at June 30, 2020 consisted of the following:

General Fund Reserves	\$ 35,410,086
Restricted for Debt	1,818,256
Private Purpose Trust Fund	122,930
Agency Fund	87,910
Total	\$ 37,439,182

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 4 Interfund Balances and Activity

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

Governmental Activities	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 1,807,099	\$	\$ 111,157	\$ 276,079
Special Aid Fund		715,176	175,076	11,157
School Lunch Fund		63,265		
Capital Projects Fund - Buses			1,003	45,095
Capital Projects Fund - Construction		629,059	588,015	
Debt Service Fund		399,599	45,095	588,015
Total	\$ 1,807,099	\$ 1,807,099	\$ 920,346	\$ 920,346

Interfund receivables and payables, other than between Governmental Activities and Fiduciary Funds, are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Projects Funds, as needed, to fund capital projects. Periodically, the School District transfers funds as needed to subsidize the School Lunch Fund.

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 5 Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>Ending Balance</u>
Capital Assets that are Not Depreciated:				
Land	\$ 225,039	\$	\$	\$ 225,039
Artwork	100,000			100,000
Construction in Progress	835,143		(835,143)	-
Total Nondepreciable Historical Cost	<u>1,160,182</u>	<u>-</u>	<u>(835,143)</u>	<u>325,039</u>
Capital Assets that are Depreciated:				
Buildings	73,829,024			73,829,024
Improvements	1,589,996		835,143	2,425,139
Furniture and Equipment	11,704,905	1,382,221	4,123,037	17,210,163
Total Depreciable Historical Cost	<u>87,123,925</u>	<u>1,382,221</u>	<u>4,958,180</u>	<u>93,464,326</u>
Total Historical Cost	<u>88,284,107</u>	<u>1,382,221</u>	<u>4,123,037</u>	<u>93,789,365</u>
Less Accumulated Depreciation:				
Buildings	(18,965,326)	(1,054,347)	(628,844)	(20,648,517)
Improvements	(1,476,822)	(28,281)	1,126,522	(378,581)
Furniture and Equipment	(7,698,223)	(1,315,930)	(2,425,206)	(11,439,359)
Total Accumulated Depreciation	<u>(28,140,371)</u>	<u>(2,398,558)</u>	<u>(1,927,528)</u>	<u>(32,466,457)</u>
Total Historical Cost, Net	<u>\$ 60,143,736</u>	<u>\$ (1,016,337)</u>	<u>\$ 2,195,509</u>	<u>\$ 61,322,908</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 270,525
Instruction	1,250,752
Pupil Transportation	841,130
School Lunch Program	<u>36,151</u>
Total Depreciation Expense	<u>\$ 2,398,558</u>

Note 6 Short-Term Debt

The School District may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The School District did not issue or redeem any RANs or TANs during the year.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 6 Short-Term Debt - Continued

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

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The School District did not issue or redeem any BANs during the year.

Note 7 Long-Term Debt

At June 30, 2020, the total outstanding indebtedness of the School District represented 60.22% of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

- **Serial Bonds:** The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.
- **Installment Purchase Debt:** During the year ended June 30, 2008, the School District entered into an installment purchase agreement for an energy performance contract.

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

<u>Serial Bonds</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2020</u>
2007 Serial Bonds	12/01/2007	12/01/2022	4.25% - 4.55%	\$ 115,000
2012 Serial Bonds - DASNY	06/14/2012	06/15/2027	1.50% - 2.00%	7,380,000
2013 Serial Bonds Series A	09/25/2013	06/15/2028	2.50% - 4.00%	2,265,000
2015 Serial Bonds	08/26/2015	08/01/2020	1.50% - 1.75%	120,001
2016 Serial Bonds	06/15/2016	08/01/2031	3.00% - 5.00%	6,630,000
2016 Serial Bonds	09/01/2016	08/01/2022	1.52%	185,000
2018 Serial Bonds	09/15/2017	08/01/2022	1.84%	425,000
2018 Serial Bonds	06/21/2018	06/15/2033	3.00%	15,665,000
2019 Serial Bonds	09/26/2018	08/01/2023	2.38 - 2.63%	590,000
2020 Serial Bonds	09/26/2019	08/01/2024	1.63%	670,000
Subtotal Serial Bonds				34,045,001
Add: 2012 Refunding Bonds Premium				335,166
Add: 2016 Serial Bonds Premium				1,264,432
Add: 2018 Serial Bonds Premium				148,208
Total				35,792,807
Installment Purchase Debt				
Energy Performance Contract	09/28/2007	09/30/2023	4.17%	1,510,000
Total				\$ 37,302,807

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 7 Long-Term Debt - Continued

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

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Serial Bonds	\$ 36,755,001	\$ 670,000	\$ (3,380,000)	\$ 34,045,001	\$ 3,475,000
Add: Refunding Bond Premium	438,857		(103,691)	335,166	103,691
Add: Bond Premiums	1,538,990		(126,350)	1,412,640	126,350
Subtotal	38,732,848	670,000	(3,610,041)	35,792,807	3,705,041
Installment Purchase Debt	1,890,000		(380,000)	1,510,000	400,000
Total	\$ 40,622,848	\$ 670,000	\$ (3,990,041)	\$ 37,302,807	\$ 4,105,041

Interest expense on long-term debt during the year was comprised of the following:

Interest Paid	\$ 1,427,177
(Less) Interest Accrued in the Prior Year	(130,275)
Plus Interest Accrued in the Current Year	109,557
(Less) Amortization of Bond Premium	(230,041)
Total	\$ 1,176,418

Interest paid on the Serial Bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

Year	Principal	Interest	Total
2021	\$ 3,475,000	\$ 1,252,019	\$ 4,727,019
2022	3,475,000	1,122,230	4,597,230
2023	3,485,000	992,163	4,477,163
2024	3,440,000	859,319	4,299,319
2025	3,425,000	724,391	4,149,391
2026-2030	12,685,000	1,935,324	14,620,324
2031-2033	4,060,001	282,450	4,342,451
Total	\$ 34,045,001	\$ 7,167,896	\$ 41,212,897

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 7 Long-Term Debt - Continued

Installment Purchase Debt

On August 30, 2007, the School District entered into a lease/purchase agreement as part of their energy performance contract. The School District qualified for a New York Energy Research and Development Authority (NYSERDA) New York Energy Smart Loan Fund grant in the amount of \$1,000,000. As part of this grant, NYSERDA will pay lease interest of 4.0% up to \$1,000,000. During 2020, NYSERDA paid \$15,500 in interest on behalf of the School District's lease/purchase agreement.

The following is a schedule of future minimum lease payments under capital leases:

Year	Principal	Interest	Total
2021	\$ 400,000	\$ 62,967	\$ 462,967
2022	415,000	46,287	461,287
2023	430,000	28,982	458,982
2024	265,000	11,051	276,051
Total	\$ 1,510,000	\$ 149,287	\$ 1,659,287

The net book value of capital assets procured through capital leases at June 30, 2020 is as follows:

	Governmental Activities
Cost	\$ 5,010,015
Accumulated Depreciation	(2,304,656)
Net Book Value	\$ 2,705,359

Note 8 Compensated Absences

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

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated Absences	\$ 4,368,327	\$ 70,701	\$ -	\$ 4,439,028

Changes to compensated absences are reported net, as it is impractical to individually determine the amount of additions and deletions during the fiscal year.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

***Note 9* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

Plan Descriptions and Benefits Provided - Teachers' Retirement System (TRS) (System)

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

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System.

However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Plan Descriptions and Benefits Provided - Employees' Retirement System (ERS) (System)

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

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

Summary of Significant Accounting Policies

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Contributions

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

	<u>ERS</u>	<u>TRS</u>
2020	\$ 899,598	\$ 2,014,283
2019	911,243	1,781,451
2018	880,656	2,002,149

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

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

	<u>ERS</u>	<u>TRS</u>
Actuarial Valuation Date	April 1, 2019	June 30, 2018
Net Pension Asset/Liability	\$ 26,480,579,097	\$ (2,598,006,772)
School District's Proportionate Share of the Plan's Total Net Pension Asset/Liability	6,044,691	(2,951,577)
School District's Share of the Net Pension Asset/Liability	0.0228269%	0.113609%

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

For the year ended June 30, 2020, the School District recognized pension expense of \$912,967 for ERS and \$1,684,165 for TRS in the District-wide financial statements. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 355,754	\$ 2,000,209	\$	\$ 219,485
Changes of Assumptions	121,711	5,575,924	105,096	1,359,568
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	3,098,802			2,367,012
Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions	57,585	354,504	29,930	328,625
School District's Contributions Subsequent to the Measurement Date	234,671	1,704,759		
Total	\$ 3,868,523	\$ 9,635,396	\$ 135,026	\$ 4,274,690

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

Year Ending	ERS	TRS
2021	\$ 591,423	\$ 1,359,812
2022	878,757	109,207
2023	1,130,382	1,354,972
2024	898,264	900,848
2025		54,451
Thereafter		(123,343)

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions

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

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

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

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

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

For TRS, 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.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions - Continued

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

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

Discount Rate

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

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

	1% Decrease	Current Assumption	1% Increase
ERS	5.80%	6.80%	7.80%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 11,093,714	\$ 6,044,691	\$ 1,394,519
TRS	6.10%	7.10%	8.10
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 13,323,111	\$ (2,951,577)	\$ (16,604,204)

Pension Plan Fiduciary Net Position

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

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$301,540.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October, and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$1,860,085.

Current Year Activity

The following is a summary of current year activity:

	Beginning Balance	Change	Ending Balance
ERS			
Net Pension Liability	\$ (1,639,688)	\$ (4,405,003)	\$ (6,044,691)
Deferred Outflows of Resources	1,038,664	2,829,859	3,868,523
Deferred Inflows of Resources	(552,897)	417,871	(135,026)
Subtotal	(1,153,921)	(1,157,273)	(2,311,194)
TRS			
Net Pension Asset	2,017,987	933,590	2,951,577
Deferred Outflows of Resources	11,020,184	(1,384,788)	9,635,396
Deferred Inflows of Resources	(2,757,918)	(1,516,772)	(4,274,690)
Subtotal	10,280,253	(1,967,970)	8,312,283
Total	\$ 9,126,332	\$ (3,125,243)	\$ 6,001,089

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 10 Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

Plan Description - The School District's defined OPEB plan provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The plan is a single-employer defined benefit healthcare plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements, because there are no assets legally segregated for the sole purpose of paying benefits under the plan.

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	133
Active Employees Not Fully Eligible for Benefits	<u>381</u>
Total	<u><u>514</u></u>

Total OPEB Liability

The School District's total OPEB liability of \$83,870,342 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Single Discount Rate	2.21%
Salary Scale	Varied by Years of Service and Retirement System
Rate of Inflation	2.20%
Healthcare Cost Trend Rates	5.40% for 2019, Decreasing to an Ultimate Rate of 3.84% by 2078

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 10 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Total OPEB Liability - Continued

The actuarial assumptions used in the June 30, 2019 valuation were based on the following:

- Mortality rates were based on Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using MP-2018.
- Termination and retirement rates were based on NYS ERS assumptions first adopted on April 1, 2014 and NYS TRS assumptions first adopted on June 30, 2015.
- Medical trend rates are based on the 2018 Getzen model with initial trend rate of 5.50% decreasing gradually to an ultimate rate of 3.84% in 2075.
- Actual spousal health coverage election was used for existing retirees.

The actuarial assumptions used in the June 30, 2019 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	<u>\$ 61,176,799</u>
Changes for the Year	
Service Cost	2,445,155
Interest Cost	2,206,653
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	426,640
Changes in Assumptions or Other Inputs	19,136,917
Benefit Payments	<u>(1,521,822)</u>
Net Change	<u>22,693,543</u>
Balance at June 30, 2020	<u><u>\$ 83,870,342</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% in 2019 to 2.21% in 2020.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 10 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Changes in the Total OPEB Liability - Continued

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

	1% Decrease (1.21)%	Discount Rate (2.21)%	1% Increase (3.21)%
Total OPEB Liability	\$ 103,929,264	\$ 83,870,342	\$ 68,586,273

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 65,622,446	\$ 83,870,342	\$ 108,950,062

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$6,772,416.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 3,101,095	\$
Changes in Assumptions or Other Inputs	17,010,593	(2,922,227)
Contributions Subsequent to Measurement Date	380,456	
Total	\$ 20,492,144	\$ (2,922,227)

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 10 Postemployment Benefits Other Than Pensions (OPEB) - Continued

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

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the OPEB liability in the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Amount
<u>Ending June 30,</u>	<u>Amount</u>
2021	\$ 2,120,608
2022	2,120,608
2023	2,120,608
2024	2,120,608
2025	2,120,608
Thereafter	6,586,421

Current Year Activity

The following is a summary of current year activity:

	<u>Beginning Balance</u>	<u>Change</u>	<u>Ending Balance</u>
Other Postemployment Benefits Liability	\$ 61,176,799	\$ 22,693,543	\$ 83,870,342
Deferred Outflows of Resources	(3,024,288)	(17,467,856)	(20,492,144)
Deferred Inflows of Resources	3,277,776	(355,549)	2,922,227
Total	<u>\$ 61,430,287</u>	<u>\$ 4,870,138</u>	<u>\$ 66,300,425</u>

Note 11 Commitments and Contingencies

Risk Financing and Related Insurance - General Information

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

Risk Financing and Related Insurance - Health Insurance

The School District incurs costs related to an employee health insurance plan (Plan). The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the Plan must remain a member for a minimum of two years; a member may withdraw from the Plan after that time by submitting 30 days written notice. The Central New York Health Insurance Consortium has 27 members with each bearing a pro-rata share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

***Note 11* Commitments and Contingencies - Continued**

Risk Financing and Related Insurance - Health Insurance - Continued

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

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

Plan financial statements can be obtained from the Cooperative Health Insurance Fund of Central New York at 6820 Thompson Road, Syracuse, New York 13221. During the year ended June 30, 2020, the School District incurred premiums or contribution expenditures totaling \$6,492,161.

Workers' Compensation

The School District incurs costs related to an employee workers' compensation plan (Plan). The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the Plan must remain members for a minimum of two years; a member may withdraw from the Plan after that time by submitting a 30-day notice.

The Onondaga-Cortland-Madison Workers' Compensation Consortium includes 31 members with each bearing a pro-rata share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

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

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

Plan financial statements can be obtained from the Cooperative Health Insurance Fund of Central New York at 6820 Thompson Road, Syracuse, New York 13221. During the year ended June 30, 2020, the School District incurred premiums or contribution expenditures totaling \$321,632.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 11 Commitments and Contingencies - Continued

Other Items

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

Note 12 Fund Balance Detail

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

	General Fund	School Lunch Fund	Capital Projects Fund - Construction	Debt Service Fund
Nonspendable				
Inventory	\$	\$ 57,039	\$	\$
Total Nonspendable Fund Balance	\$ -	\$ 57,039	\$ -	\$ -
Restricted				
Unemployment Insurance Reserve	\$ 341,411	\$	\$	\$
Retirement Contribution Reserve - ERS	1,647,521			
Retirement Contribution Reserve - TRS	472,947			
Tax Certiorari Reserve	2,206,884			
Liability Reserve	941,926			
Employee Benefit Accrued Liability Reserve	4,360,352			
Capital Reserve	50,959			
Nuclear Facility Tax Stabilization Reserve	25,388,086			
School Lunch		366,888		
Debt Service				1,418,657
Total Restricted Fund Balance	\$ 35,410,086	\$ 366,888	\$ -	\$ 1,418,657
Assigned				
Appropriated for Next Year's Budget	\$ 1,555,000	\$	\$	\$
Encumbered for:				
General Support	118,395			
Instruction	62,616			
Total Assigned Fund Balance	\$ 1,736,011	\$ -	\$ -	\$ -
Unassigned				
Unassigned (Deficit)	\$ 2,304,768	\$	\$ (708)	\$
Total Unassigned Fund Balance	\$ 2,304,768	\$ -	\$ (708)	\$ -

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 13 Restricted Fund Balances

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

Reserves	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
General Fund					
Unemployment Insurance Reserve	\$ 190,839	\$ 150,000	\$ 572	\$	\$ 341,411
Retirement Contribution Reserve - ERS	1,642,599		4,922		1,647,521
Retirement Contribution Reserve - TRS	100,000	372,647	300		472,947
Tax Certiorari Reserve	3,030,291		6,593	(830,000)	2,206,884
Liability Reserve	1,008,392		2,849	(69,315)	941,926
Employee Benefit Accrued Liability Reserve	4,347,325		13,027		4,360,352
Capital Reserve	50,807		152		50,959
Nuclear Facility Tax Stabilization Reserve	25,312,237		75,849		25,388,086
Total	\$ 35,682,490	\$ 522,647	\$ 104,264	\$ (899,315)	\$ 35,410,086
School Lunch Fund					
Restricted for School Lunch	\$ 297,784	\$ 1,143,090	\$ -	\$ (1,073,986)	\$ 366,888
Debt Service Fund					
Restricted for Debt Service	\$ 1,943,340	\$ 45,095	\$ 18,237	\$ (588,015)	\$ 1,418,657
Capital Projects Funds					
Restricted for Capital Projects	\$ 45,095	\$ -	\$ -	\$ (45,095)	\$ -

Note 14 Subsequent Events

On July 2, 2020, the School District issued \$2,120,000 in refunding bonds, to refund \$2,265,000 in 2013 Serial Bonds Series A.

Note 15 Uncertainty

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

Note 16 Tax Abatements

The School District is subject to tax abatement arrangements negotiated by the Oswego County Industrial Development Agency (OCIDA). These arrangement call for certain property owners to make Payments In Lieu of Taxes (PILOT) instead of property taxes.

For the year ended June 30, 2020, the School District had \$550,113,925 of assessed value subject to PILOT. The PILOT payment was \$9,039,000, and taxes abated were \$2,361,971.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local Sources				
Real Property Taxes	\$ 20,257,748	\$ 20,257,748	\$10,474,290	\$ (9,783,458)
Real Property Tax Items	2,220,000	2,220,000	11,169,474	8,949,474
Charges for Services	21,000	21,000	101,287	80,287
Use of Money and Property	159,500	159,500	153,499	(6,001)
Sale of Property and Compensation for Loss	4,209	4,209	58,790	54,581
Miscellaneous	775,000	786,828	1,069,167	282,339
Total Local Sources	<u>23,437,457</u>	<u>23,449,285</u>	<u>23,026,507</u>	<u>(422,778)</u>
State Sources	32,247,981	32,247,981	31,713,160	(534,821)
Medicaid Reimbursement	100,000	100,000	158,541	58,541
Total Revenues	<u>55,785,438</u>	<u>55,797,266</u>	<u>54,898,208</u>	<u>(899,058)</u>
OTHER FINANCING SOURCES				
Operating Transfers In	100,000	100,000	111,157	11,157
Total Revenues and Other Financing Sources	<u>55,885,438</u>	<u>55,897,266</u>	<u>\$55,009,365</u>	<u>\$ (887,901)</u>
Appropriated Fund Balance and Reserves	1,966,940	1,966,940		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	65,567	65,567		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	<u>\$ 57,917,945</u>	<u>\$ 57,929,773</u>		

See Notes to Required Supplementary Information

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

	Original Budget	Final Budget
EXPENDITURES		
General Support		
Board of Education	\$ 37,800	\$ 44,700
Central Administration	268,571	263,349
Finance	501,106	502,201
Staff	598,854	597,081
Central Services	4,661,277	4,663,776
Special Items	1,162,719	1,160,939
Total General Support	7,230,327	7,232,046
Instruction		
Instruction, Administration, and Improvement	1,814,028	1,772,023
Teaching - Regular School	13,287,876	13,499,126
Programs for Students with Disabilities	6,941,683	7,091,290
Occupational Education	1,650,000	1,380,575
Teaching - Special School	882,590	748,453
Instructional Media	2,458,017	2,458,017
Pupil Services	2,590,435	2,658,399
Total Instruction	29,624,629	29,607,883
Pupil Transportation	3,012,311	3,013,087
Community Services	149,297	149,298
Employee Benefits	12,455,762	12,455,762
Debt Service		
Principal	3,760,000	3,760,000
Interest	1,435,619	1,435,618
Total Debt Service	5,195,619	5,195,618
Total Expenditures	57,667,945	57,653,694
OTHER FINANCING USES		
Operating Transfers Out	250,000	276,079
Total Expenditures and Other Financing Uses	\$ 57,917,945	\$ 57,929,773
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

See Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 37,306	\$	\$ 7,394
263,300	49	-
464,267	206	37,728
380,345	21,850	194,886
3,926,679	96,290	640,807
1,137,728		23,211
6,209,625	118,395	904,026
1,666,104	67	105,852
13,263,107	26,545	209,474
7,085,675	336	5,279
1,380,575		-
729,172		19,281
2,298,438	3,343	156,236
2,387,806	32,325	238,268
28,810,877	62,616	734,390
2,644,640		368,447
121,832		27,466
12,014,243		441,519
3,760,000		-
1,427,177		8,441
5,187,177	-	8,441
54,988,394	181,011	2,484,289
276,079	-	-
55,264,473	\$ 181,011	\$ 2,484,289
(255,108)		
39,705,973		
\$ 39,450,865		

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

	2020	2019	2018
Contractually Required Contribution	\$ 899,598	\$ 911,243	\$ 880,656
Contributions in Relation to the Contractually Required Contribution	(899,598)	(911,243)	(880,656)
Contribution Deficiency (Excess)	-	-	-
School District's Covered Employee Payroll	6,800,819	6,662,056	6,231,931
Contributions as a Percentage of Covered Employee Payroll	13.2%	13.7%	14.1%

* Information Not Readily Available

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

	2020	2019	2018
Contractually Required Contribution	\$1,704,759	\$2,014,283	\$1,781,451
Contributions in Relation to the Contractually Required Contribution	(1,704,759)	(2,014,283)	(1,781,451)
Contribution Deficiency (Excess)	-	-	-
School District's Covered Employee Payroll	19,154,596	19,002,670	18,178,071
Contributions as a Percentage of Covered Employee Payroll	8.9%	10.6%	9.8%

See Notes to Required Supplementary Information

2017	2016	2015	2014	2013	2012	2011
\$ 912,285	\$ 987,490	\$ 1,159,738	\$1,118,824	\$1,019,462	\$ 775,323	\$ *
(912,285)	(987,490)	(1,159,738)	(1,118,824)	(1,019,462)	(775,323)	*
-	-	-	-	-	-	-
6,280,558	6,024,355	6,073,849	5,872,873	5,526,065	*	*
14.5%	16.4%	19.1%	19.1%	18.4%	N/A	N/A

2017	2016	2015	2014	2013	2012	2011
\$2,002,149	\$2,360,981	\$ 3,073,607	\$2,806,917	\$1,943,860	\$1,808,698	\$ 1,444,464
(2,002,149)	(2,360,981)	(3,073,607)	(2,806,917)	(1,943,860)	(1,808,698)	(1,444,464)
-	-	-	-	-	-	-
17,083,183	17,805,289	17,533,411	17,273,337	16,417,736	16,279,910	16,757,123
11.7%	13.3%	17.5%	16.3%	11.8%	11.1%	8.6%

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

	2020	2019
School District's Proportion of the Net Pension Asset/Liability	0.022827%	0.0231421%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 6,044,691	\$ 1,639,688
School District's Covered Payroll	6,724,229	6,610,631
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Payroll	89.9%	24.8%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	86.4%	96.3%

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

	2020	2019
School District's Proportion of the Net Pension Asset/Liability	0.001136%	0.111598%
School District's Proportionate Share of the Net Pension Asset/Liability	\$(2,951,577)	\$(2,017,987)
School District's Covered Payroll	19,002,670	18,178,071
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Payroll	15.5%	11.1%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	102.2%	101.5%

See Notes to Required Supplementary Information

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0219354%	0.0225336%	0.0226719%	0.0226515%
\$ 707,954	\$ 2,177,305	\$ 3,638,909	\$ 765,222
6,166,944	6,209,788	5,918,037	6,125,786
11.5%	35.1%	61.5%	12.5%
98.2%	94.7%	90.7%	97.9%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.107803%	0.115386%	0.116723%	0.116936%
\$ (819,408)	\$ 1,235,837	\$ (12,123,822)	\$ (13,025,993)
17,083,183	17,805,289	17,533,411	17,273,337
4.8%	7.0%	69.1%	75.4%
100.7%	99.0%	110.5%	111.5%

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

	2020	2019	2018
Service Cost	\$ 2,445,155	\$ 2,015,445	\$ 2,102,362
Interest Cost	2,206,653	2,223,103	1,979,609
Changes of Benefit Terms			
Differences Between Expected and Actual Experience	426,640	3,326,717	
Changes in Assumptions or Other Inputs	19,136,917	(1,101,040)	(2,787,739)
Benefit Payments	(1,521,822)	(1,419,532)	(916,907)
	22,693,543	5,044,693	377,325
Total OPEB Liability - Beginning	61,176,799	56,132,106	55,754,781
Total OPEB Liability - Ending	\$ 83,870,342	\$ 61,176,799	\$56,132,106
Covered Employee Payroll	\$ 23,727,376	\$ 20,014,944	\$20,568,345
Total OPEB Liability as a Percentage of Covered Payroll	353%	306%	*

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

See Notes to Required Supplementary Information

2017	2016	2015	2014	2013	2012	2011
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
<u>\$55,754,781</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
*	*	*	*	*	*	*

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Note 1 Budgetary Procedures and Budgetary Accounting

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

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

The following changes to the voter approved budget occurred during the year:

Note 2 Reconciliation of the General Fund Budget Basis to GAAP

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

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

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

2020 - 2.21%
2019 - 3.51%
2018 - 3.87%

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

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

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

NYSLRS

Changes in Benefit Terms

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

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation. The salary scales for both plans used in the April 1, 2018 actuarial valuation were increased by 10%. The interest rate assumption was reduced to 6.8% and the mortality improvement assumption was updated to Societies of Actuaries' Scale MP-2018 for the April 1, 2019 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2018 actuarial valuation determines the employer rates for contributions payable in fiscal year 2019. The following actuarial methods and assumptions were used:

Actuarial Cost Method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset Valuation Period	Five-year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary Scale	3.8% in ERS, indexed by service.
Investment Rate of Return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of Living Adjustments	1.3% annually.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

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

NYSTRS

Changes in Benefit Terms

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

Changes of Assumptions

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

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

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

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

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

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

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

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of School District's Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School District's Contributions.

Actuarial Cost Method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
-----------------------	---

Asset Valuation Method	Five-year phased-in deferred recognition of each year's net investment income/loss in excess of (or less than) the assumed valuation rate of interest at a rate of 20% per year, until fully recognized after five years.
------------------------	---

Inflation	2.5%
-----------	------

Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.
----------------------------	--

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment Rate of Return	7.25% compounded annually, net of investment expenses, including inflation.
---------------------------	---

Cost of Living Adjustments	1.3% compounded annually.
----------------------------	---------------------------

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	<u>\$57,852,378</u>
Prior Year's Encumbrances	<u>65,567</u>
Original Budget	<u>57,917,945</u>
Additions:	
Gifts and Donations	<u>11,828</u>
Final Budget	<u><u>\$57,929,773</u></u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-2021 Voter Approved Budget **\$57,619,200**

Maximum Allowed (4% of the 2020-2021 Budget) 2,304,768

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

Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 1,736,011
Unassigned Fund Balance	<u>2,304,768</u>
Total Unrestricted Fund Balance	<u><u>4,040,779</u></u>

Less:	
Appropriated Fund Balance	\$ 1,555,000
Encumbrances Included in Committed and Assigned Fund Balance	<u>181,011</u>
Total Adjustments	<u><u>1,736,011</u></u>

General Fund Fund Balance Subject to §1318 of Real Property Tax Law **\$ 2,304,768**

Actual Percentage 4.0%

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

PROJECT TITLE	Original Budget	Revised Budget	Expenditures		Total
			Prior Years	Current Year	
New Haven Elementary					
0-001-011	\$ 130,766	\$ 145,033	\$ 145,033	\$	\$ 145,033
0-001-013	291,528	291,528	138,021		138,021
Palermo Elementary					
0-002-012	131,805	147,514	147,514		147,514
0-002-014	696,872	696,872	227,105		227,105
Mexico Elementary					
0-003-011	179,818	181,952	181,952		181,952
0-003-013	1,016,629	1,016,629	349,627		349,627
0-003-017	525,000	525,000			-
Mexico High School					
0-004-015	1,325,000	1,344,463	714,739		714,739
0-004-016	153,534	155,078	155,078		155,078
0-004-020	420,000	420,000	69,091		69,091
Mexico Middle School					
0-005-008	264,896	241,313	241,313		241,313
Bus Garage					
4-008-006	138,125	142,455	142,455		142,455
4-008-008	50,000	50,000	46,767		46,767
4-008-009	50,000	50,000	4,530	49,411	53,941
District-wide					
7-999-BA2	1,120,251	1,120,251		530,586	530,586
2017 Bus Purchases	445,000	445,000	421,040		421,040
2018 Bus Purchases	683,637	683,637	679,581		679,581
2019 Bus Purchases	720,000	702,921	702,921		702,921
2020 Bus Purchases	670,000	671,003		671,003	671,003
Total	\$ 9,012,861	\$ 9,030,649	\$ 4,366,767	\$ 1,251,000	\$ 5,617,767

<u>Unexpended Balance</u>	<u>Methods of Financing</u>					<u>Fund Balance (Deficit) June 30, 2020</u>
	<u>Proceeds of Obligations</u>	<u>State Aid</u>	<u>Local Sources</u>	<u>Transfers to Other Funds</u>	<u>Total</u>	
\$ 153,507	\$ 145,033 138,021	\$	\$	\$	\$ 145,033 138,021	\$ - -
469,767	147,514 227,105				147,514 227,105	- -
667,002 525,000	181,952 349,627		100,000		181,952 349,627 100,000	- - 100,000
629,724 350,909	226,724 155,078	69,091	488,015		714,739 155,078 69,091	- - -
	241,313				241,313	-
3,233 (3,941)	142,455				142,455 - -	- (46,767) (53,941)
589,665 23,960 4,056	445,000 683,637 720,000 670,000	530,586	1,003	(23,960) (4,056) (17,079)	530,586 421,040 679,581 702,921 671,003	- - - - -
\$ 3,412,882	\$ 4,473,459	\$ 599,677	\$ 589,018	\$ (45,095)	\$ 5,617,059	\$ (708)

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

Capital Assets, Net	<u>\$ 61,322,908</u>
Deduct:	
Short-Term Portion of Bonds Payable	<u>(3,475,000)</u>
Long-Term Portion of Bonds Payable	<u>(30,570,001)</u>
Short-Term Portion Unamortized Bond Premiums	<u>(230,041)</u>
Long-Term Portion of Unamortized Bond Premiums	<u>(1,517,765)</u>
Add: Unrelated Debt (BOCES Bonds)	<u>2,265,000</u>
Short-Term Portion of Installment Purchase Debt	<u>(400,000)</u>
Long-Term Portion of Installment Purchase Debt	<u>(1,110,000)</u>
Net Investment in Capital Assets	<u><u>\$ 26,285,101</u></u>

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

Board of Education
Mexico Academy and Central School District
Mexico, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mexico Academy and Central School District (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 9, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Respectfully submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 9, 2020

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

Board of Education
Mexico Academy and Central School District
Mexico, New York

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 9, 2020

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA #	Pass - Through Grantor #	Pass - Through to Subrecipients	Expenditures
U.S. Department of Education				
Passed Through NYS Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	0032200714	\$	\$ 509,947
Special Education - Preschool Grants	84.173	0033200714		15,671
Total Special Education Cluster		Subtotal	-	525,618
Title I Grants to Local Educational Agencies	84.010	0021202350		566,072
Title I Grants to Local Educational Agencies	84.010	0021192350		142,446
		Subtotal	-	708,518
Rural Education Achievement Program	84.358	0006202350		7,500
Rural Education Achievement Program	84.358	0006192350		16,746
		Subtotal	-	24,246
Student Support and Academic Enrichment	84.424	0204202350		43,218
Supporting Effective Instruction State Grants	84.367	0147202350		42,609
Supporting Effective Instruction State Grants	84.367	0147192350		37,182
		Subtotal	-	79,791
Total U.S. Department of Education			-	1,381,391
U.S. Department of Agriculture				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	(1)		93,142
National School Lunch	10.555	(1)		415,207
COVID-19 Summer Food Service Program for Children	10.559	(1)		337,574
Summer Food Service Program for Children	10.559	(1)		38,631
Total Child Nutrition Cluster		Subtotal	-	884,554
Total U.S. Department of Agriculture			-	884,554
Total Expenditures of Federal Awards			\$	\$ 2,265,945

(1) - Unknown

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

Note 1 **Basis of Presentation**

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

Note 2 **Basis of Accounting**

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

Note 3 **Indirect Costs**

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

Note 4 **Matching Costs**

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

Note 5 **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2020, the School District received \$73,777 under the National School Lunch Program (CFDA #10.555).

Note 6 **Subrecipients**

No amounts were provided to subrecipients.

Note 7 **Other Disclosures**

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

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I Grants to Local Educational Agencies</u>

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

Auditee qualified as low risk? yes no

Section II Financial Statement Findings None

Section III Federal Award Findings and Questioned Costs None