

**BERNE KNOX WESTERLO
CENTRAL SCHOOL DISTRICT**

**Financial Statements and Required Report
as of June 30, 2023
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

October 30, 2023

The Board of Education of the
Berne Knox Westerlo Central School District:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Berne Knox Westerlo Central School District (School District) as of and for the year ended June 30, 2023, 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.

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, 2023, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedule of proportionate share of net pension liability (asset), and schedule of contributions – pension plans be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Supplementary 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 combining and individual nonmajor fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining and individual nonmajor fund financial statements is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information required by the New York State Education Department but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Berne Knox Westerlo Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Bonadio & Co., LLP

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2023

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2023. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed, as well as a comparative analysis to prior year information. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide net position of the School District was a deficit of \$69,023,533 at June 30, 2023. The deficit is primarily the result of the continuing effects of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which requires the recognition of an unfunded liability of \$95,475,991 at June 30, 2023. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.
- Government-wide net position was \$7,533,445 less than at July 1, 2022. The primary factor contributing to this decrease was the recognition of \$6,867,515 in expense related to the School District's other postemployment benefits plan and \$1,773,426 in expense related to the School District's pension plans.
- The School District's 2022-2023 general fund expenditures were less than the budget by approximately \$253,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are School District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the operation in more detail than the entity-wide statements.
- The governmental fund statements tell how basic services such as instruction and support functions were financed in the short-term, as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others, including the employees of the School District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-1: Organization of the School District's Annual Financial Report

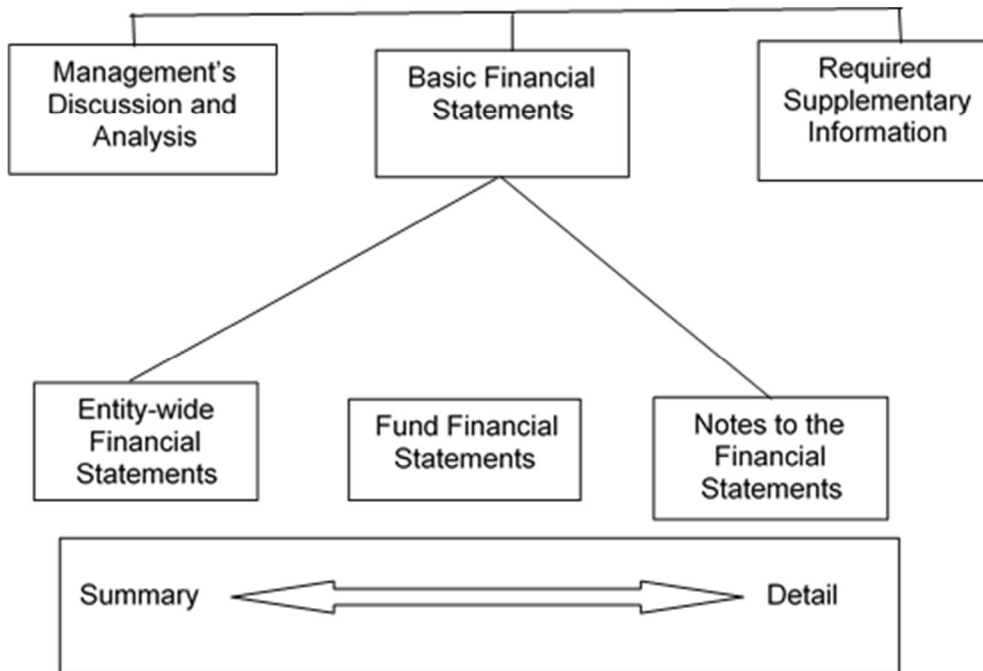


Table A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-2 Major Features of the School District-Wide and Fund Financial Statements

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

School District-Wide Statements

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

School District-Wide Statements (Continued)

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated in the governmental fund financial statements. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

School District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net position invested in capital assets.
 - Restricted net position are those with constraints placed on use by external sources or imposed by law.
 - Unrestricted net position are net position that do not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

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 position can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the School District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, debt service fund, and the capital project fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- *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 School District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's net position as of June 30, 2023 are as detailed in Tables A-3 and A-4.

Table A-3 Condensed Statement of Net position (In Thousands of Dollars)

	Fiscal Year <u>2023</u>	Fiscal Year <u>2022</u>	Percent <u>Change</u>
Current and other assets	\$ 6,466	\$ 8,129	-20.5%
Non current assets	<u>36,349</u>	<u>44,950</u>	<u>-19.1%</u>
Total assets	<u>42,815</u>	<u>53,079</u>	<u>-19.3%</u>
Deferred outflows of resources	<u>35,044</u>	<u>37,265</u>	<u>-6.0%</u>
Current liabilities	4,007	3,990	0.4%
Long-term liabilities	<u>116,900</u>	<u>112,654</u>	<u>3.8%</u>
Total liabilities	<u>120,907</u>	<u>116,644</u>	<u>3.7%</u>
Deferred inflows of resources	<u>25,975</u>	<u>35,191</u>	<u>-26.2%</u>
Net position:			
Investment in capital assets, net of related debt	15,492	13,850	11.9%
Restricted	5,771	7,055	-18.2%
Unrestricted	<u>(90,286)</u>	<u>(82,396)</u>	<u>9.6%</u>
Total net position	<u>\$ (69,023)</u>	<u>\$ (61,491)</u>	<u>12.2%</u>

During 2023, the School District's non-current assets decreased 19.1% primarily due to the school district's recognizing net pension liabilities for both the NYS Employees Retirement System and the NYS Teachers Retirement System in 2023. In 2022, both retirement systems had net pension assets totaling \$7,935,316. Capital assets decreased slightly due to depreciation which was partially offset by the purchase of new buses.

Changes in Net position

The School District's fiscal year 2023 revenue totaled \$25,619,472 (see Table A-4). Property taxes and state aid accounted for most of the School District's revenue by contributing 42% and 45%, respectively, of every dollar raised (see Table A-5). The remainder came from fees charged for services, tuition for foster students, interest earnings, Medicaid reimbursement, and other miscellaneous sources.

The total cost of all programs and services totaled \$33,152,917 in 2023. Approximately 83% of this amount is used predominantly to support general instruction, the provision of services to students with disabilities, and student transportation (see Table A-6). The School District's Board of Education, administrative, and business activities accounted for 16% of total costs.

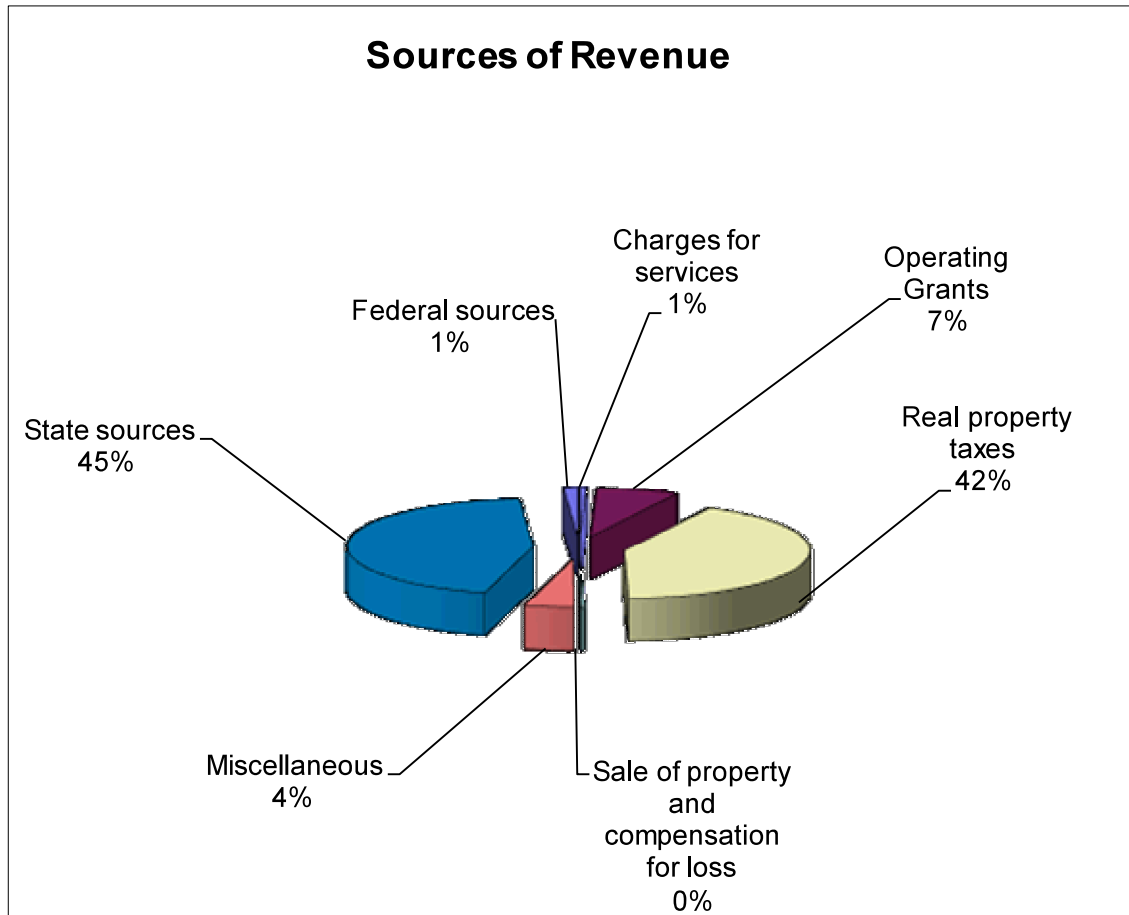
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-4 Changes in Net position from Operating Results (In Thousands of Dollars)

	Fiscal Year <u>2023</u>	Fiscal Year <u>2022</u>	Percent <u>Change</u>
<u>Revenue</u>			
Charges for services	\$ 138	\$ 27	411.1%
Operating grants	1,818	1,939	-6.2%
General revenue:			
Real property taxes	10,758	10,780	-0.2%
Use of money and property	72	9	700.0%
State sources	11,433	11,329	0.9%
Federal sources	304	78	289.7%
Sale of property/compensation for loss	19	6	216.7%
Miscellaneous	1,078	849	27.0%
	<hr/>	<hr/>	
Total revenue	25,620	25,017	2.4%
<u>Expenses</u>			
General support	5,320	4,562	16.6%
Instruction	23,554	21,706	8.5%
Pupil transportation	3,297	2,984	10.5%
Debt service	360	469	-23.2%
School lunch program	622	638	-2.5%
	<hr/>	<hr/>	
Total expenses	33,153	30,359	9.2%
	<hr/>	<hr/>	
Change in net position	\$ (7,533)	\$ (5,342)	41.0%

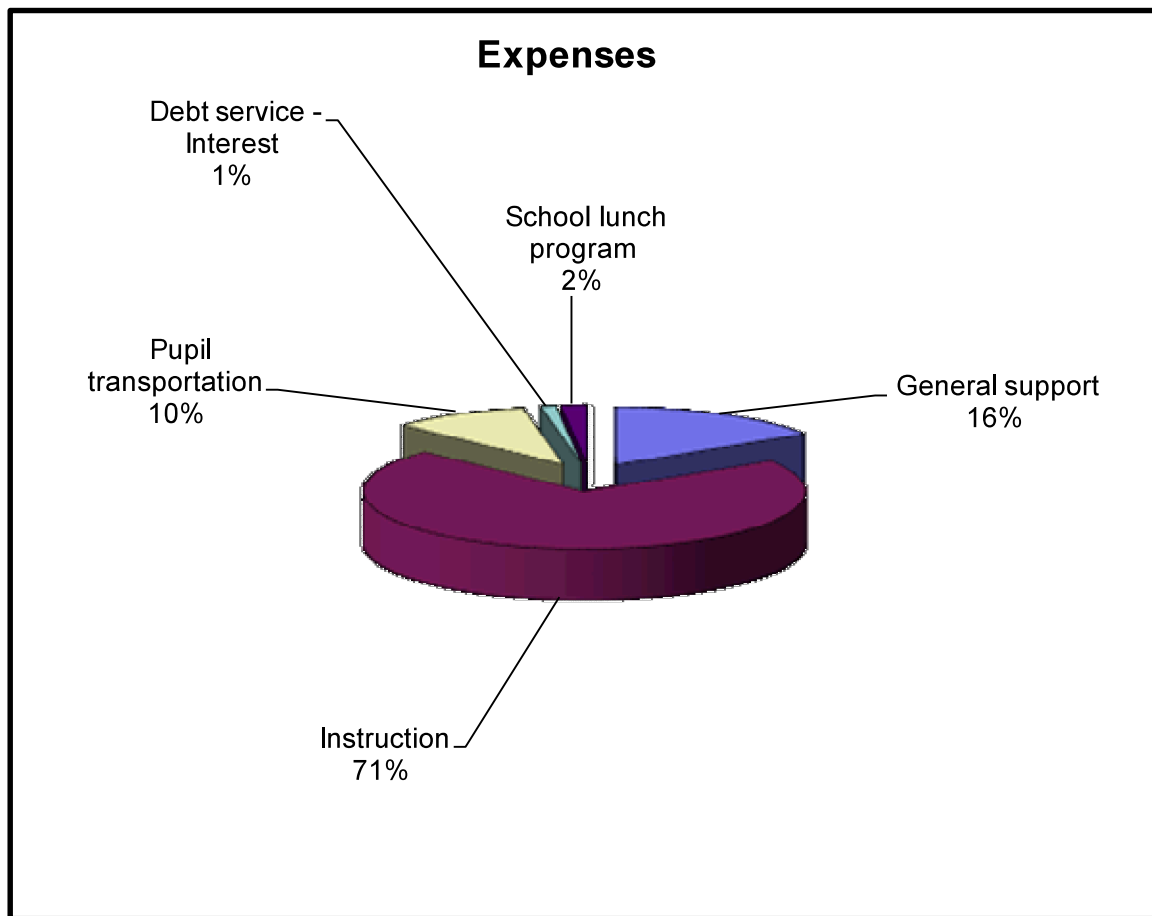
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-5 Sources of Revenue for Fiscal Year 2023:



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-6 Expenditures for Fiscal Year 2023:



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities

Revenue for the School District's governmental activities totaled \$25,619,472, 2.4% more than the previous fiscal year. Total expenses equaled \$33,152,917, 9.3% less than the previous fiscal year. The net result of the change in the School District's financial condition can be credited to:

- School District staff continues to actively pursue grant opportunities through local efforts, state legislative grants, and federal grants.
- Net changes to revenues and expenditures as detailed in the financial highlights, resulted in a favorable increase to fund balance.

Table A-7 presents the cost of five major School District activities: instruction, pupil, general support, transportation, debt service, and school lunch. The table also shows each activity's net cost (total cost less fees generated by the activities and aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

Table A-7 Net Cost of Governmental Activities

<u>Category</u>	<u>2023</u>		<u>2022</u>	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
General support	\$ 5,320	\$ 5,320	\$ 4,562	\$ 4,562
Instruction	23,554	21,990	21,705	20,205
Pupil transportation	3,297	3,297	2,984	2,984
Debt service	360	360	469	469
School lunch	<u>622</u>	<u>230</u>	<u>638</u>	<u>172</u>
Total	<u>\$ 33,153</u>	<u>\$ 31,197</u>	<u>\$ 30,358</u>	<u>\$ 28,392</u>

The total cost of all governmental activities this year was \$33,152,917.

- The users of the School District's programs funded \$137,760 of the cost.
- The federal and state governments subsidized certain programs with grants and contributions in the amount of \$1,817,582.
- Most of the School District's net costs, \$31,197,575, were financed by taxpayers and state aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Variances between years for the governmental fund financial statement are not the same as variances between years for the School District-wide financial statements. The School District's governmental funds are presented on the current financial resource measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

No other significant variances are reflected in the governmental fund financial statements for 2023.

Capital Assets

By the end of 2023, the School District had an investment, net of accumulated depreciation of \$36,348,529 in a broad range of capital assets.

Table A-8: Capital Assets (net of accumulated depreciation)

<u>Category</u>	Fiscal Year <u>2023</u>	Fiscal Year <u>2022</u>	Percent <u>Change</u>
Land	\$ 131	\$ 132	-0.8%
Buildings and improvements	33,515	34,036	-1.5%
Equipment and furniture	2,263	2,290	-1.2%
Leased equipment	<u>439</u>	<u>557</u>	-21.1%
Total	<u>\$ 36,348</u>	<u>\$ 37,015</u>	<u>-1.8%</u>

Long-Term Liabilities

At year-end, the School District had \$119,607,501 of long-term liabilities outstanding. More detailed information about the School District's long-term liabilities is presented in the notes to the financial statements.

Table A-9: Outstanding Long-Term Liabilities

<u>Category</u>	Fiscal Year <u>2023</u>	Fiscal Year <u>2022</u>
General obligation bonds	\$ 20,518	\$ 22,671
Other post employment benefits	95,476	91,796
Net pension liability - ERS	2,152	-
Net pension liability - TRS	817	-
Compensated absences	305	324
Lease liabilities	<u>339</u>	<u>494</u>
Total	<u>\$ 119,608</u>	<u>\$ 115,285</u>

During the year, the School District issued new debt of \$387,273 of serial bonds.

FACTORS BEARING ON THE FUTURE OF THE SCHOOL DISTRICT

At the time these financial statements were prepared and audited, the School District was aware of the following existing circumstances that could significantly affect its future financial health:

- The district faced increased costs during the 2022-23 school year due to high prescription drug claims among its active and retired employees covered by our prescription insurance program. Additional fund balance was applied to mitigate the cost overruns. Additional steps taken include moving eligible retired employees to a Medicare Advantage Plan, thus reducing RX claims on the district program. The plan is to continue to monitor those costs and continue to maintain alternative health insurance and prescription insurance options at the same level of service, but with better cost effectiveness.
- The District will be analyzing the application of Federal COVID funding as the expenditure period comes to a close. The District may seek to continue programs created with the Federal grant funds and therefore must ensure appropriate funding for those programs or services.
- During the 2024 calendar year, architects serving the District will conduct a Building Condition Survey for NYSED submission. We anticipate a moderate set of items needing to be addressed as a result of the BCS. It is anticipated the BCS will end up in a proposed capital project in the years following 2024.
- As the local and national economy experience an inflationary trend, the impact to cost of supplies, equipment, fuel, food, and services is something to keep in mind for financial planning.
- In 2027, diesel buses will no longer be sold in NYS and electric buses are the anticipated replacement option. The District is in the early stages of planning for this transition to an electric fleet to meet the 2035 deadline for doing so. As a small rural district, located in the mountains, the transition to electric buses, including charging stations for the fleet, will be a costly endeavor, while the feasibility and efficiency of electric buses is still a subject in question for rural districts.
- All collective units in the District have agreements in place for multiple years, allowing for cost predictability for the District.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Berne Knox Westerlo Central School District Office
1738 Helderberg Trail
Berne, NY 12023

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT**STATEMENT OF NET POSITION
JUNE 30, 2023****ASSETS**

CURRENT ASSETS:

Cash - Unrestricted	\$ 1,609,104
Cash - Restricted	1,981,801
State and federal aid receivable	982,362
Accounts receivable	558,425
Prepaid expenditures	1,324,600
Inventory	9,881
	<u>6,466,173</u>
Total current assets	

NON CURRENT ASSETS:

Capital assets, non-depreciable	131,863
Capital assets, depreciable, net	<u>36,216,666</u>
Total non current assets	<u>36,348,529</u>

TOTAL ASSETS

42,814,702**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources - OPEB	29,349,791
Deferred outflows of resources - ERS pension	1,430,944
Deferred outflows of resources - TRS pension	<u>4,263,201</u>
Total deferred outflows of resources	<u>35,043,936</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

77,858,638**LIABILITIES**

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	101,348
Accrued interest	185,305
Due to Teachers' Retirement System	850,231
Due to Employees' Retirement System	87,906
Unearned revenue	75,298
Bonds payable, due within one year	2,544,719
Leases payable, due within one year	<u>162,591</u>
Total current liabilities	<u>4,007,398</u>

LONG-TERM LIABILITIES:

Bonds payable, net of current portion	17,973,099
Leases payable, net of current portion	176,448
Net pension liability - ERS	2,152,302
Net pension liability - TRS	817,310
Total other post-employment benefits	95,475,991
Compensated absences payable	<u>305,041</u>
Total long-term liabilities	<u>116,900,191</u>

TOTAL LIABILITIES

120,907,589**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources - OPEB	25,275,523
Deferred inflows of resources - ERS pension	188,304
Deferred inflows of resources - TRS pension	<u>510,755</u>
Total deferred inflows of resources	<u>25,974,582</u>

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

146,882,171**NET POSITION**

Net investment in capital assets	15,491,672
Restricted	5,770,604
Unrestricted	<u>(90,285,809)</u>
TOTAL NET POSITION	<u>\$ (69,023,533)</u>

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program Revenue</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u>	
FUNCTIONS/PROGRAMS:				
General support	\$ 5,320,321	\$ -	\$ -	\$ (5,320,321)
Instruction	23,553,927	13,572	1,549,870	(21,990,485)
Pupil transportation	3,297,192	-	-	(3,297,192)
Debt service - Interest	359,683	-	-	(359,683)
School lunch program	621,794	124,188	267,712	(229,894)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 33,152,917</u>	<u>\$ 137,760</u>	<u>\$ 1,817,582</u>	<u>(31,197,575)</u>
GENERAL REVENUE:				
Real property taxes				10,758,124
Use of money and property				71,617
Sale of property and compensation for loss				19,330
Miscellaneous				1,078,142
State sources				11,433,069
Medicaid				<u>303,848</u>
TOTAL GENERAL REVENUE				<u>23,664,130</u>
CHANGE IN NET POSITION				<u>(7,533,445)</u>
TOTAL NET POSITION - beginning of year				<u>(61,490,088)</u>
TOTAL NET POSITION - end of year				<u>\$ (69,023,533)</u>

The accompanying notes are an integral part of these statements.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Governmental Fund Types					Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-Major Funds</u>	
ASSETS						
Cash - Unrestricted	\$ 1,550,429	\$ 29,752	\$ -	\$ -	\$ 28,923	\$ 1,609,104
Cash - Restricted	1,297,637	-	12,178	547,460	124,526	1,981,801
Accounts receivable	544,242	1,829	-	-	12,354	558,425
Due from other funds	3,342,306	1,550,949	-	956,915	1,829	5,851,999
State and federal aid receivable	368,017	573,521	-	-	40,824	982,362
Prepaid expenditures	1,324,600	-	-	-	-	1,324,600
Inventory	-	-	-	-	9,881	9,881
TOTAL ASSETS	<u>\$ 8,427,231</u>	<u>\$ 2,156,051</u>	<u>\$ 12,178</u>	<u>\$ 1,504,375</u>	<u>\$ 218,337</u>	<u>\$ 12,318,172</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 99,892	\$ -	\$ -	\$ -	\$ 1,456	\$ 101,348
Due to other funds	2,250,949	2,106,166	1,312,440	-	182,444	5,851,999
Due to Teachers' Retirement System	850,231	-	-	-	-	850,231
Due to Employees' Retirement System	87,906	-	-	-	-	87,906
Unearned revenue	-	49,885	-	-	25,413	75,298
TOTAL LIABILITIES	<u>3,288,978</u>	<u>2,156,051</u>	<u>1,312,440</u>	<u>-</u>	<u>209,313</u>	<u>6,966,782</u>
FUND BALANCE						
Non-spendable						
Inventory	-	-	-	-	9,881	9,881
Restricted						
Unemployment	101,973	-	-	-	-	101,973
Employee benefits	453,003	-	-	-	-	453,003
Retirement contributions	561,424	-	-	-	-	561,424
Repair	90,000	-	-	-	-	90,000
Debt service	-	-	-	1,504,375	-	1,504,375
Capital projects	2,934,838	-	-	-	-	2,934,838
Other - extraclassroom activity funds and scholarships	-	-	-	-	124,991	124,991
Total restricted fund balance	<u>4,141,238</u>	<u>-</u>	<u>-</u>	<u>1,504,375</u>	<u>124,991</u>	<u>5,770,604</u>
Assigned						
Other Assigned	38,831	-	-	-	-	38,831
Appropriated for subsequent years expenditures	<u>876,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>876,500</u>
Total assigned fund balance	<u>915,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>915,331</u>
Unassigned	<u>81,684</u>	<u>-</u>	<u>(1,300,262)</u>	<u>-</u>	<u>(125,848)</u>	<u>(1,344,426)</u>
TOTAL FUND BALANCE (DEFICIT)	<u>5,138,253</u>	<u>-</u>	<u>(1,300,262)</u>	<u>1,504,375</u>	<u>9,024</u>	<u>5,351,390</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)						
	<u>\$ 8,427,231</u>	<u>\$ 2,156,051</u>	<u>\$ 12,178</u>	<u>\$ 1,504,375</u>	<u>\$ 218,337</u>	<u>\$ 12,318,172</u>

The accompanying notes are an integral part of these statements.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION JUNE 30, 2023

Total governmental fund balance per Balance Sheet - Governmental Funds

\$ 5,351,390

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

36,348,529

Pension related government wide activity

Deferred outflows of resources - ERS

1,430,944

Deferred outflows of resources - TRS

4,263,201

Net pension liability - ERS

(2,152,302)

Net pension liability - TRS

(817,310)

Deferred inflows of resources - ERS

(188,304)

Deferred inflows of resources - TRS

(510,755)

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

Bonds and notes payable

(20,517,818)

Leases payable

(339,039)

Compensated absences

(305,041)

Other postemployment benefits government wide activity

Total OPEB liability

(95,475,991)

Deferred outflows of resources

29,349,791

Deferred inflows of resources

(25,275,523)

Interest payable at year end, in the government-wide statements under full accrual accounting.

(185,305)

NET POSITION GOVERNMENTAL ACTIVITIES

\$ (69,023,533)

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Governmental Fund Types						Total Governmental Funds
	General	Special Aid	Capital Projects	Debt Service	Non-Major Funds		
REVENUE:							
Real property taxes	\$ 10,758,124	\$ -	\$ -	\$ -	\$ -	\$	10,758,124
Charges for services	13,572	-	-	-	-	-	13,572
Use of money and property	47,151	-	12	24,445	9	-	71,617
Sale of property and compensation for loss	19,330	-	-	-	-	-	19,330
Miscellaneous	918,013	26,982	-	-	133,147	-	1,078,142
State sources	11,514,223	391,279	-	-	34,248	-	11,939,750
Federal sources	1,419	1,158,591	-	-	233,464	-	1,393,474
Medicaid reimbursement	303,848	-	-	-	-	-	303,848
Sales - School lunch	-	-	-	-	124,188	-	124,188
Total revenue	23,575,680	1,576,852	12	24,445	525,056		25,702,045
EXPENDITURES:							
General support	2,428,170	293,239	-	-	111,994		2,833,403
Instruction	10,603,882	1,248,848	-	-	-		11,852,730
Pupil transportation	1,451,353	83,243	-	-	-		1,534,596
Employee benefits	6,906,329	-	-	-	65,347		6,971,676
Debt service - Principal	2,739,963	-	-	-	-		2,739,963
Debt service - Interest	603,661	-	-	-	-		603,661
Cost of sales	-	-	-	-	418,357		418,357
Capital outlay	-	-	940,318	-	4,925		945,243
Total expenditures	24,733,358	1,625,330	940,318	-	600,623		27,899,629
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,157,678)	(48,478)	(940,306)	24,445	(75,567)		(2,197,584)
OTHER SOURCES AND (USES):							
Proceeds from bonds	-	-	387,273	-	-		387,273
Proceeds from issuance of leases	108,265	-	-	-	-		108,265
Operating transfers in	581,000	48,478	553,045	-	75,000		1,257,523
Operating transfers (out)	(676,523)	-	-	(581,000)	-		(1,257,523)
Total other sources (uses)	12,742	48,478	940,318	(581,000)	75,000		495,538
CHANGE IN FUND BALANCE	(1,144,936)	-	12	(556,555)	(567)		(1,702,046)
FUND BALANCE (DEFICIT) - beginning of year	6,283,189	-	(1,300,274)	2,060,930	9,591		7,053,436
FUND BALANCE (DEFICIT) - end of year	\$ 5,138,253	\$ -	\$ (1,300,262)	\$ 1,504,375	\$ 9,024	\$	5,351,390

The accompanying notes are an integral part of these statements.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

Net changes in fund balance - Total governmental funds	\$ (1,702,046)
Capital outlays, net of disposals are expenditures in governmental funds, but are capitalized in the statement of net position	954,016
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(1,394,275)
Amortization is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(226,191)
State aid revenue in the statement of activities is recognized as revenue in the government-wide statements but is not recognized as revenue under the modified accrual basis of accounting in the fund financial statements	(82,573)
Pension expense resulting from the GASB 68 related reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(722,024)
Proceeds from the issuance of long-term debt are recorded as other sources in the governmental funds, but are recorded as additions to liabilities in the statement of net position	(387,273)
Proceeds from the issuance of leases are recorded as other sources in the governmental funds, but are recorded as additions to liabilities in the statement of net position	(108,265)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	2,739,963
Bond premium is recognized as revenue in the governmental funds but is amortized in the government-wide financial statements	64,028
Other postemployment benefits expense resulting from GASB 75 related reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(6,867,515)
Accrued interest expense does not require the expenditure of current resources and is, therefore, not reported as an expenditure in the governmental funds	179,950
Accrued compensated absences do not require the expenditure of current resources and are, therefore not reported as expenditures in the governmental funds	18,760
Change in net position - Governmental activities	<u>\$ (7,533,445)</u>

The accompanying notes are an integral part of these statements.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

1. NATURE OF OPERATIONS

Berne Knox Westerlo Central School District (School District) provides free K-12 public education to students living within its geographic borders.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

The School District is governed by the Laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The BOE has authority to make decisions, power to appoint management and accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by generally accepted accounting principles. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the 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 following is a brief description of a certain entity included in the School District's reporting entity.

Extraclassroom Activity Funds

The extraclassroom activity funds of the School District represent funds of the students of the School District. The board of education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the School District's business office. The School District accounts for assets held as an agent for various student organizations in the miscellaneous special revenue fund.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

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

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

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 the New York State Education Law, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

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

Basis of Presentation

The School District's financial statements consist of school district-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund level financial statements which provide more detailed information.

School District-Wide 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 revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenue 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. Program revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The fund 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 fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of the School District are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its position, liabilities, fund balances, revenues, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the School District are as follows:

Governmental Fund Types

Governmental funds are those in which most governmental functions of the School District are reported. The acquisition, use, and balances of the School District's expendable financial resources and the related liabilities (except those accounted for in the fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income.

The following are the School District's major governmental funds:

- *General Fund* - This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- *Special Aid Fund* - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- *Capital Projects Funds* - These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- *Debt Service Fund* - This fund accounts for the accumulation of resources and payment of principal and interest on long-term general obligation debt of the governmental activities.

The following are the School District's nonmajor governmental funds:

- *School Lunch Fund* - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- *Miscellaneous Special Revenue Fund* - This fund accounts for proceeds from various funding sources, which may be restricted by a donor or designated by the School District for specific purposes. The transactions of the Extraclassroom Activity Funds and scholarships are included in this fund.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 dates of the financial statements and the reported revenue 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.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The School District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The School District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year.

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

Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in demand deposit accounts, and amounts with the New York Cooperative Liquid Assets Securities System (NYCLASS). The School District's deposit and investment policies are governed by State statutes. The School District has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include NYCLASS, obligations of the U.S. Treasury, U.S. Agencies and obligations of New York State or its political subdivisions and accordingly, the School District's policy provides for no credit risk on investments.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 102% of all deposits not covered by FDIC insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and School District subdivisions.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

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

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

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Inventories

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 market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Interfund transactions

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

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

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. 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 School District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000	N/A	N/A
Buildings and improvements	\$ 5,000	SL	50
Furniture and equipment	\$ 5,000	SL	5-10
Buses	\$ 5,000	SL	8

Capital assets also include lease assets with a term greater than one year. The School District does not implement a capitalization threshold for lease assets. Lease assets are amortized on a straight-line basis over the term of the lease.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

The government has the following items that qualifies for reporting in this category:

- Deferred charges result from pension contributions made subsequent to the measurement date of the plan.
- Deferred charges result from differences between expected and actual experience of the plan.
- Deferred charges result from net differences between projected and actual earnings on pension plan investments of the plan.

These amounts are deferred and amortized and expensed against pension expense in future periods.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The government has the following item that qualifies for reporting in this category:

- The net amount of the School District's balances of deferred inflows of resources related to pensions is reported in the government-wide Statement of Net Position as deferred inflows of resources. This represents the effect of the net change in the School District's proportion of the collective net pension asset or liability and the difference during the measurement period between the School District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vested Employee Benefits

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with generally accepted accounting principles, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

Retirement Benefits

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

Other Post-Employment Benefits

In addition to providing the pension benefits described, the School District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of these 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 School District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level the School District recognizes the cost of providing health care 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.

Unearned Revenue

Unearned revenue is reported when potential revenue does meet both the measurable and available criteria for recognition in the current period. These amounts are recorded as deferred inflows of resources in the governmental fund financial statements.

Unearned revenue also arises 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 both recognition criteria are met, or when the School District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recorded.

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

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

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

Restricted Resources

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

School District-Wide Statements

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

Net Investment in capital assets – consists of net capital assets (cost less accumulated depreciation and unspent bond proceeds related to capital projects) reduced by outstanding balances of related debt obligations from the acquisition, constructions, or improvements of those assets.

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

Unemployment	\$ 101,973
Employee benefits	453,003
Retirement contributions	561,424
Repairs	90,000
Debt service	1,504,375
Capital projects	2,934,838
Extraclassroom activity funds and scholarships	<u>124,991</u>
Total restricted net position	<u>\$ 5,770,604</u>

Unrestricted net position – reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the School District.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements

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

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The School District has available the following restricted fund balances:

Capital

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

Workers' Compensation

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

Unemployment Insurance

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

Debt Service

Mandatory reserve for debt service (GML §6-l) is 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. The reserve is accounted for in the general fund and debt service under restricted fund balance.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements (Continued)

Insurance

Insurance reserve is used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund under restricted fund balance.

Property Loss Reserve and Liability Reserve

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

Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is 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. The reserve is accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

Encumbrances

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements (Continued)

Encumbrances (Continued)

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School Districts highest level of decision-making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2023.

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$38,831. As of June 30, 2023, the School District's encumbrances within the general fund were classified as follows:

Assigned Fund Balance:

Instruction	\$ 9,939
General support	14,606
Pupil Transportation	<u>14,286</u>
Total encumbrances	<u>\$ 38,831</u>

The School District also has assigned fund balance of \$124,991 in the miscellaneous special revenue fund for extraclassroom activity funds, scholarships and miscellaneous purposes.

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Fund Balance Spending Policy

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

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND SCHOOL DISTRICT WIDE STATEMENTS

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

Total Fund Balances of Governmental Funds vs. Net position of Governmental Activities

Total fund balances of the School District's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

- **Long-Term Revenue and Expense Differences**

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

- **Capital Related Differences**

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

- **Long-Term Debt Transaction Differences**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

Appropriations are adopted at the program line-item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law).

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets (Continued)

These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The School District had no supplemental appropriations during the year.

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

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

Fund Balance

Portions of fund balances are restricted and not available for current expenses or expenditures, as reported in the governmental funds balance sheet.

Fund Deficit

The school lunch fund has a fund deficit of \$115,967. It is the School District's intent to eliminate this deficit through improved operating results and/or interfund transfers.

5. CASH AND CASH EQUIVALENTS

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.

The School District participates in NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2023, the District held \$542,703 in investments consisting of various investments in securities issued by the United States and its agencies. NYCLASS is rated 'AAAm' by S&P Global Ratings. The investments are highly liquid and the amount held represents the amortized cost of the investment pool shares, which are considered to approximate fair value. Due to the highly liquid nature of these investments, they are classified as cash equivalents in the financial statements. Additional information concerning NYCLASS, including the annual report, can be found on its website as www.newyorkclass.org.

5. CASH AND CASH EQUIVALENTS (Continued)

As of June 30, 2023, the School District's aggregate bank balances were exposed to custodial credit risk as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash	\$ 3,665,659	\$ 3,043,263
Cash equivalents	<u>542,703</u>	<u>547,575</u>
	<u>\$ 4,208,362</u>	<u>\$ 3,590,838</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name	\$ 3,183,065	
Covered by FDIC insurance	<u>482,594</u>	
Total	<u>\$ 3,665,659</u>	

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

Restricted cash consists of the following:

General fund:

Cash on deposit for reserves	
Unemployment	\$ 14
Employee benefits	194,216
Retirement contributions	22
Reserves and investments	1,103,356
Capital projects	<u>29</u>
Total general fund restricted cash	<u>\$ 1,297,637</u>

Capital projects fund:

Cash on deposit for voter approved capital projects	<u>\$ 12,178</u>
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Miscellaneous special revenue fund:

Cash on deposit for miscellaneous purposes	\$ 46,684
Cash on deposit for extraclassroom activity funds	41,377
Cash on deposit for scholarships	<u>36,465</u>
Total miscellaneous special revenue fund	<u>\$ 124,526</u>

Debt service fund:

Cash on deposit for debt service	<u>\$ 547,460</u>
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6. PARTICIPATION IN BOCES

During the year, the School District was billed \$2,699,716 for BOCES administrative and program costs.

The School District's share of BOCES aid amounted to \$942,079.

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

7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023, were as follows:

	July 1, 2022 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2023 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 131,863	\$ -	\$ -	\$ 131,863
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-depreciable cost	<u>131,863</u>	<u>-</u>	<u>-</u>	<u>131,863</u>
Capital assets that are depreciated:				
Buildings and improvements	44,600,517	403,045	31,428	44,972,134
Furniture and equipment	<u>7,813,038</u>	<u>707,873</u>	<u>1,189,023</u>	<u>7,331,888</u>
Total depreciable historical cost	<u>52,413,555</u>	<u>1,110,918</u>	<u>1,220,451</u>	<u>52,304,022</u>
Less accumulated depreciation:				
Buildings and improvements	10,564,074	919,983	26,586	11,457,471
Furniture and equipment	<u>5,523,571</u>	<u>474,292</u>	<u>928,698</u>	<u>5,069,165</u>
Total accumulated depreciation	<u>16,087,645</u>	<u>1,394,275</u>	<u>955,284</u>	<u>16,526,636</u>
Total depreciable cost, net	<u>36,325,910</u>	<u>(283,357)</u>	<u>265,167</u>	<u>35,777,386</u>
Lease assets being amortized				
Equipment	<u>757,698</u>	<u>108,265</u>	<u>32,515</u>	<u>833,448</u>
Total lease assets being amortized	<u>757,698</u>	<u>108,265</u>	<u>32,515</u>	<u>833,448</u>
Less accumulated amortization				
Equipment	<u>200,492</u>	<u>226,191</u>	<u>32,515</u>	<u>394,168</u>
Total acculated amortization	<u>200,492</u>	<u>226,191</u>	<u>32,515</u>	<u>394,168</u>
Total lease assets being amortized, net	<u>557,206</u>	<u>(117,926)</u>	<u>-</u>	<u>439,280</u>
Total governmental activities capital assets, net	<u>\$ 37,014,979</u>	<u>\$ (401,283)</u>	<u>\$ 265,167</u>	<u>\$ 36,348,529</u>

7. CAPITAL ASSETS (Continued)

Depreciation and amortization expense for the year ended June 30, 2023 was allocated to specific functions as follows:

	<u>Depreciation</u>	<u>Amortization</u>
Instruction	\$ 1,003,878	\$ 226,191
General support	223,084	-
Transportation	153,370	-
Cost of goods sold	<u>13,943</u>	<u>-</u>
Total Depreciation	<u>\$ 1,394,275</u>	<u>\$ 226,191</u>

8. SHORT-TERM DEBT

The School District may issue revenue anticipation notes (RAN) or tax anticipation notes (TAN), in anticipation of the receipt of revenue. These notes are recorded as a liability in 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 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 may issue bond anticipation notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

The School District had no short-term debt activity for the year.

9. LONG-TERM DEBT

Total interest for the year was composed of:

Interest paid	\$ 603,661
Less: interest accrued in prior year	(365,255)
Plus: interest accrued in current year	185,305
Amortization of bond premium	<u>(64,028)</u>
Total expense	<u>\$ 359,683</u>

9. LONG-TERM DEBT (Continued)

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government activities					
Bonds and notes payable:					
General obligation debt:					
Serial bonds payable	\$ 21,596,636	\$ 387,273	\$ 2,316,636	\$ 19,667,273	\$ 2,382,273
Energy Bond	655,148	-	159,856	495,292	162,446
Total bonds and notes payable	22,251,784	387,273	2,476,492	20,162,565	2,544,719
Plus - unamortized bond premium	419,281	-	64,028	355,253	-
Total bonds and notes payable	22,671,065	387,273	2,540,520	20,517,818	2,544,719
Other liabilities:					
Total other post employment benefits	91,796,338	13,167,082	9,487,429	95,475,991	-
Net Pension Liability - ERS	-	2,152,302 {A}	-	2,152,302	-
Net Pension Liability - TRS	-	817,310 {A}	-	817,310	-
Compensated absences	323,801	-	18,760 {A}	305,041	-
Lease liabilities	494,245	108,265	263,471	339,039	162,591
Total other liabilities	92,614,384	16,244,959	9,769,660	99,089,683	162,591
Total long-term liabilities	\$115,285,449	\$ 16,632,232	\$ 12,310,180	\$119,607,501	\$ 2,707,310

{A} Additions and deletions to compensated absences and the net pension liability – ERS & TRS are shown net because it is impractical to determine these amounts separately.

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2023 Balance</u>
Serial Bond - Reconstruction	2022	2036	2.00%	\$ 16,460,000
Serial Bond - Buses	2022	2027	1.48%	265,000
Serial Bond - Construction	2002	2025	2.75-4.00%	60,000
Serial Bond - Construction	2012	2026	2.00-2.125%	2,120,000
Serial Bond - Buses	2019	2024	0.75-3.75%	45,000
Serial Bond- Buses	2020	2024	.50-3.05%	120,000
Serial Bond- Buses	2021	2026	1.24%	210,000
Serial Bond- Buses	2022	2028	.50-5.83%	387,273
Energy Bond	2013	2026	2.45%	495,292
Total				<u>\$ 20,162,565</u>

9. LONG-TERM DEBT (Continued)

The following is a summary of the maturities of bonds and notes payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,544,719	\$ 390,932	\$ 2,935,651
2025	2,555,086	334,664	2,889,750
2026	1,917,760	288,835	2,206,595
2027	1,380,000	253,249	1,633,249
2028	1,335,000	223,578	1,558,578
2029-2033	6,655,000	715,850	7,370,850
2034-2036	<u>3,775,000</u>	<u>103,550</u>	<u>3,878,550</u>
Totals	<u>\$ 20,162,565</u>	<u>\$ 2,310,658</u>	<u>\$ 22,473,223</u>

10. LEASES

The School District leases various copiers and equipment, primarily with Capital Region Board of Cooperative Educational Services. The leases do not contain renewal options. The leases have various inception dates and remaining terms of 40-60 months. Lease agreements are summarized as follows:

<u>Description</u>	<u>Terms (In Months)</u>	<u>Interest Rate/ Discount Rate</u>	<u>Total Lease Liability</u>
Equipment - BOCES #455	61	2.47%	\$ 98,143
Equipment - BOCES #428	49	2.80%	39,162
Equipment - BOCES #402	40	2.37%	147,929
Vehicle - GM Finance	40	2.16%	16,233
Tractor - Univest Capital, Inc.	61	2.16%	<u>37,572</u>
Total Leases			<u>\$ 339,039</u>

Activity of lease liabilities for the year ended June 30, 2023 is summarized as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>\$ 494,245</u>	<u>\$ 108,265</u>	<u>\$ 263,471</u>	<u>\$ 339,039</u>	<u>\$ 162,591</u>

10. LEASES (Continued)

Annual requirements to amortize long-term leases and related interest are as follow:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Fiscal Year Ending June 30.</u>			
2024	\$ 162,591	\$ 6,920	\$ 169,511
2025	118,546	3,082	121,628
2026	49,773	997	50,770
2027	<u>8,129</u>	<u>50</u>	<u>8,179</u>
Total	<u>\$ 339,039</u>	<u>\$ 11,049</u>	<u>\$ 350,088</u>

11. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 3,342,306	\$ 2,250,949	\$ 581,000	\$ 676,523
Capital projects fund	-	1,312,440	553,045	-
Debt service fund	956,915	-	-	581,000
School lunch fund	-	182,444	75,000	-
Special aid fund	1,550,949	2,106,166	48,478	-
Misc. special revenue	<u>1,829</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 5,851,999</u>	<u>\$ 5,851,999</u>	<u>\$ 1,257,523</u>	<u>\$ 1,257,523</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

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.

12. PENSION PLANS

New York State Employees' Retirement System

The School District participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing 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), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an 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.

12. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

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.

Contributions

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27th, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2023	\$	354,152
2022	\$	267,180
2021	\$	399,462

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

At June 30, 2023, the School District reported a liability of \$2,152,302 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2023, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2022. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2023, the School District's proportion was 0.0100368%, which was an increase of .0015889% from its proportion measured June 30, 2022.

For the year ended June 30, 2023, the School District recognized pension expense of \$724,533. At June 30, 2023, 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
Differences between expected and actual experience	\$ 229,237	\$ 60,445
Changes of Assumptions	1,045,297	11,552
Net difference between projected and actual earnings on pension plan investments	-	12,645
Changes in proportion and differences between the District's contributions and proportionate share of contributions	68,504	103,662
Contributions subsequent to the measurement date	87,906	-
Total	<u>\$ 1,430,944</u>	<u>\$ 188,304</u>

12. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

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

\$87,906 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Plan's Year Ended March 31:		
2024	\$	260,820
2025		(132,002)
2026		431,331
2027		594,585
2028		-
Thereafter		-
	\$	<u>1,154,734</u>

The total pension liability at March 31, 2023 was determined by using an actuarial valuation as of April 1, 2022, with update procedures used to roll forward the total pension liability to March 31, 2023. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.90%
Salary scale	4.40%
Projected COLAs	1.50%
Decrement	Developed from the Plan's 2020 experience study of the period April 1, 2015 through April 1, 2020
Mortality improvement	Society of Actuaries Scale MP-2021
Investment Rate of Return	5.9% compounded annually, net of investment expenses

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 equities and fixed income as well as historical investment data and plan performance.

12. PENSION PLANS (Continued)

New York State Employees' Retirement System (Continued)

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2023 are summarized below:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	32.0%	4.30%
International Equity	15.0%	6.85%
Private Equity	10.0%	7.50%
Real Estate	9.0%	4.60%
Opportunistic/ARS Portfolio	3.0%	5.38%
Credit	4.0%	5.43%
Real Assets	3.0%	5.84%
Fixed Income	23.0%	1.50%
Cash	1.0%	0.00%
	<u>100.0%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 5.90%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1 % Decrease (4.90%)</u>	<u>Current Assumption (5.90%)</u>	<u>1% Increase (6.90%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 5,201,192	\$ 2,152,302	\$ (395,399)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2023 were as follows:

	<u>Pension Plan's Fiduciary Net Position</u>
Total pension liability	\$ 232,627,259,000
Net position	(211,183,223,000)
Net pension liability (asset)	<u>\$ 21,444,036,000</u>
Fiduciary net position as a percentage of total pension liability	90.78%

12. PENSION PLANS (Continued)

New York State Teacher Retirement System

The School District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system (the System). The System offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The System provides 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The School District is required to contribute at an actuarially determined rate. The School District 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:

2023	\$	762,011
2022	\$	739,453
2021	\$	676,246

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

At June 30, 2023, the School District reported a liability of \$817,310 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of June 30, 2021. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2023 the School District's proportion was 0.0425930%, which was an increase of .0007860% from its proportion measured June 30, 2022.

12. PENSION PLANS (Continued)

New York State Teacher Retirement System (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, 2023, the School District recognized pension expense of \$1,048,893. At June 30, 2023 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
Differences between expected and actual experience	\$ 856,437	\$ 16,377
Changes of Assumptions	1,585,443	329,236
Net difference between projected and actual earnings on pension plan investments	1,056,042	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	3,268	165,142
Contributions subsequent to the measurement date	762,011	-
Total	<u>\$ 4,263,201</u>	<u>\$ 510,755</u>

\$762,011 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Plan's Year Ended June 30:

2023	\$ 562,809
2024	273,328
2025	(165,292)
2026	2,058,316
2027	253,237
Thereafter	8,037
	<u>\$ 2,990,435</u>

12. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

Actuarial Assumptions

The total pension liability at the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. These actuarial valuations used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.40%
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	5.18%
15	3.64%
25	2.50%
35	1.95%

Projected COLAs	1.30% compounded annually
Investment Rate of Return	6.95% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on the Society of Actuaries Scale MP2021, applied on a generational basis. Active mortality rates are based on the plan member experience.

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.

12. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

Actuarial Assumptions(Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-term expected real rate of return in %</u>
Domestic Equity	33.0%	6.5%
International Equity	16.0%	7.2%
Global Equity	4.0%	6.9%
Real Estate Equity	11.0%	6.2%
Private Equity	8.0%	9.9%
Domestic Fixed Income	16.0%	1.1%
Global Bonds	2.0%	60.0%
Private Debt	2.0%	5.3%
Real Estate Debt	6.0%	2.4%
High-yield Bonds	1.0%	3.3%
Cash Equivalents	1.0%	-0.3%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 6.95%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability (asset) of the School District calculated using the discount rate of 6.95%, as well as what the School District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1 % Decrease (5.95%)</u>	<u>Current Assumption (6.95%)</u>	<u>1% Increase (7.95%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 7,535,982	\$ 817,310	\$ (4,833,049)

12. PENSION PLANS (Continued)

New York State Teacher Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers as June 30, 2022, were as follows:

	Pension Plan's Fiduciary Net Position
Total pension liability	\$ 133,883,473,797
Net position	(131,964,582,107)
Net pension liability (asset)	<u>\$ 1,918,891,690</u>
Fiduciary net position as a percentage of total pension liability	98.57%

13. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The School District's defined benefit OPEB plan, provides OPEB for all employees who meet the NYSTRS/NYSERS eligibility requirements. Teachers and Administrators age 55 with 5 years of service who are eligible to retire and collect benefits according to the NYSTRS are eligible for retiree health care benefits for life from the School District. Support staff hired before January 1, 2010 age 55 with 5 years of service are eligible to retire and collect benefits for life from the School District according to NYSERS. Members after January 1, 2010 must be 55 years old with 10 years of service to qualify for NYSERS health care benefits.

The plan is a single-employer defined benefit OPEB 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 Statement 75.

Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	155
Inactive employees entitled to but	
not yet receiving benefits	-
Active employees	<u>173</u>
Total participants	<u>328</u>

Total OPEB Liability

The School District's total OPEB liability of \$95,475,991 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2022.

13. OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Varies by years of service and retirement system
Discount Rate	4.13%
Healthcare Cost Trend Rates:	
Medical	6.75% increase from 2022 to 2023, followed by 6.50% from 2023 to 2024, decreasing gradually to an ultimate rate of 4.14% by 2076
Dental	3.50% from 2022 to 2023, decreasing by 0.25% annually to an ultimate rate of 3.00%
Share of Benefit-Related Costs	Varies based on applicable bargaining unit

The discount rate was based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AAA/Aa or higher.

The mortality rates are based on SOA Pub-2010 Headcount-Weighted table (teachers for TRS group and general employees for ERS group) projected fully generationally using MP-2021.

Changes in the Total OPEB Liability

Balance at June 30, 2022	\$ 91,796,338
Changes for the Year:	
Service cost	3,155,695
Interest	3,310,380
Changes of benefit terms	849,833
Changes in assumptions or other inputs	(6,585,225)
Differences between expected and actual experience	5,851,174
Benefit payments	<u>(2,902,204)</u>
Balance at June 30, 2023	<u>\$ 95,475,991</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.54% in 2022 to 4.13% in 2023.

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 or 1 percentage point higher than the current discount rate:

	1% Decrease (3.13%)	Current Discount (4.13%)	1% Increase (5.13%)
Total OPEB Liability	<u>\$113,186,802</u>	<u>\$ 95,475,991</u>	<u>\$ 81,497,586</u>

13. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

	Healthcare		
	1%	Current	1%
	Decrease	Discount	Increase
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Total OPEB Liability	<u>\$ 79,575,684</u>	<u>\$ 95,475,991</u>	<u>\$116,258,313</u>

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

For the year ended June 30, 2023, the School District recognized OPEB expense of \$6,867,515. At June 30, 2023, 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
Changes of assumptions	\$ 13,970,074	\$ 25,275,523
Difference between expected and actual experience	<u>15,379,717</u>	<u>-</u>
Total	<u>\$ 29,349,791</u>	<u>\$ 25,275,523</u>

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

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2024	\$ 2,659,313
2025	3,405,878
2026	3,676,296
2027	(1,843,108)
2028	(3,719,244)
Thereafter	<u>(104,867)</u>
	<u>\$ 4,074,268</u>

14. RISK MANAGEMENT

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

The School District does not purchase insurance for the risk of losses for unemployment and workers' compensation claims. Instead, the School District manages its risks for these losses internally and accounts for these in the School District's general fund, including provisions for unexpected and unusual claims.

Claims are recognized as expenditures when it is probable that an asset has been impaired, or a liability has been incurred and the amount of loss can be reasonably estimated. At June 30, 2023, management estimates there are no outstanding claims liabilities.

15. CONTINGENCIES AND COMMITMENTS

General Information

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

Commitments

The School District has various commitments with contractors for the completion of capital projects.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

REVENUE	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
LOCAL SOURCES:					
Real property taxes	\$ 10,745,665	\$ 10,745,665	\$ 10,758,124	\$ -	\$ 12,459
Charges for services	5,000	5,000	13,572	-	8,572
Use of money and property	55,000	55,000	47,151	-	(7,849)
Sale of property and compensation for loss	6,000	6,000	19,330	-	13,330
Miscellaneous	386,000	386,000	918,013	-	532,013
Total local sources	11,197,665	11,197,665	11,756,190	-	558,525
State sources					
Federal sources	11,814,848	11,814,848	11,514,223	-	(300,625)
Medicaid reimbursement	-	-	1,419	-	1,419
	50,000	50,000	303,848	-	253,848
Total revenue	23,062,513	23,062,513	23,575,680	-	513,167
OTHER FINANCING SOURCES					
Proceeds from issuance of leases	-	-	108,265	-	108,265
Transfers from other funds	-	-	581,000	-	581,000
Total other sources	-	-	689,265	-	689,265
Total revenue and other financing sources	23,062,513	23,062,513	24,264,945	-	1,202,432

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	31,003	26,103	25,903	-	200
Central administration	215,928	215,062	215,062	-	-
Finance	376,351	397,526	397,017	-	509
Staff	168,390	225,103	225,103	-	-
Central services	1,385,340	1,410,371	1,394,551	14,606	1,214
Special items	<u>207,353</u>	<u>170,534</u>	<u>170,534</u>	<u>-</u>	<u>-</u>
Total general support	2,384,365	2,444,699	2,428,170	14,606	1,923
INSTRUCTION:					
Instruction, administration, and improvement	435,301	606,023	605,512	-	511
Teaching - Regular school	5,105,808	5,085,377	5,072,436	9,239	3,702
Programs for children with handicapping conditions	2,890,439	2,801,493	2,798,867	-	2,626
Occupational education	663,000	624,089	624,089	-	-
Instructional media	778,016	754,231	606,060	700	147,471
Pupil services	<u>872,078</u>	<u>904,534</u>	<u>896,918</u>	<u>-</u>	<u>7,616</u>
Total instruction	10,744,642	10,775,747	10,603,882	9,939	161,926
Pupil transportation	1,734,728	1,479,894	1,451,353	14,286	14,255
Employee benefits	6,502,000	7,233,599	6,906,329	-	327,270
Debt service - Principal	2,336,784	2,497,286	2,739,963	-	(242,677)
Debt service - Interest	<u>418,293</u>	<u>592,859</u>	<u>603,661</u>	<u>-</u>	<u>(10,802)</u>
Total expenditures	<u>24,120,812</u>	<u>25,024,084</u>	<u>24,733,358</u>	<u>38,831</u>	<u>251,895</u>
OTHER FINANCING USES					
Transfers to other funds	<u>275,000</u>	<u>678,045</u>	<u>676,523</u>	<u>-</u>	<u>1,522</u>
Total other financing uses	<u>275,000</u>	<u>678,045</u>	<u>676,523</u>	<u>-</u>	<u>1,522</u>
Total expenditures and other financing uses	<u>24,395,812</u>	<u>25,702,129</u>	<u>25,409,881</u>	<u>38,831</u>	<u>253,417</u>
NET CHANGE IN FUND BALANCE	(1,333,299)	(2,639,616)	(1,144,936)		
FUND BALANCE - beginning of year	<u>6,283,189</u>	<u>6,283,189</u>	<u>6,283,189</u>		
FUND BALANCE - end of year	<u>\$ 4,949,890</u>	<u>\$ 3,643,573</u>	<u>\$ 5,138,253</u>		

The accompanying notes are an integral part of these schedules.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total OPEB Liability										
Service cost	\$ 3,155,695	\$ 4,663,513	\$ 3,751,502	\$ 2,416,530	\$ 1,945,639	\$ 2,029,182				
Interest	3,310,380	2,504,785	2,184,453	2,622,641	2,123,313	1,934,351				
Changes of benefit terms	849,833	-	-	-	(2,436,966)	-				
Differences between expected and actual experience	5,851,174	380,433	8,886,160	815,620	12,440,884	-				
Changes in assumptions	(6,585,225)	(25,681,075)	4,246,747	19,856,463	8,083,205	(2,750,457)				
Benefit payments	(2,902,204)	(2,725,553)	(2,997,891)	(2,836,681)	(2,721,617)	(1,953,976)				
Total change in total OPEB liability	3,679,653	(20,857,897)	16,070,971	22,874,573	19,440,458	(740,902)				
Total OPEB liability - beginning	91,796,338	112,654,235	96,583,264	73,708,691	54,268,233	55,009,135				
Total OPEB liability - ending	\$ 95,475,991	\$ 91,796,338	\$ 112,654,235	\$ 96,583,264	\$ 73,708,691	\$ 54,268,233				
Covered-employee payroll	\$ 10,616,635	\$ 10,616,635	\$ 9,365,847	\$ 9,820,499	\$ 7,717,249	\$ 9,159,843				
Total OPEB liability as a percentage of covered-employee payroll	899.3%	864.6%	1202.8%	983.5%	955.1%	592.5%				

Notes to schedule:

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

Discount rate	3.54%	3.54%	2.16%	2.21%	3.51%	3.87%
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Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

**Information for the periods prior to
implementation of GASB 75 is
unavailable and will be completed for
each year going forward as they
become available.**

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN											
Proportion of the net pension liability (asset)	0.0100368%	0.0084479%	0.0090308%	0.0092719%	0.0092476%	0.0095374%	0.0084959%	0.0089774%	0.0086329%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.	
Proportionate share of the net pension liability (asset)	\$ 2,152.3	\$ (690.6)	\$ 9.0	\$ 2,455.2	\$ 655.2	\$ 307.8	\$ 798.3	\$ 1,440.9	\$ 291.6		
Covered-employee payroll	\$ 2,781.9	\$ 2,454.8	\$ 2,644.6	\$ 2,613.8	\$ 2,500.7	\$ 2,537.7	\$ 2,150.8	\$ 2,336.5	\$ 2,270.2		
Proportionate share of the net pension liability (asset)	77.37%	-28.13%	0.34%	93.93%	26.20%	12.13%	37.12%	61.67%	12.85%		
as a percentage of its covered-employee payroll	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%		
Plan fiduciary net position as a percentage of the total pension liability (asset)											
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN											
Proportion of the net pension liability (asset)	0.0425930%	0.0418070%	0.0404810%	0.0399170%	0.0386140%	0.0376650%	0.0378940%	0.0377720%	0.0357450%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.	
Proportionate share of the net pension liability (asset)	\$ 817.3	\$ (7,244.7)	\$ 1,118.6	\$ (1,037.0)	\$ (698.2)	\$ (286.3)	\$ 405.8	\$ (3,923.3)	\$ (3,981.7)		
Covered-employee payroll	\$ 7,405.4	\$ 7,545.4	\$ 7,096.0	\$ 6,870.9	\$ 6,662.8	\$ 6,289.7	\$ 5,988.6	\$ 5,845.9	\$ 5,673.8		
Proportionate share of the net pension liability (asset)	11.04%	-96.01%	15.76%	-15.09%	-10.48%	-4.55%	6.80%	-67.11%	-70.18%		
as a percentage of its covered-employee payroll	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%		
Plan fiduciary net position as a percentage of the total pension liability (asset)											

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN											
Contractually required contribution	\$ 354.2	\$ 267.2	\$ 399.5	\$ 357.6	\$ 344.8	\$ 328.7	\$ 326.3	\$ 356.8	\$ 431.4		Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.
Contributions in relation to the contractually required contribution	354.2	267.2	399.5	357.6	344.8	328.7	326.3	356.8	431.4		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Covered-employee payroll	\$ 2,781.9	\$ 2,454.8	\$ 2,644.6	\$ 2,613.8	\$ 2,500.7	\$ 2,537.7	\$ 2,150.8	\$ 2,336.5	\$ 2,270.2		Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.
Contributions as a percentage of covered-employee payroll	12.73%	10.88%	15.11%	13.68%	13.79%	12.95%	15.17%	15.27%	19.00%		
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN											
Contractually required contribution	\$ 762.0	\$ 739.5	\$ 676.2	\$ 707.6	\$ 616.4	\$ 699.5	\$ 775.2	\$ 994.6	\$ 858.0		Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.
Contributions in relation to the contractually required contribution	762.0	739.5	676.2	707.6	616.4	699.5	775.2	994.6	858.0		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Covered-employee payroll	\$ 7,405.4	\$ 7,545.4	\$ 7,096.0	\$ 6,870.9	\$ 6,662.8	\$ 6,289.7	\$ 5,968.6	\$ 5,845.9	\$ 5,673.8		Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.
Contributions as a percentage of covered-employee payroll	10.29%	9.80%	9.53%	10.30%	9.25%	11.12%	12.99%	17.01%	15.12%		

SUPPLEMENTARY INFORMATION

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

SCHEDULE OF COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2023

	School <u>Lunch</u>	Miscellaneous Special <u>Revenue</u>	Total Non-Major Governmental <u>Funds</u>
ASSETS			
Cash - Unrestricted	\$ 28,923	\$ -	\$ 28,923
Cash - Restricted	-	124,526	124,526
Accounts receivable	12,354	-	12,354
Due from other funds	-	1,829	1,829
State and federal aid receivable	40,824	-	40,824
Inventory	<u>9,881</u>	<u>-</u>	<u>9,881</u>
TOTAL ASSETS	<u>\$ 91,982</u>	<u>\$ 126,355</u>	<u>\$ 218,337</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 92	\$ 1,364	\$ 1,456
Due to other funds	182,444	-	182,444
Unearned revenue	<u>25,413</u>	<u>-</u>	<u>25,413</u>
TOTAL LIABILITIES	<u>207,949</u>	<u>1,364</u>	<u>209,313</u>
FUND BALANCE			
Non-spendable			
Inventory	<u>9,881</u>	<u>-</u>	<u>9,881</u>
Restricted			
Other - extraclassroom activity funds and scholarships	<u>-</u>	<u>124,991</u>	<u>124,991</u>
Total restricted fund balance	<u>-</u>	<u>124,991</u>	<u>124,991</u>
Unassigned	<u>(125,848)</u>	<u>-</u>	<u>(125,848)</u>
TOTAL FUND BALANCE (DEFICIT)	<u>(115,967)</u>	<u>124,991</u>	<u>9,024</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 91,982</u>	<u>\$ 126,355</u>	<u>\$ 218,337</u>

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

**SCHEDULE OF COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	School <u>Lunch</u>	Miscellaneous Special <u>Revenue</u>	Total Non-Major Governmental <u>Funds</u>
REVENUE:			
Use of money and property	\$ 5	\$ 4	\$ 9
Miscellaneous	12,085	121,062	133,147
State sources	34,248	-	34,248
Federal sources	233,464	-	233,464
Sales - School lunch	<u>124,188</u>	<u>-</u>	<u>124,188</u>
Total revenue	<u>403,990</u>	<u>121,066</u>	<u>525,056</u>
EXPENDITURES:			
General support	-	111,994	111,994
Employee benefits	65,347	-	65,347
Cost of sales	418,357	-	418,357
Other	<u>-</u>	<u>4,925</u>	<u>4,925</u>
Total expenditures	<u>483,704</u>	<u>116,919</u>	<u>600,623</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(79,714)</u>	<u>4,147</u>	<u>(75,567)</u>
OTHER SOURCES AND (USES):			
Operating transfers in	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total other sources (uses)	<u>75,000</u>	<u>-</u>	<u>75,000</u>
CHANGE IN FUND BALANCE	(4,714)	4,147	(567)
FUND BALANCE (DEFICIT) - beginning of year	<u>(111,253)</u>	<u>120,844</u>	<u>9,591</u>
FUND BALANCE (DEFICIT) - end of year	<u>\$ (115,967)</u>	<u>\$ 124,991</u>	<u>\$ 9,024</u>

OTHER INFORMATION (UNAUDITED)

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION - GENERAL FUND (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2023

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 24,395,812
Add: Prior year's encumbrances	<u>11,071</u>
Original budget	24,406,883
Budget revision	<u>1,295,246</u>
Final budget	<u>\$ 25,702,129</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2023-24 voter-approved expenditure budget	\$ 25,641,075	
Maximum allowed (4% of 2023-24 budget)		\$ 1,025,643
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law *:		
Total fund balance:	<u>\$ 5,138,253</u>	
Less:		
Restricted fund balance	\$ 4,141,238	
Assigned fund balance:		
Appropriated fund balance	876,500	
Encumbrances included in committed and assigned fund balance	<u>38,831</u>	
Total adjustments	<u>\$ 5,056,569</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 81,684</u>
Actual percentage		0.32%

*Per Office of the State Comptroller's "Fund Balance and Governmental Fund Type Definitions", Updated April 2011 (Originally issued November 2010), the portion of fund balance subject to Section 1318 of the Real Property Tax Law is : unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classification), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023

Project Title	Authorization		Expenditures		Available Balance	Methods of Financing				Fund Balance June 30, 2023
	Original Appropriation	Revised Appropriation	Prior Years	Current Year		Proceeds of Obligations	Local Sources	Transfers In (Out)	Total	
District-wide - Construction	\$ -	\$ -	\$ 19,862,370	\$ -	\$ 19,862,370	\$ 17,605,000	\$ 63	\$ 554,000	\$ 18,159,063	\$ (1,703,307)
District-wide - Buses	-	-	-	537,273	537,273	387,273	-	150,000	537,273	-
Building purchase	-	403,045	-	403,045	403,045	-	-	403,045	403,045	403,045
	\$ -	\$ 403,045	\$ -	\$ 940,318	\$ 940,318	\$ 17,992,273	\$ 63	\$ 1,107,045	\$ 19,099,381	\$ (1,300,262)

BERNE KNOX WESTERLO CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED)
JUNE 30, 2023

Capital assets, net			\$ 36,348,529
Deduct:			
Short-term portion of bonds payable	2,544,719		
Long-term portion of bonds payable	17,973,099		
Short-term portion of leases payable	162,591		
Long-term portion of leases payable	176,448		
Less: Unspent bond proceeds	<u>-</u>	<u>20,856,857</u>	
Net investment in capital assets			<u>\$ 15,491,672</u>

The accompanying notes are an integral part of these schedules.

REQUIRED REPORT

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

October 30, 2023

To the Board of Education
Berne Knox Westerlo Central School District:

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 Berne Knox Westerlo Central School District (School District), as of and for the year ended June 30, 2023, 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 30, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

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(Continued)

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

Report on 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 financial statements. 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.

Bonadio & Co., LLP