

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2024**

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT

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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

To the President and Members
of 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 financial statements of the governmental activities and each major fund of the Berne-Knox-Westerlo Central School District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Berne-Knox-Westerlo Central School District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 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 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.

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 GAAS 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 GAAS 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 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 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 on pages 4-14, budgetary comparison information on pages 56-57, schedule of changes in total OPEB liability on page 58, schedules of proportionate share of net pension (liability) (asset) on page 59 and schedules of district contributions on page 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berne-Knox-Westerlo Central School District's basic financial statements. The supplementary information on pages 61-63 and the schedule of expenditures of federal awards on page 69, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2024, on our consideration of the 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 the 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 District's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Latham, NY
October 24, 2024

**Berne Knox Westerlo Central School District's
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2024**

The following is a discussion and analysis of Berne Knox Westerlo Central School District's financial performance for the fiscal year ended June 30, 2024. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide net position of the School District was \$(76,294,394) at June 30, 2024. The deficit is primarily the results of continuing effects of GASB Statement 75, "Account and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions," which requires the recognition of an unfunded liability of \$98,365,004 at June 30, 2024. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficits in subsequent years.
- Government-wide net position was \$7,270,861 in more of a deficit than at July 1, 2023. The primary factor contributing to this decrease was the recognition of \$6,597,951 in expense related to the School District's other postemployment benefits plan and \$771,133 in expense related to the School District's pension plan.
- The School District's 2023/2024 general fund expenditures were less than the budget by approximately \$435,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that provide additional information about the financial statements and 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 below shows how the various parts of this annual report are arranged and related to one another.

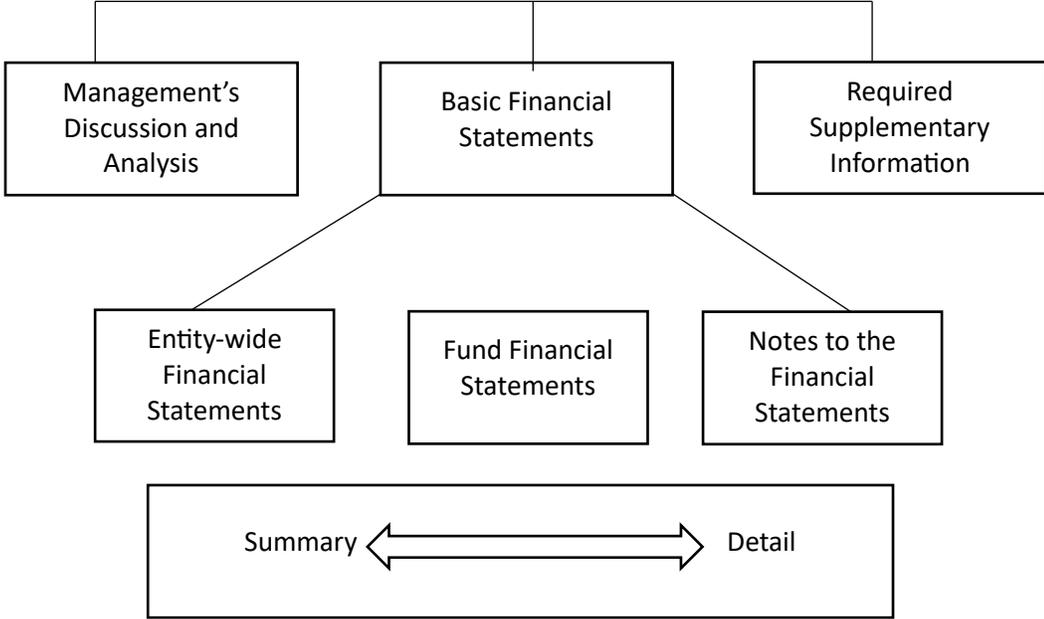


Table A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

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

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

District-Wide Statements

The 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, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the School District's *net position* and how it has changed. Net position - the difference between the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the District's financial health or *position*.

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

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

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 are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of account that involves the following steps to format the Statement of New Position:

- Capitalize current outlays for capital and lease assets;
- Report long-term debt and leases as a liability;
- Depreciate capital assets and allocate the depreciation to the proper function;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - 1) Net position invested in capital assets, net of related debt;
 - 2) Restricted net position are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation; and
 - 3) Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

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

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid funds, 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 fund. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. The District has no funds that meet the definition of a Fiduciary fund.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Table A-3 shows a two-year analysis of the District's net position.

Table A-3: Condensed Statements of Net Position

	Governmental Activities		Total
	<u>2024</u>	<u>2023</u>	<u>Variance</u>
<u>ASSETS:</u>			
Current and Other Assets	\$ 6,045,395	\$ 6,466,173	\$ (420,778)
Capital and Lease Assets	34,936,515	36,348,529	(1,412,014)
Total Assets	<u>\$ 40,981,910</u>	<u>\$ 42,814,702</u>	<u>\$ (1,832,792)</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows of Resources	<u>\$ 25,430,582</u>	<u>\$ 35,043,936</u>	<u>\$ (9,613,354)</u>
<u>LIABILITIES:</u>			
Long-Term Debt Obligations	\$ 119,462,503	\$ 119,607,471	\$ (144,968)
Other Liabilities	1,302,172	1,300,088	2,084
Total Liabilities	<u>\$ 120,764,675</u>	<u>\$ 120,907,559</u>	<u>\$ (142,884)</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows of Resources	<u>\$ 21,942,211</u>	<u>\$ 25,974,582</u>	<u>\$ (4,032,371)</u>
<u>NET POSITION:</u>			
Net Investment in Capital and Lease Assets	\$ 16,445,392	\$ 15,491,672	\$ 953,720
Restricted	2,717,318	5,770,604	(3,053,286)
Unrestricted	(95,457,104)	(90,285,809)	(5,171,295)
Total Net Position	<u>\$ (76,294,394)</u>	<u>\$ (69,023,533)</u>	<u>\$ (7,270,861)</u>

During 2024, the School District's deferred outflows of resources decreased 27.4% and deferred inflows of resources decreased 15.5% primarily due to changes in these amounts for the other postemployment benefit plan.

Changes in Net Position

The School Districts Fiscal year in 2024 revenues totaled \$26.3 million. Property taxes and state formula aid accounted for most of the School District's revenue by contributing 42.11% and 45.68% respectively, of every dollar earned. The remainder came from fees charged for services, operation rants and other miscellaneous sources. These revenues are shown in table A-4.

The total cost of all programs and services totaled \$33.6 million for fiscal year 2024. These expenses (92.61%) are predominantly support to general support, instruction, transportation, and Employee Benefits. These expenses are shown in table A-4.

Table A-4 shows a two-year analysis of the districts revenues and expenditures for the 2024 and 2023 school years.

Table A-4

Changes in Net Position from Operating Results

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2024</u>	<u>2023</u>	<u>Variance</u>
<u>REVENUES:</u>			
<u>Program -</u>			
Charges for Service	\$ 136,830	\$ 137,760	\$ (930)
Operating Grants & Contributions	1,987,004	1,817,582	169,422
Capital Grants & Contributions	-	-	-
Total Program	\$ 2,123,834	\$ 1,955,342	\$ 168,492
<u>General -</u>			
Property Taxes	\$ 11,085,761	\$ 10,758,124	\$ 327,637
State and Federal Aid	11,982,750	11,736,917	245,833
Investment Earnings	228,466	71,617	156,849
Compensation for Loss	(69,391)	19,330	(88,721)
Miscellaneous	999,455	1,078,142	(78,687)
Total General	\$ 24,227,041	\$ 23,664,130	\$ 562,911
TOTAL REVENUES	\$ 26,350,875	\$ 25,619,472	\$ 731,403
<u>EXPENSES:</u>			
General Support	\$ 2,555,849	\$ 5,320,321	\$ (2,764,472)
Instruction	12,266,308	23,553,927	(11,287,619)
Pupil Transportation	1,743,668	3,297,192	(1,553,524)
Employee Benefits	14,572,965	-	14,572,965
Depreciation and Amortization	1,610,237	-	1,610,237
Capital Outlay	-	-	-
School Lunch	544,060	621,794	(77,734)
Interest	328,649	359,683	(31,034)
TOTAL EXPENSES	\$ 33,621,736	\$ 33,152,917	\$ 468,819
CHANGE IN NET POSITION	\$ (7,270,861)	\$ (7,533,445)	
NET POSITION, BEGINNING			
OF YEAR	(69,023,533)	(61,490,088)	
NET POSITION, END OF YEAR	\$ (76,294,394)	\$ (69,023,533)	

Table A-5 Sources of Revenue for Fiscal Year 2024

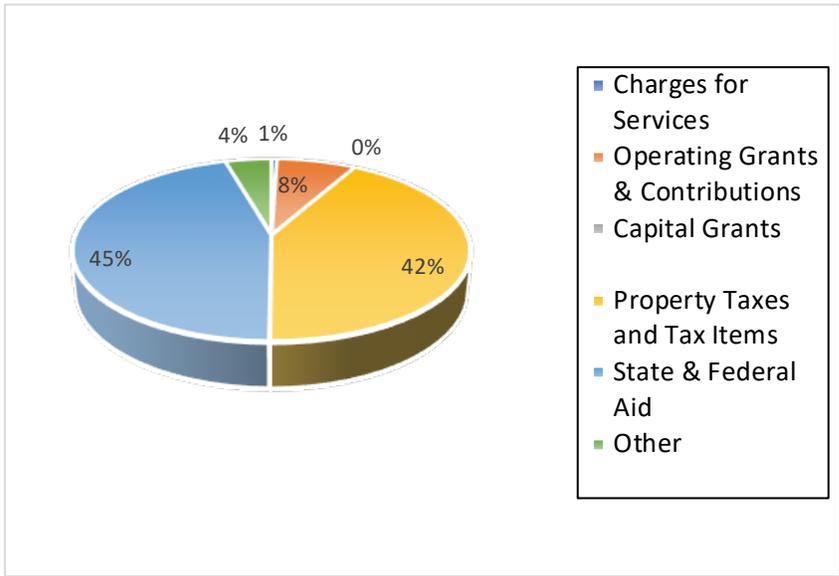
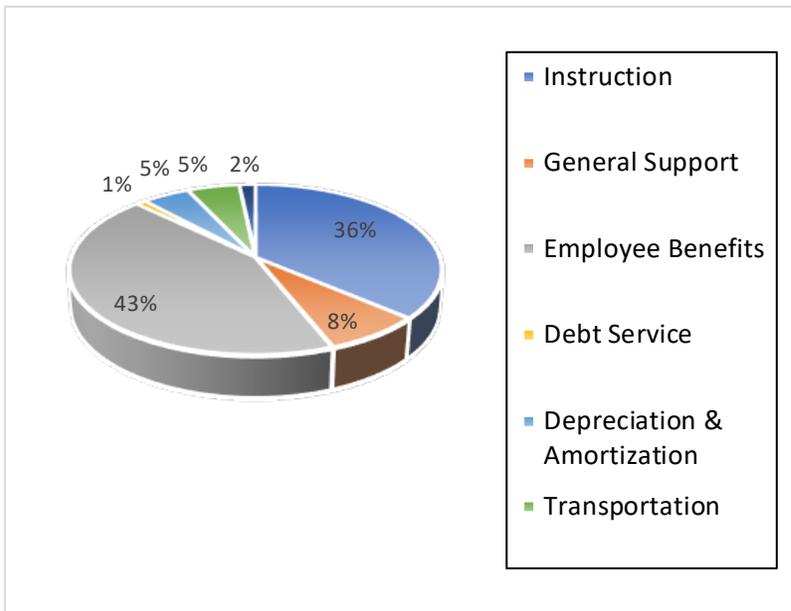


Table A-6 Expenditures for Fiscal Year 2024



Governmental Activities

Revenue for the School District's governmental activities totaled \$26,350,875 while total expenses equaled \$33,621,736. This resulted in a decrease of net position of \$7,270,861. The School District's current year financial condition can be attributed to:

- Continued required to record OPEB liability
- Deferred outflows and inflows recorded
- Continuing state and federal aid
- Use of services from BOCES and subsequent year's BOCES aid.

The table A-7 below presents the cost of major district areas. The table also shows each activity's net cost, (total cost less fees generated by the activity and grants received for specific programs). The total net cost shows the financial burden placed on the district.

Table 4

Net Cost of Governmental Activities

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>2024</u>	<u>2023</u>	<u>Change</u>
General Support	\$ 2,555,849	\$ 5,320,321	51.96%	\$ 2,515,511	\$ 5,320,321	52.72%
Instruction	12,266,308	23,553,927	47.92%	10,722,769	21,990,485	51.24%
Pupil Transportation	1,743,668	3,297,192	47.12%	1,743,668	3,297,192	47.12%
Employee Benefits	14,572,965	-	#DIV/0!	14,572,965	-	#DIV/0!
Debt Service Interest	328,649	359,683	8.63%	328,649	359,683	8.63%
Depreciation and Amortization	1,610,237	-	#DIV/0!	1,610,237	-	#DIV/0!
School Lunch Program	544,060	621,794	12.50%	4,103	229,894	98.22%
Other	-	-	100.00%	-	-	100.00%
Total	\$ 33,621,736	\$ 33,152,917		\$31,497,902	\$ 31,197,575	

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUND

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

General Fund – The general fund, fund balance decreased by \$1,833,053

School Lunch Fund – The school lunch fund, fund balance increased by \$75,982.

Special Revenue Fund – The special revenue fund, fund balance increased by \$16,433.

Debt Service Fund – The debt service fund, fund balance decreased by \$273,401.

Capital Projects Fund – The capital projects fund, fund balance increased by \$1,586,461.

CAPITAL AND LEASE ASSET AND DEBT ADMINISTRATION

By the end of fiscal year 2024, the District has invested \$34,936,515, net of accumulated depreciation and amortization, in a broad range of capital and lease assets.

Table A-8 Capital and Lease Assets (Net of Depreciation and Amortization)

	<u>Governmental Activities And Total School District</u>	
	<u>2024</u>	<u>2023</u>
<u>Capital Assets:</u>		
Land	\$ 131,863	\$ 131,863
Work in Progress	-	-
Buildings and Improvements	32,593,420	33,514,663
Machinery and Equipment	1,889,073	2,262,723
Total Capital Assets	\$ 34,614,356	\$ 35,909,249
<u>Lease Assets:</u>		
Equipment	\$ 322,159	\$ 439,280
Grand Total	\$ 34,936,515	\$ 36,348,529

Long-Term Debt

As of June 30, 2024, the District had outstanding long-term liabilities of \$119,462,503. The various obligations are listed below in Table A-9.

<u>Type</u>	<u>2024</u>	<u>2023</u>
Serial Bonds	\$ 17,778,809	\$ 20,162,565
Premium	306,144	355,253
Lease Liability	229,199	339,039
OPEB	98,365,004	95,475,991
Net Pension Liability	1,868,700	2,969,612
Installment Debt - EPC	332,830	-
Compensated Absences	581,817	305,041
Total Long-Term Obligations	\$ 119,462,503	\$ 119,607,501

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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 continued to see increased costs in the 2023-2024 school year. These costs are largely due to inflation. As costs are projected to continue rising in the 2024-2025 school year, the district is taking a critical look at expenditures and reducing costs as needed.
- Federal COVID funding has been completely allocated at this point. As a result of the end of this fund stream, the district will seek to continue programs through other sources of revenue. The district continues to actively seek grants to supplement or create new programming for students.
- The school district will complete our mandatory Building Condition Survey this year. The architects completing this survey will make their recommendations and the district will prioritize areas to include in the next capital project.

- In 2027 diesel buses will no longer be sold in New York State. Due to the fact that electric buses and infrastructure to support them will be a great expense for the district, we will begin planning forward to meet the financial and geographic challenges within the move to electric buses.
- The district is operating under a contingency budget for this school year. As a result, four positions in the elementary and high school were cut. Moving forward, the district will continue to look at programming to identify ways to maximize efficiency with programming.
- The proposed elimination of Foundation Aid could prove to be a significant challenge that the district may face in upcoming years. If this aid is eliminated, the district will lose 1.2 million dollars in funding. Many local districts will be faced with this challenge and we have begun the process of looking at areas where we can collectively improve efficiency.
- Despite budgetary constraints, Albany County partnered with the district to use funds from our Stop Arm Camera Program to fund the position of School Resource Officer for this school year.

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, 2024

ASSETS

Cash and cash equivalents	\$ 2,597,373
Restricted cash and cash equivalents	1,373,506
Restricted investments	74,059
Accounts receivable	1,990,055
Inventories	10,402
Capital assets, net	34,614,356
Lease assets, net	322,159
TOTAL ASSETS	<u>\$ 40,981,910</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources	<u>\$ 25,430,582</u>
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LIABILITIES

Accounts payable	\$ 102,869
Accrued liabilities	239,479
Refundable advances	18,804
Due to other governments	1,569
Due to teachers' retirement system	832,904
Due to employees' retirement system	106,547
Long-Term Obligations:	
Due in one year	2,828,629
Due in more than one year	116,633,874
TOTAL LIABILITIES	<u>\$ 120,764,675</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources	<u>\$ 21,942,211</u>
-------------------------------	-----------------------------

NET POSITION

Net investment in capital and lease assets	\$ 16,445,392
Restricted	2,717,318
Unrestricted	(95,457,104)
TOTAL NET POSITION	<u>\$ (76,294,394)</u>

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT

Statement of Activities

For The Year Ended June 30, 2024

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
General support	\$ 2,555,849	\$ 40,338	\$ -	\$ -	\$ (2,515,511)
Instruction	12,266,308	38,429	1,505,110	-	(10,722,769)
Pupil transportation	1,743,668	-	-	-	(1,743,668)
School lunch	544,060	58,063	481,894	-	(4,103)
Employee benefits	14,572,965	-	-	-	(14,572,965)
Depreciation	1,374,622	-	-	-	(1,374,622)
Amortization	235,615	-	-	-	(235,615)
Capital outlay	-	-	-	-	-
Interest	328,649	-	-	-	(328,649)
Total Functions/Programs	\$ 33,621,736	\$ 136,830	\$ 1,987,004	\$ -	\$ (31,497,902)

General Revenues:

Property taxes and other tax items	\$ 10,174,735
Non property taxes and other tax items	911,026
State and federal aid	11,982,750
Investment earnings	228,466
Compensation for loss	(69,391)
Miscellaneous	999,455
Total General Revenues	\$ 24,227,041
Changes in Net Position	\$ (7,270,861)
Net Position, Beginning of Year	(69,023,533)
Net Position, End of Year	\$ (76,294,394)

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2024

	General	Special	School	Special	Debt	Capital	Total
	Fund	Aid	Lunch	Revenue	Service	Projects	Governmental
ASSETS	Fund	Fund	Fund	Fund	Fund	Fund	Funds
Cash and cash equivalents	\$ 2,565,474	\$ 17,813	\$ 14,086	\$ -	\$ -	\$ -	\$ 2,597,373
Restricted cash and cash equivalents	1,076,721	-	-	140,926	-	155,859	1,373,506
Restricted investments	-	-	-	-	74,059	-	74,059
Receivables	1,308,423	647,594	31,867	2,171	-	-	1,990,055
Inventories	-	-	10,402	-	-	-	10,402
Due from other funds	373,792	-	-	125	1,156,915	369,255	1,900,087
TOTAL ASSETS	\$ 5,324,410	\$ 665,407	\$ 56,355	\$ 143,222	\$ 1,230,974	\$ 525,114	\$ 7,945,482
LIABILITIES AND FUND EQUITY (DEFICIENCY)							
Liabilities -							
Accounts payable	\$ 102,869	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,869
Accrued liabilities	76,890	-	-	-	-	-	76,890
Due to other funds	900,000	655,046	87,841	285	-	256,915	1,900,087
Due to other governments	-	-	56	1,513	-	-	1,569
Due to TRS	832,904	-	-	-	-	-	832,904
Due to ERS	106,547	-	-	-	-	-	106,547
Refundable advances	-	10,361	8,443	-	-	-	18,804
TOTAL LIABILITIES	\$ 2,019,210	\$ 665,407	\$ 96,340	\$ 1,798	\$ -	\$ 256,915	\$ 3,039,670
Fund Equity (Deficiency) -							
Nonspendable	\$ -	\$ -	\$ 10,402	\$ -	\$ -	\$ -	\$ 10,402
Restricted	1,076,721	-	-	141,424	1,230,974	268,199	2,717,318
Assigned	1,258,750	-	-	-	-	-	1,258,750
Unassigned	969,729	-	(50,387)	-	-	-	919,342
TOTAL FUND EQUITY (DEFICIENCY)	\$ 3,305,200	\$ -	\$ (39,985)	\$ 141,424	\$ 1,230,974	\$ 268,199	\$ 4,905,812
TOTAL LIABILITIES AND FUND EQUITY (DEFICIENCY)	\$ 5,324,410	\$ 665,407	\$ 56,355	\$ 143,222	\$ 1,230,974	\$ 525,114	

Amounts reported for governmental activities in the

Statement of Net Position are different because:

Capital assets/lease assets used in governmental activities are not financial resources and therefore are not reported in the funds.	34,936,515
Interest is accrued on outstanding bonds in the statement of net position but not in the funds.	(162,589)
The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:	
Serial bonds payable	(17,778,809)
Leases liabilities	(229,199)
OPEB	(98,365,004)
Compensated absences	(581,817)
Unamortized premium	(306,144)
Installment purchase debt	(332,830)
Deferred outflow - pension	4,312,150
Deferred outflow - OPEB	21,118,432
Net pension liability	(1,868,700)
Deferred inflow - pension	(1,189,109)
Deferred inflow - OPEB	(20,753,102)
Net Position of Governmental Activities	\$ (76,294,394)

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Equity
Governmental Funds
For The Year Ended June 30, 2024

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES							
Real property taxes and tax items	\$ 11,085,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,085,761
Charges for services	78,767	-	-	-	-	-	78,767
Use of money and property	174,820	-	3	4	53,599	43	228,469
Sale of property and compensation for loss	2,034	-	-	-	-	-	2,034
Miscellaneous	828,879	5,690	5,081	147,486	-	-	987,136
State sources	11,794,563	385,327	196,702	-	-	-	12,376,592
Federal sources	188,187	1,114,093	285,192	-	-	-	1,587,472
Sales	-	-	58,063	-	-	-	58,063
TOTAL REVENUES	\$ 24,153,011	\$ 1,505,110	\$ 545,041	\$ 147,490	\$ 53,599	\$ 43	\$ 26,404,294
EXPENDITURES							
General support	\$ 2,382,838	\$ 170,444	\$ 140,113	\$ -	\$ -	\$ -	\$ 2,693,395
Instruction	10,871,851	1,296,565	-	131,057	-	-	12,299,473
Pupil transportation	1,626,975	116,693	-	-	-	-	1,743,668
Employee benefits	6,927,104	-	79,373	-	-	-	7,006,477
Debt service - principal	2,724,450	-	-	-	-	-	2,724,450
Debt service - interest	400,474	-	-	-	-	-	400,474
Cost of sales	-	-	324,573	-	-	-	324,573
Capital outlay	-	-	-	-	-	228,211	228,211
TOTAL EXPENDITURES	\$ 24,933,692	\$ 1,583,702	\$ 544,059	\$ 131,057	\$ -	\$ 228,211	\$ 27,420,721
EXCESS (DEFICIENCY) OF REVENUES							
OVER EXPENDITURES	\$ (780,681)	\$ (78,592)	\$ 982	\$ 16,433	\$ 53,599	\$ (228,168)	\$ (1,016,427)
OTHER FINANCING SOURCES (USES)							
Transfers - in	\$ 327,000	\$ 78,592	\$ 75,000	\$ -	\$ -	\$ 1,225,780	\$ 1,706,372
Transfers - out	(1,379,372)	-	-	-	(327,000)	-	(1,706,372)
Proceeds from obligations	-	-	-	-	-	570,849	570,849
TOTAL OTHER FINANCING SOURCES (USES)	\$ (1,052,372)	\$ 78,592	\$ 75,000	\$ -	\$ (327,000)	\$ 1,796,629	\$ 570,849
NET CHANGE IN FUND EQUITY	\$ (1,833,053)	\$ -	\$ 75,982	\$ 16,433	\$ (273,401)	\$ 1,568,461	\$ (445,578)
FUND EQUITY, BEGINNING							
OF YEAR	5,138,253	-	(115,967)	124,991	1,504,375	(1,300,262)	5,351,390
FUND EQUITY, END OF YEAR	\$ 3,305,200	\$ -	\$ (39,985)	\$ 141,424	\$ 1,230,974	\$ 268,199	\$ 4,905,812

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Equity of the Governmental Funds to the Statement of Activities
For The Year Ended June 30, 2024

NET CHANGE IN FUND EQUITY -
TOTAL GOVERNMENTAL FUNDS \$ (445,578)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets in excess depreciation in the current period:

Capital Outlay	\$ 151,154	
Gain/loss on capital asset sale	(71,425)	
Lease Additions, Net	48,603	
Depreciation and Amortization	<u>(1,610,237)</u>	(1,481,905)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. The following details these items as they effect the governmental activities:

Debt and Lease Repayments	\$ 2,724,450	
Proceeds from Bond Redemption	<u>(493,793)</u>	2,230,657

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 22,716

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (6,597,951)

(Increase) decrease in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds

Teachers' Retirement System		(560,287)
Employees' Retirement System		(210,846)

Amortization of bond premium 49,109

In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:

Compensated Absences		<u>(276,776)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (7,270,861)**

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 5 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

Extraclassroom Activity Funds

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

B. Joint Venture

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

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

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

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

During the year, the District was billed \$2,864,360 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$915,786. Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis Of Presentation

District-wide statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements

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

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis Of Presentation

Fund financial statements

I. Governmental Funds

1. General Fund

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

2. Special Revenue Funds

These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

a) Special Aid Fund

Used to account for proceeds received from the State and Federal grants that are restricted for specific educational programs.

b) School Lunch

Used to account for child nutrition activities whose funds are restricted as to use.

c) Special Revenue

Used to account for proceeds from various funding sources, which may be restricted by a donor or designated by the District for specific purposes. The transactions of the Extraclassroom Activity Funds and scholarships are included in this fund.

3. Capital Projects Fund

These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. separately or in the aggregate.

4. Debt Service Fund

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

II. Fiduciary Funds

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

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis Of Presentation

II. Fiduciary Funds

1. Private purpose trust funds

These funds are used to account for trust arrangements in which principal and income benefits individuals, private organizations or other governments. A scholarship is an example of a Private Purpose Trust Fund. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

2. Custodial funds

These funds are strictly custodial in nature and do not involve the measurement of results of operations.

There are no activities that meet the criteria to be reported as fiduciary funds.

D. Basis of Accounting/Measurement Focus

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

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, 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, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year 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, other post-employment benefits, pensions, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Refundable Advances

Refundable advances arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for refundable advances is removed and revenue is recognized.

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Property taxes

I. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on July 24, 2023. Taxes are collected during the period September 1, to October 31.

II. Enforcement

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

G. Restricted resources

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

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the line-item level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. 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 located in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred for June 30, 2024:

From Reserved Fund Equity:

2015 Capital Reserve Fund-Facilities	\$ 625,780
2015 Capital Reserve Fund-Facilities	450,000
Total Supplemental Appropriations	<u>\$ 1,075,780</u>

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

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

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

II. Encumbrances

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

III. Budget Basis of Accounting

Under GASB Statement No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District is not legally required to adopt a budget for its special revenue funds. Therefore, budget comparison information for special revenue funds is not included in the District's financial statements.

I. Cash and Investments:

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

J. Accounts Receivable

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

K. Inventories and Prepaid Items

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

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Inventories and Prepaid Items

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. A portion of the fund equity in the amount of these non-liquid assets have been identified as not available for other subsequent expenditures.

L. Interfund transactions

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

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

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

Refer to Note 3.A.III for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

M. Equity Classifications

District-wide statements:

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

Net Investment in capital and lease assets: consists of net capital assets (cost less accumulated depreciation), lease assets (less accumulated amortization) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, constructions and lease liabilities or improvements of those assets, unamortized bond premium, retainage payable and lease liabilities.

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

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

Fund Statements:

In the fund basis statements there are five classifications of fund equity:

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund equity includes the following:

	Total
Inventory in School Lunch	\$ 10,402
Total Nonspendable Fund Equity	\$ 10,402

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, granters, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund equity. The District has established the following restricted fund equities:

Unemployment

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

Retirement Contribution Reserve

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

Repair

According to General Municipal Law §6-d, must be used to pay the cost of repair to capital improvements or equipment, which repairs are of a type not reoccurring annually. The Board of Education, without voter approval, may established a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserves (Opinion of the New York State Comptroller 84-401). Expenditures from this reserve may be used only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Capital Reserve

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

Employee Benefit Accrued Liability Reserve

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

Debt Service

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established for the purposes of retiring the outstanding obligations upon the sale of District property or capital improvement that was finance by obligations that remain outstanding at the time of sale. The funding of the reserve is from unexpended bond proceeds or the proceeds of the sale of District property.

Scholarships

Restricted for scholarships for students that meet donor specified criteria and balances restricted for extraclassroom activities.

Restricted fund equity includes the following:

	<u>Total</u>
<u>General Fund -</u>	
Unemployment Costs	\$ 101,973
Retirement Contribution - ERS	107,744
Retirement Contribution - TRS	103,680
Repair	90,000
Capital Reserves	334,838
Employee Benefit Accrued Liability	338,486
<u>Special Revenue Fund -</u>	
Scholarships and Extraclassroom Activity Funds	141,424
<u>Debt Service Fund -</u>	
Debt Service	1,230,974
Total Restricted Fund Equity	<u>\$ 2,717,318</u>

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Committed - Includes amounts that can only 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 District has no committed fund equity as of June 30, 2024.

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

Assigned fund equity includes the following:

	<u>Total</u>
General Fund - Encumbrances	\$ 1,750
General Fund - Appropriated	<u>1,257,000</u>
Total Assigned Fund Equity	<u><u>\$ 1,258,750</u></u>

Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Purpose of Encumbrances:

<u>General Fund -</u>	
General Support	\$ 800
Instruction	<u>950</u>
Total General Fund Encumbrances	<u><u>\$ 1,750</u></u>

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

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity 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, and the District did not exceed this limit at June 30, 2024.

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Equity Classifications

Net Position/Fund Equity

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

Fund Equity Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund equity). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund equity in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

Order of Use of Fund Equity

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

N. Postemployment Benefits

In addition to providing the retirement benefits described in Note 3.B.I., the District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the District and its employee groups as governed by Board of Education Policy. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the District and the retired employee. See Note 5.

O. Capital Assets and Lease Assets

Capital Assets

Capital assets are reported at actual cost when such data is available. For assets in which there was no data available, estimated historical cost, based on appraisals conducted by independent third-party professionals were used. Additions, improvements and other capital outlays that significantly extended the useful life of assets are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated assets are reported at estimated fair market value at the time received.

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

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. Capital Assets and Lease Assets

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000	N/A	N/A
Building and Improvements	5,000	SL	50 Years
Furniture and Equipment	5,000	SL	5-10 Years

Lease Assets

The District-wide financial statements, lease assets are reported within the major class of the underlying asset and valued at the future minimum lease payment. Amortization is between 3 and 5 years based on the contract terms and/or estimated replacement of the assets.

P. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District may have four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The fourth item relates to the OPEB and pension reporting in the district wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience and changes of assumptions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District, if applicable, has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (TRS and ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to the pensions and OPEB reporting in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs and differences between actual and expected experience.

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. Short-term Debt

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

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which 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 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.

R. Payables, Accrued liabilities and long-term obligations

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

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

S. Explanation Of Certain Differences Between Governmental Fund Statements And District-Wide Statements

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

a. Total fund equity of governmental funds vs. net assets of governmental activities

Total fund equity of the 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, as applied to the reporting of capital and lease assets and long-term liabilities, including pensions.

b. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities.

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. Explanation Of Certain Differences Between Governmental Fund Statements And District-Wide Statements

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

Long-term revenue and expense differences:

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

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 an asset on the Statement of Net Position 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.

Pension differences:

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

OPEB difference:

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

T. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported 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 compensated absence, other postemployment benefits, potential contingent liabilities, net pension asset/liability, deferred outflows/inflows and useful lives of long-lived assets.

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

U. Vested Employee Benefits

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave is based on a last-in, first-out (LIFO) basis. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

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

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

V. New Accounting Standards

The District has adopted and implemented the following (all) current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2024; none of which had a significant impact on the District.

GASB has issued Statement No. 100, *Accounting Changes and Error Corrections*, effective for the year ending June 30, 2024.

W. Future Changes in Accounting Standards

GASB has issued Statement 101, *Compensated Absences*, effective for the year ending June 30, 2025.

GASB has issued Statement 102, *Certain Risk Disclosures*, effective for the year ending June 30, 2025.

GASB has issued Statement 103, *Financial reporting Model Improvements*, effective for the year ending June 30, 2026.

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

2. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

A. Unassigned Fund Equity

The District's unassigned fund equity was not in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

B. Deficit Fund Equity

The School Lunch Fund of the District reported a deficit fund balance of \$39,985 at June 30, 2024. This deficit will be reduced upon a budgeted interfund transfer from the General Fund.

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

3. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agents in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2024, all deposits were fully insured and collateralized by the District's agent in the District's name.

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

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

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

Custodial Credit Risk

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

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

3. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The District participates in NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants.

At June 30, 2024, the District held \$74,059 in investments consisting of various investments in securities issued by the United States and its agencies. The following valuation inputs are included as investments:

Total investments of the NYCLASS cooperative as of June 30, 2024, based on unaudited numbers, are \$11,737,682,390, which consisted of \$1,927,327,448 in repurchase agreements, \$1,537,636,393, in collateralized bank deposits \$230,058,575 in FDIC Insured Bank Deposits and \$8,042,659,974 in U.S. Government Treasury Securities.

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

3. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

Investment in	Valuation Inputs			
<u>Securities at Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt Service Fund	\$ -	\$ 74,059	\$ -	\$ 74,059
Total	<u>\$ -</u>	<u>\$ 74,059</u>	<u>\$ -</u>	<u>\$ 74,059</u>

The above amount represents the fair value of the investment pool shares. For the years ended June 30, 2024, the portfolio did not have significant unobservable inputs (Level 3) used in determining fair value. Thus, a reconciliation of assets in which significant unobservable inputs (Level 3) which were used in determining fair value is not applicable.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period. The portfolio recognizes transfers between the levels as of the beginning of the fiscal year.

Risks and Uncertainties with Investments

The District invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonable possibly that changes could materially affect the amounts reported in the Statement of Net Position.

Restricted Cash and Investments

Restricted cash and investments consists of the following:

	<u>Total</u>
<u>General Fund -</u>	
Unemployment Costs	\$ 101,973
Retirement Contribution - ERS	107,744
Retirement Contribution - TRS	103,680
Repair	90,000
Capital Reserves	334,838
Employee Benefit Accrued Liability	338,486
<u>Capital Projects Fund -</u>	
Voter approved projects	155,859
<u>Special Revenue Fund -</u>	
Scholarships	140,926
<u>Debt Service Fund -</u>	
Reserve for Debt	74,059
Total Restricted Cash and Investments	<u><u>\$ 1,447,565</u></u>

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

3. DETAIL NOTES ON ALL FUNDS

A. Assets

II. Receivables

Receivables balances for the year ended June 30, 2024 are as follows:

<u>Description</u>	<u>Governmental Activities</u>					<u>Total</u>
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	<u>School Lunch Fund</u>	<u>Special Revenue Funds</u>	
Accounts Receivable	\$ 418,557	\$ -	\$ -	\$ -	\$ 2,171	\$ 420,728
Due From State and Federal	420,382	647,594	-	31,867	-	1,099,843
Due From Other Governments	469,484	-	-	-	-	469,484
Total Receivables	<u>\$ 1,308,423</u>	<u>\$ 647,594</u>	<u>\$ -</u>	<u>\$ 31,867</u>	<u>\$ 2,171</u>	<u>\$ 1,990,055</u>

III. Interfund Receivables and Payables

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund receivable and payable balances at June 30, 2024 are as follows:

	<u>Interfund</u>			
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 373,792	\$ 900,000	\$ 327,000	\$ 1,379,372
Special Aid Fund	-	655,046	78,592	-
School Lunch Fund	-	87,841	75,000	-
Special Revenue Fund	125	285	-	-
Debt Service Fund	1,156,915	-	-	327,000
Capital Projects Fund	369,255	256,915	1,225,780	-
Total	<u>\$ 1,900,087</u>	<u>\$ 1,900,087</u>	<u>\$ 1,706,372</u>	<u>\$ 1,706,372</u>

During 2023-24 the General Fund transferred \$78,592 to the Special Aid Fund for the District's share of the special education summer school program its students attended and \$150,000 to the Capital Projects Fund for specific projects with \$1,075,780 from capital reserves to fund voter approved use of funds for specific projects, and \$75,000 to the School Lunch Fund to cover its shared of related costs, fringe benefits, and uncollectable student balances and \$327,000 from debt service fund to the general fund to be used for debt service payments.

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

3. DETAIL NOTES ON ALL FUNDS

A. Assets

IV. Capital Assets

Capital asset balances and activity for the year ended June 30, 2024 were as follows:

<u>Type</u>	<u>Balance 7/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2024</u>
<u>Governmental Activities:</u>				
<u>Capital Assets that are not Depreciated -</u>				
Land	\$ 131,863	\$ -	\$ -	\$ 131,863
<i>Total Nondepreciable</i>	<u>\$ 131,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,863</u>
<u>Capital Assets that are Depreciated -</u>				
Buildings and Improvements	\$ 44,972,134	\$ -	\$ -	\$ 44,972,134
Furniture and Equipment	7,331,888	151,154	592,691	6,890,351
<i>Total Depreciated Assets</i>	<u>\$ 52,304,022</u>	<u>\$ 151,154</u>	<u>\$ 592,691</u>	<u>\$ 51,862,485</u>
<u>Less Accumulated Depreciation -</u>				
Buildings and Improvements	\$ 11,457,471	\$ 921,243	\$ -	\$ 12,378,714
Furniture and Equipment	5,069,165	453,379	521,266	5,001,278
<i>Total Accumulated Depreciation</i>	<u>\$ 16,526,636</u>	<u>\$ 1,374,622</u>	<u>\$ 521,266</u>	<u>\$ 17,379,992</u>
<i>Total Capital Assets Depreciated, Net of Accumulated Depreciation</i>	<u>\$ 35,777,386</u>	<u>\$ (1,223,468)</u>	<u>\$ 71,425</u>	<u>\$ 34,482,493</u>
Total Capital Assets	<u>\$ 35,909,249</u>	<u>\$ (1,223,468)</u>	<u>\$ 71,425</u>	<u>\$ 34,614,356</u>

B. Liabilities

I. Pension Plans

General Information:

The District participates in the New York State Employees' Retirement System (ERS) and New York State Teachers' Retirements System (TRS). Collectively, TRS and ERS are referred to herein as the "Systems." These are cost-sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Plan Descriptions

Teachers' Retirement System

TRS is administered by the New York State Teachers' Retirement System. This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits,

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B. Liabilities

I. Pension Plans

Teachers' Retirement System

as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law.

Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a Statute. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System

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

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3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Contributions

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

The District's share of the required contributions for the current year and two preceding years based on covered payroll paid for the District was:

<u>Contributions</u>		<u>ERS</u>		<u>TRS</u>
2024	\$	342,690	\$	716,999
2023		354,152		762,011
2022		267,180		739,453

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

Pension Liabilities

At June 30, 2024, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2024 for ERS and June 30, 2023 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2024	June 30, 2023
Net pension assets/(liability)	\$ (1,410,170)	\$ (458,530)
District's portion of the Plan's total net pension asset/(liability)	0.009577%	0.040096%

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B. Liabilities

I. Pension Plans

Pension Expense (Credit)

For the year ended June 30, 2024, the District's recognized its proportionate share of pension expense of \$607,687 for ERS and \$1,302,914 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2024 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 454,215	\$ 1,111,814	\$ 38,452	\$ 2,748
Changes of assumptions	533,154	987,202	-	215,155
Net difference between projected and actual earnings on pension plan investments	-	234,392	688,861	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	51,152	116,675	128,093	115,800
Subtotal	\$ 1,038,521	\$ 2,450,083	\$ 855,406	\$ 333,703
District's contributions subsequent to the measurement date	106,547	716,999	-	-
Grand Total	\$ 1,145,068	\$ 3,167,082	\$ 855,406	\$ 333,703

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2025 for ERS and June 30, 2024 for TRS. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2024	\$ -	\$ 163,874
2025	(294,057)	(248,374)
2026	243,910	1,845,633
2027	400,506	146,777
2028	(167,244)	125,639
Thereafter	-	82,831
Total	\$ 183,115	\$ 2,116,380

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3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2024	June 30, 2023
Actuarial valuation date	April 1, 2023	June 30, 2022
Interest rate	5.90%	6.95%
Salary scale	4.40%	5.18%-1.95%
Decrement tables	April 1, 2015- March 31, 2020 System's Experience	July 1, 2015- June 30, 2020 System's Experience
Inflation rate	2.90%	2.40%
COLA's	1.50%	1.30%

For ERS, annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2021. For TRS, annuitant mortality rates are based on System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021.

For ERS, the actuarial assumptions used in the April 1, 2023 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020. For TRS, actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2020.

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

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

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3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

Long Term Expected Rate of Return		
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2024	June 30, 2023
<u>Asset Type -</u>		
Domestic equity	4.00%	6.80%
International equity	6.65%	7.60%
Global equity	0.00%	7.20%
Private equity	7.25%	10.10%
Real estate	4.60%	6.30%
Opportunistic/ARS portfolio	5.25%	0.00%
Real assets	5.79%	0.00%
Cash	0.25%	0.30%
Private debt	0.00%	6.00%
Real estate debt	0.00%	3.20%
High-yield fixed income securities	0.00%	4.40%
Domestic fixed income securities	0.00%	2.20%
Global fixed income securities	0.00%	1.60%
Credit	5.40%	0.00%
Fixed income	1.50%	0.00%

Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2024 calculated using the discount rate of 5.9% for ERS and 6.95% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (4.9% for ERS and 5.95% for TRS) or 1-percentagepoint higher (6.9% for ERS and 7.95% for TRS) than the current rate:

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B. Liabilities

II. Pension Plans

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

<u>ERS</u>	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension asset (liability)	\$ (4,433,719)	\$ (1,410,170)	\$ 1,115,120

<u>TRS</u>	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's proportionate share of the net pension asset (liability)	\$ (6,983,650)	\$ (458,530)	\$ 5,029,378

Changes in Assumptions

Changes in assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits for the period during which the changes occurred. Differences between projected and actual earnings on pension plan investments are amortized over a closed five-year period.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows or resources and deferred inflows of resources for the current period. The Collective pension expense for the year ended June 30, 2024 is \$571,883 for ERS and \$1,277,051 for TRS.

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2024 represent the projected employer contribution for the period of April 1, 2024 through June 30, 2024 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2024 amounted to \$106,547.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2024 are paid to the System in September, October and November 2024 through a state aid intercept. Accrued retirement contributions as of June 30, 2024 represent employee and employer contributions for the fiscal year ended June 30, 2024 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2024 amounted to \$832,904.

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3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Other Benefits

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

II. Indebtedness

Short-Term Debt

Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. There were no BAN’s outstanding at June 30, 2024

Long-Term Debt

Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provisions to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

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

Interest Paid	\$ 400,474
Less: Amortization of Premium	(49,109)
Less: Interest Accrued in the Prior Year	(185,305)
Plus: Interest Accrued in the Current Year	162,589
Total Long-Term Interest Expense	<u>\$ 328,649</u>

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

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3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Long-Term Debt

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

	<u>Balance</u> <u>7/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2024</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
<u>Bonds and Notes Payable -</u>					
Serial Bonds	\$ 19,667,289	\$ 493,793	\$ 2,382,273	\$ 17,778,809	\$ 2,478,793
Premium	355,253	-	49,109	306,144	46,751
Energy Performance Contracts	495,276	-	162,446	332,830	165,078
Total Bonds and Notes Payable	\$ 20,517,818	\$ 493,793	\$ 2,593,828	\$ 18,417,783	\$ 2,690,622
<u>Other Liabilities -</u>					
Net Pension Liability	\$ 2,969,612	\$ -	\$ 1,100,912	\$ 1,868,700	\$ -
OPEB	95,475,991	6,899,034	4,010,021	98,365,004	-
Lease Liability	339,039	77,056	186,896	229,199	138,007
Compensated Absences	305,041	276,776	-	581,817	-
Total Other Liabilities	\$ 99,089,683	\$ 7,252,866	\$ 5,297,829	\$ 101,044,720	\$ 138,007
Total Long-Term Obligations	\$ 119,607,501	\$ 7,746,659	\$ 7,891,657	\$ 119,462,503	\$ 2,828,629

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

The above liabilities are liquidated by the general fund.

The following is a summary of long-term indebtedness:

<u>Description</u>	<u>Original</u> <u>Amount</u>	<u>Issue</u> <u>Date</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u> <u>Outstanding</u> <u>6/30/2024</u>
Serial Bond - Reconstruction	\$ 17,605,000	2022	2036	2.00%	\$ 15,300,000
Serial Bond - Construction	439,000	2002	2025	2.75-4.00%	30,000
Serial Bond - Construction	9,980,000	2012	2026	2.00-2.125%	1,235,000
Serial Bond - Buses	288,054	2020	2024	0.50-3.05%	60,000
Serial Bond - Buses	339,000	2021	2026	1.24%	140,000
Serial Bond - Buses	331,636	2022	2027	1.48%	200,000
Serial Bond - Buses	387,273	2022	2028	0.50-5.83%	320,000
Serial Bond - Buses	493,809	2024	2029	3.875-4.00%	493,809
Energy Performance Contract	1,938,000	2013	2026	2.45%	332,830
Total Serial Bonds					\$ 18,111,639

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
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3. DETAIL NOTES ON ALL FUNDS

C. Liabilities

II. Indebtedness

The following is a summary of maturing debt service requirements for serial bonds and the energy performance contract:

<u>Year</u>	<u>Serial Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>
2025	\$ 2,643,871	\$ 353,562	\$ 46,751
2026	2,012,752	304,666	43,130
2027	1,480,000	265,399	39,448
2028	1,435,000	231,853	35,690
2029	1,385,000	200,250	31,870
2030-34	6,790,000	581,400	99,201
2035-39	2,365,016	42,150	10,054
Total	\$ 18,111,639	\$ 1,979,280	\$ 306,144

III. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 10% of the full valuation of taxable real estate within the district. At June 30, 2024, the District has exhausted 27.62% of its constitutional debt limit.

IV. Deferred Outflows and Inflows of Resources

The deferred outflows and inflows reported on the statement of net position consist of the following:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension	\$ 4,312,150	\$ 1,189,109
OPEB	21,118,432	20,753,102
Total	\$ 25,430,582	\$ 21,942,211

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4. COMMITMENTS AND CONTINGENCIES

General

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, injuries to employees, 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 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 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, 2024, management estimates there are no outstanding claims liabilities.

Prescription Plan

The District is self-insured for prescription plan benefits on a cost-reimbursement basis. Under the program, the District is responsible for claim payments.

All known claims filed and an estimate of all incurred but unreported claims existing at June 30, 2024 have been recorded as other liabilities. The District establishes prescription plan benefits claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the prescription involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to the liability in the periods in which they are made.

As discussed above, the District establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

4. COMMITMENTS AND CONTINGENCIES

The following represents changes in those aggregate liabilities for the District during the year ended June 30:

	<u>2024</u>	<u>2023</u>
Unpaid claims and claim adjustment expenses- beginning of year	\$ -	\$ -
Incurred claims and claim adjustment expenses:		
Provision for incurred claims expenses for events of the current year	1,816,407	1,772,735
Increase (decrease) in provision for incurred events of prior years	76,890	-
Total Incurred Claims and Claim Adjustment Expenses	<u>1,893,297</u>	<u>1,772,735</u>
Payments made for claims during the current year	<u>(1,816,407)</u>	<u>(1,772,735)</u>
Total Unpaid Claims and Claim Adjustment Expenses - End of Year	<u>\$ 76,890</u>	<u>\$ -</u>

Other items

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

5. POSTEMPLOYMENT BENEFITS OBLIGATION PAYABLE

Plan Description

The District's administers a defined benefit OPEB plan, provides OPEB for all employees who meet the TRS/ERS eligibility requirements. Teachers and Administrators age 55 and older with 5 years of services who are eligible to retire and collect benefits from TRS are eligible for retiree health care benefits for life from the District. Support staff hired before January 1, 2010 age 55 and older with 5 years of service are eligible to retire and collect benefits for life from the District according to ERS. Members after January 1, 2010 must be 55 years old with 10 years of services to qualify for ERS health care benefits. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Funding Policy

The obligations of the Plan members and the employers are established by action of the District pursuant to applicable collective bargaining and other employee agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are required to reach eligibility for retirement under ERS/TRS age 55 and have 5 years of service to qualify for other postemployment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

5. POSTEMPLOYMENT BENEFITS OBLIGATION PAYABLE

Benefits Provided

The 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 District offices and are available upon request.

Employees Covered by Benefit Terms – At the valuation date, following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	155
Inactive employees entitled to but not yet receiving benefit payments	-
Active Employees	173
Total	328

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.70 percent
Salary Increases	3.00 percent, average, including inflation
Discount Rate	4.21 percent
Healthcare Cost Trend Rates	Initial rate of 6.75% decreasing to an ultimate rate of 4.14% over 55 years
Dental Cost Trend Rates	Initial rate of 3.5%, decreasing to an ultimate rate of 3.0%
Retirees' Share of Benefit-Related Costs	Varies depending on contract

The discount rate was based on Bond Buyer 20-Bond GO municipal bond index.

Mortality rates were based on Pub-2010 Headcount-Weighted table for General Employees for ERS group projected fully generationally using MP-2021.

Retirement participation rate assumed that 100% of future retirees eligible for coverage will elect the benefit. Marriage assumption, it was assumed that active employees will maintain their current marital status. Each eligible employee will retire with the maximum number of sick days allowed and use them as contributions to their retiree premium.

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

4. POSTEMPLOYMENT BENEFITS OBLIGATION PAYABLE

Changes in the Total OPEB Liability

Balance at June 30, 2023	<u>\$ 95,475,991</u>
<u>Changes for the Year -</u>	
Service cost	\$ 2,831,104
Interest	4,004,443
Changes of benefit terms	-
Differences between expected and actual experience	63,487
Changes in assumptions or other inputs	(1,288,049)
Benefit payments	<u>(2,721,972)</u>
Net Changes	<u>\$ 2,889,013</u>
Balance at June 30, 2024	<u>\$ 98,365,004</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.13% in 2023 to 4.21% in 2024.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPES liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.21%) or 1 percentage point higher (5.21%) than the current discount rate:

	1% Decrease	Discount	1% Increase
	<u>(3.21%)</u>	Rate	<u>(5.21%)</u>
		<u>(4.21%)</u>	
Total OPEB Liability	\$ 116,378,807	\$ 98,365,004	\$ 84,126,347

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

The following presents the total OPES liability of the District, as well as what the District's total OPES liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current healthcare cost trend rate:

	1% Decrease	Healthcare	1% Increase
	<u>(5.75%</u>	Cost Trend Rates	<u>(7.75%</u>
	Decreasing	<u>(6.75%</u>	Decreasing
	<u>to 3.14%)</u>	Decreasing	<u>to 5.14%)</u>
		<u>to 4.14%)</u>	
Total OPEB Liability	\$ 81,378,215	\$ 98,365,004	\$ 120,645,427

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

5. POSTEMPLOYMENT BENEFITS OBLIGATION PAYABLE

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$9,319,923.

At June 30, 2024 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,602,825	\$ -
Changes of assumptions	9,515,607	20,753,102
Contributions after measurement date	-	-
Total	\$ 21,118,432	\$ 20,753,102

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

Fiscal Year Ending June 30,

<u>Year</u>			
2025	\$	3,230,941	
2026		3,501,359	
2027		(2,018,045)	
2028		(3,894,181)	
2029		(279,804)	
Thereafter		(174,940)	
Total	\$	365,330	

6. TAX ABATEMENTS

There were no PILOT agreements or tax abatements entered into during the period ending June 30, 2024 that impact the District.

7. LEASE ASSETS AND OBLIGATIONS

Lease Assets

The District leases various copiers and equipment, primarily through Capital Region Board of Cooperative Educational Services. The leases do not contain renewal options. The leases have various inception dates and remaining terms 4-5 years.

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

7. LEASE ASSETS AND OBLIGATIONS

Lease Assets

A summary of the lease asset activity during the year ended June 30, 2024 is as follows:

<u>Type</u>	<u>Balance</u> <u>7/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2024</u>
<u>Lease Assets:</u>				
Equipment	\$ 797,411	\$ 118,494	\$ -	\$ 915,905
Vehicles	36,037	-	-	36,037
Total Lease Assets	\$ 833,448	\$ 118,494	\$ -	\$ 951,942
<u>Less Accumulated Amortization -</u>				
Equipment	\$ 340,363	\$ 211,578	\$ -	\$ 551,941
Vehicles	53,805	24,037	-	77,842
Total Accumulated Amortization	\$ 394,168	\$ 235,615	\$ -	\$ 629,783
Total Lease Assets, Net	\$ 439,280	\$ (117,121)	\$ -	\$ 322,159

Lease agreements are summarized as follows:

	<u>Date</u>	<u>Payment</u> <u>Terms</u>	<u>Annual</u> <u>Payment</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Total</u> <u>Lease</u> <u>Liability</u>	<u>Balance</u> <u>June 30,</u> <u>2024</u>
Equipment - BOCES#455	12/31/2021	5 years	\$ 32,922	2.47%	\$ 154,330	\$ 71,833
Equipment - BOCES#402	2/3/2020	5 years	102,792	2.37%	344,246	50,942
Equipment - BOCES#428	6/15/2021	4 years	18,666	2.80%	74,535	22,849
Equipment - BOCES#500	12/31/2023	4 years	28,227	5.88%	77,056	59,064
Vehicles - Truck	10/16/2018	5 years	8,383	2.16%	43,920	-
Vehicles - Tractor	11/4/2021	5 years	12,654	2.16%	60,605	24,511
Total Lease Agreements						<u>\$ 229,199</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 138,007	\$ 5,858
2026	76,058	2,412
2027	15,134	153
2028	-	-
2029	-	-
	<u>\$ 229,199</u>	<u>\$ 8,423</u>

BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

8. SUSEQUENT EVENTS

The District has evaluated subsequent events through October 24, 2024, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2024 have been incorporated into these statements herein.

Required Supplementary Information
BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Equity -
Budget and Actual - General Fund
For The Year Ended June 30, 2024

	<u>Original</u> <u>Budget</u>	<u>Amended</u> <u>Budget</u>	<u>Current</u> <u>Year's</u> <u>Revenues</u>	<u>Over (Under)</u> <u>Revised</u> <u>Budget</u>
REVENUES				
Local Sources -				
Real property taxes	\$ 11,068,886	\$ 10,164,657	\$ 10,174,735	\$ 10,078
Real property tax items	20,000	924,228	911,026	(13,202)
Charges for services	15,500	15,500	78,767	63,267
Use of money and property	55,000	55,000	174,820	119,820
Sale of property and compensation for loss	6,000	6,000	2,034	(3,966)
Miscellaneous	417,000	417,000	828,879	411,879
State Sources -				
Basic formula	9,077,861	9,759,394	9,514,187	(245,207)
Lottery aid	-	1,299,137	1,299,137	-
BOCES	899,174	957,692	915,786	(41,906)
Textbooks	57,088	41,241	41,241	-
All Other Aid -				
Computer software	9,492	19,844	19,844	-
Library loan	-	4,368	4,368	-
Other aid	2,038,060	-	-	-
Federal Sources	<u>68,014</u>	<u>68,014</u>	<u>188,187</u>	<u>120,173</u>
TOTAL REVENUES	<u>\$ 23,732,075</u>	<u>\$ 23,732,075</u>	<u>\$ 24,153,011</u>	<u>\$ 420,936</u>
Other Sources -				
Transfer - in	\$ -	\$ -	\$ 327,000	\$ 327,000
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 23,732,075</u>	<u>\$ 23,732,075</u>	<u>\$ 24,480,011</u>	<u>\$ 747,936</u>
Appropriated reserves	<u>\$ 1,027,000</u>	<u>\$ 2,102,780</u>		
Appropriated fund equity	<u>\$ 876,500</u>	<u>\$ 876,500</u>		
Prior year encumbrances	<u>\$ 38,831</u>	<u>\$ 38,831</u>		
TOTAL REVENUES AND APPROPRIATED RESERVES/ FUND EQUITY	<u>\$ 25,674,406</u>	<u>\$ 26,750,186</u>		

Required Supplementary Information
BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Equity -
Budget and Actual - General Fund
For The Year Ended June 30, 2024

	Original	Amended	Current		Unencumbered
	<u>Budget</u>	<u>Budget</u>	Year's	<u>Encumbrances</u>	<u>Balances</u>
			<u>Expenditures</u>		
EXPENDITURES					
General Support -					
Board of education	\$ 23,767	\$ 29,001	\$ 29,001	\$ -	\$ -
Central administration	217,122	225,992	225,938	-	54
Finance	382,479	399,170	398,530	-	640
Staff	170,340	223,574	223,574	-	-
Central services	1,358,299	1,344,648	1,330,286	800	13,562
Special items	190,093	176,392	175,509	-	883
Instructional -					
Instruction, administration and improvement	427,071	536,339	536,234	-	105
Teaching - regular school	5,002,045	5,168,683	5,155,584	950	12,149
Programs for children with handicapping conditions	2,982,265	3,109,060	3,100,377	-	8,683
Occupational education	658,000	656,520	643,481	-	13,039
Teaching - special schools	20,000	809	559	-	250
Instructional media	801,802	600,168	585,566	-	14,602
Pupil services	1,018,734	893,021	850,050	-	42,971
Pupil Transportation	1,499,696	1,695,809	1,626,975	-	68,834
Employee Benefits	7,691,004	7,177,840	6,927,104	-	250,736
Debt service - principal	2,565,300	2,733,314	2,724,450	-	8,864
Debt service - interest	391,389	400,474	400,474	-	-
TOTAL EXPENDITURES	<u>\$ 25,399,406</u>	<u>\$ 25,370,814</u>	<u>\$ 24,933,692</u>	<u>\$ 1,750</u>	<u>\$ 435,372</u>
Other Uses -					
Transfers - out	\$ 275,000	\$ 1,379,372	\$ 1,379,372	\$ -	\$ -
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 25,674,406</u>	<u>\$ 26,750,186</u>	<u>\$ 26,313,064</u>	<u>\$ 1,750</u>	<u>\$ 435,372</u>
NET CHANGE IN FUND EQUITY	\$ -	\$ -	\$ (1,833,053)		
FUND EQUITY, BEGINNING OF YEAR	<u>5,138,253</u>	<u>5,138,253</u>	<u>5,138,253</u>		
FUND EQUITY, END OF YEAR	<u>\$ 5,138,253</u>	<u>\$ 5,138,253</u>	<u>\$ 3,305,200</u>		

Required Supplementary Information
BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
Schedule of Changes in Total OPEB Liability
For The Year Ended June 30, 2024

TOTAL OPEB LIABILITY							
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 2,831,104	\$ 3,155,695	\$ 4,663,513	\$ 3,751,502	\$ 2,416,530	\$ 1,945,639	\$ 2,029,182
Interest	4,004,443	3,310,380	2,504,785	2,184,453	2,622,641	2,123,313	1,934,351
Changes in benefit terms	-	849,833	-	-	-	(2,436,966)	-
Differences between expected and actual experiences	63,487	5,851,174	380,433	8,886,160	815,620	12,440,884	-
Changes of assumptions or other inputs	(1,288,049)	(6,585,225)	(25,681,075)	4,246,747	19,856,463	8,089,205	(2,750,457)
Benefit payments	(2,721,972)	(2,902,204)	(2,725,553)	(2,997,891)	(2,836,681)	(2,721,617)	(1,953,978)
Net Change in Total OPEB Liability	\$ 2,889,013	\$ 3,679,653	\$ (20,857,897)	\$ 16,070,971	\$ 22,874,573	\$ 19,440,458	\$ (740,902)
Total OPEB Liability - Beginning	\$ 95,475,991	\$ 91,796,338	\$ 112,654,235	\$ 96,583,264	\$ 73,708,691	\$ 54,268,233	\$ 55,009,135
Total OPEB Liability - Ending	\$ 98,365,004	\$ 95,475,991	\$ 91,796,338	\$ 112,654,235	\$ 96,583,264	\$ 73,708,691	\$ 54,268,233
Covered Employee Payroll	\$ 10,789,183	\$ 10,616,635	\$ 10,616,365	\$ 9,365,847	\$ 9,820,499	\$ 7,717,249	\$ 9,159,843
Total OPEB Liability as a Percentage of Covered Employee Payroll	911.70%	899.31%	864.67%	1202.82%	983.49%	955.12%	592.46%

10 years of historical information is not available, and will be added each year subsequent to the year of implementation until 10 years of historical data is present.

Required Supplementary Information
BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
Schedules of the Proportionate Share of the Net Pension (Liability) Asset
For The Year Ended June 30, 2024

NYSERS Pension Plan

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0096%	0.0100%	0.0084%	0.0090%	0.0093%	0.0092%	0.0095%	0.0085%	0.0090%	0.0086%
Proportionate share of the net pension liability (assets)	\$ (1,410,170)	\$ 2,152,300	\$ (690,600)	\$ 9,000	\$ 2,455,200	\$ 655,200	\$ 307,800	\$ 798,300	\$ 1,440,900	\$ 291,600
Covered-employee payroll	\$ 2,973,471	\$ 2,781,900	\$ 2,454,800	\$ 2,644,600	\$ 2,613,800	\$ 2,500,700	\$ 2,537,700	\$ 2,150,800	\$ 2,336,500	\$ 2,270,200
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	-47.43%	77.37%	-28.13%	0.34%	93.93%	26.20%	12.13%	37.12%	61.67%	12.84%
Plan fiduciary net position as a percentage of the total pension liability	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

NYSTRS Pension Plan

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0401%	0.0426%	0.0418%	0.0405%	0.0399%	0.0386%	0.0377%	0.0379%	0.0378%	0.0357%
Proportionate share of the net pension liability (assets)	\$ 458,530	\$ 817,300	\$ (7,244,700)	\$ 1,118,600	\$ (1,037,000)	\$ (698,200)	\$ (286,300)	\$ 405,800	\$ (3,923,300)	\$ (3,981,700)
Covered-employee payroll	\$ 7,598,956	\$ 7,405,400	\$ 7,545,400	\$ 7,096,000	\$ 6,870,900	\$ 6,662,800	\$ 6,289,700	\$ 5,968,600	\$ 5,845,900	\$ 5,673,800
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	6.03%	11.04%	-96.01%	15.76%	-15.09%	-10.48%	-4.55%	6.80%	-67.11%	-70.18%
Plan fiduciary net position as a percentage of the total pension liability	99.20%	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%

Required Supplementary Information
BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
Schedules of District Contributions
For The Year Ended June 30, 2024

<u>NYSERS Pension Plan</u>										
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 342,690	\$ 354,200	\$ 267,200	\$ 399,500	\$ 357,600	\$ 344,800	\$ 328,700	\$ 326,300	\$ 356,800	\$ 431,400
Contributions in relation to the contractually required contribution	<u>(342,690)</u>	<u>(354,200)</u>	<u>(267,200)</u>	<u>(399,500)</u>	<u>(357,600)</u>	<u>(344,800)</u>	<u>(328,700)</u>	<u>(326,300)</u>	<u>(356,800)</u>	<u>(431,400)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Covered-employee payroll	\$ 2,973,471	\$ 2,781,900	\$ 2,454,800	\$ 2,644,600	\$ 2,613,800	\$ 2,500,700	\$ 2,537,700	\$ 2,150,800	\$ 2,336,500	\$ 2,270,200
Contributions as a percentage of covered-employee payroll	11.52%	12.73%	10.88%	15.11%	13.68%	13.79%	12.95%	15.17%	15.27%	19.00%

<u>NYSTRS Pension Plan</u>										
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 762,011	\$ 762,000	\$ 739,500	\$ 676,200	\$ 707,600	\$ 616,400	\$ 699,500	\$ 775,200	\$ 994,600	\$ 858,000
Contributions in relation to the contractually required contribution	<u>(762,011)</u>	<u>(762,000)</u>	<u>(739,500)</u>	<u>(676,200)</u>	<u>(707,600)</u>	<u>(616,400)</u>	<u>(699,500)</u>	<u>(775,200)</u>	<u>(994,600)</u>	<u>(858,000)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Covered-employee payroll	\$ 7,598,956	\$ 7,405,400	\$ 7,545,400	\$ 7,096,000	\$ 6,870,900	\$ 6,662,800	\$ 6,289,700	\$ 5,968,600	\$ 5,845,900	\$ 5,673,800
Contributions as a percentage of covered-employee payroll	10.03%	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 Changes From Adopted Budget To Final Budget
And The Schedule of Real Property Tax Limit
For The Year Ended June 30, 2024

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget	\$ 25,635,575
Prior year's encumbrances	38,831
Original Budget	\$ 25,674,406
Budget revisions -	
2015 Capital Reserve Fund - Facilities	625,780
2015 Capital Reserve Fund - Transportation	450,000
FINAL BUDGET	\$ 26,750,186

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2024-25 voter approved expenditure budget	\$ 25,789,262
<u>Unrestricted fund equity:</u>	
Assigned fund equity	\$ 1,258,750
Unassigned fund equity	969,729
Total Unrestricted fund equity	\$ 2,228,479
<u>Less adjustments:</u>	
Appropriated fund equity	\$ 1,257,000
Encumbrances included in assigned fund equity	1,750
Total adjustments	\$ 1,258,750
General fund fund equity subject to Section 1318 of	
Real Property Tax Law	969,729
ACTUAL PERCENTAGE	3.76%

Supplementary Information
BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures - Capital Projects Fund
For The Year Ended June 30, 2024

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>	<u>Methods of Financing</u>				<u>Fund Equity</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>		<u>Obligations</u>	<u>Local Sources</u>	<u>State Sources</u>	<u>Total</u>	
District-wide - Construction	\$ -	\$ -	\$ 19,862,370	\$ -	\$ 19,862,370	\$(19,862,370)	\$ 17,605,000	\$ 2,182,931	\$ -	\$ 19,787,931	\$ (74,439)
District-wide - Buses	-	-	-	151,155	151,155	(151,155)	493,793	-	-	493,793	342,638
Leases			-	77,056	77,056	(77,056)	-	77,056		77,056	-
TOTAL	\$ -	\$ -	\$ 19,862,370	\$ 228,211	\$ 20,090,581	\$(20,090,581)	\$ 18,098,793	\$ 2,259,987	\$ -	\$ 20,358,780	\$ 268,199

Supplementary Information
BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
Schedule of Net Investment in Capital and Lease Assets
June 30, 2024

Capital and lease assets, net		\$ 34,936,515
 Add:		
Cash on hand	\$ 155,859	155,859
 Deduct:		
Bond payable	\$ 17,778,809	
Installment purchase debt	332,830	
Unamortized bond premium	306,144	
Lease Liability	229,199	
		18,646,982
 Net Investment in Capital and Lease Assets		 \$ 16,445,392



BUSINESS
ADVISORS
AND CPAS

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

The President and Members
of the Board of Education of
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 (*Government Auditing Standards*), the financial statements of the government activities and each major fund of Berne-Knox-Westerlo Central School District (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 24, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of questioned costs, we identified certain deficiencies in internal control that we consider to be material weakness and significant deficiencies.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 to be a material weaknesses.

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. We considered the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-003 and 2024-004 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2024-005.

Districts Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Baw & Co. LLP

October 24, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The President and Members
of the Board of Education of
Berne-Knox-Westerlo Central School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Berne-Knox-Westerlo Central School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Berne-Knox-Westerlo Central School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant

deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Mengel, Metzger, Barw & Co. LLP

Latham, NY

October 24, 2024

Supplementary Information
BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2024

<u>Grantor / Pass - Through Agency</u> <u>Federal Award Cluster / Program</u>	<u>Federal Assistance Listing Number</u>	<u>Grantor Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Total Expenditures</u>
U.S. Department of Education:				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
<u>Special Education Cluster IDEA -</u>				
Special Education - Grants to States (IDEA, Part B)	84.027	0032-24-0016	\$ -	\$ 235,531
Special Education - Preschool Grants (IDEA Preschool)	84.173	0033-24-0016	-	11,231
Total Special Education Cluster IDEA			<u>\$ -</u>	<u>\$ 246,762</u>
<u>Education Stabilization Fund -</u>				
ARP - ESSER 3 - COVID 19	84.425D	5880-21-0010	\$ -	\$ 310,728
ARP - SLR Summer Enrichment - COVID 19	84.425U	5882-21-0010	-	34,118
ARP - SLR Comprehensive After School - COVID 19	84.425U	5883-21-0010	-	52,433
ARP - SLR Learning Loss - COVID 19	84.425U	5884-21-0010	-	315,368
Total Education Stabilization fund			<u>\$ -</u>	<u>\$ 712,647</u>
Title IIA - Supporting Effective				
Instruction State Grant	84.367	0147-24-0010	\$ -	\$ 17,090
Title IIA - Supporting Effective				
Instruction State Grant	84.367	0147-23-0010	-	2,000
Total Title IIA - Supporting Effective Instruction State Grant			<u>-</u>	<u>19,090</u>
Title IV - Student Support and Enrichment Program				
Instruction State Grant	84.424	0204-24-0010	-	9,786
Instruction State Grant	84.424	0204-23-0010	-	4,229
Total Title IV - Student Supporting and Enrichment Program			<u>-</u>	<u>14,015</u>
Title I - Grants to Local Educational Agencies				
Instruction State Grant	84.010	0021-23-0010	-	121,579
Total U.S. Department of Education			<u>\$ -</u>	<u>\$ 1,114,093</u>
U.S. Department of Agriculture:				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department (Child Nutrition Services) -</u>				
<u>Child Nutrition Cluster -</u>				
National School Lunch Program	10.555	N/A	\$ -	\$ 167,554
National School Lunch Program Supply Chain - COVID 19	10.555	N/A	-	42,946
National School Lunch Program-Non-Cash				
Assistance (Commodities)	10.555	N/A	-	27,301
National School Snack Program	10.555	N/A	-	2,155
National School Breakfast Program	10.553	N/A	-	45,236
Total Child Nutrition Cluster			<u>\$ -</u>	<u>\$ 285,192</u>
Total U.S. Department of Agriculture			<u>\$ -</u>	<u>\$ 285,192</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 1,399,285</u>

See accompanying notes to the schedule of expenditures of federal awards.

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of federal award programs administered by Berne-Knox-Westerlo Central School District (District), which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the District financial statements. Federal awards that are included in the Schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies.

The information presented in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This Schedule only presents a selected portion of the operations of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

3. SCOPE OF AUDIT

The Berne-Knox-Westerlo Central School District is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

4. NON-CASH ASSISTANCE

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2024, the District received food commodities totaling \$27,301.

5. INDIRECT COST RATE

The Berne-Knox-Westerlo Central School District did not elect to use the 10% de minimus cost rate.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District's policy is not to charge federal award programs with indirect costs.

6. SUB-RECIPIENTS

The District provided no federal awards to sub-recipients during the year ended June 30, 2024.

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR JUNE 30, 2024**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs unmodified

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

Identification of major programs:

Federal Assistance Listing

<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425U	COVID-19 ARP – Elementary and Secondary School Emergency Relief Fund - Summer Enrichment
84.425U	COVID-19 ARP – Elementary and Secondary School Emergency Relief Fund - Learning Loss
84.425U	COVID-19 ARP – Elementary and Secondary School Emergency Relief Fund – Comprehensive After School
84.425D	COVID-19 CRRSA Act - Elementary and Secondary School Emergency Relief Fund III

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR JUNE 30, 2024**

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Material Weakness

2024-001 Claims Auditor Reporting and Procedure

Statement of Condition: The Claims Auditor does not report the results of the audit of claims to the Board of Education, rather they are communicated to the District Office to be communicated to the Board of Education. Additionally, they do not maintain a check log of the disbursements that have been reviewed as part of the internal control process and rather rely on the District Treasurer to maintain a check log.

Criteria: Under the School District Accountability Chapter 263 of the Laws of 2005, the Board of Education can appoint a claims auditor to perform the function of approve each claim of the District on their behalf. The claims auditor should report to the full Board on the result of the audits of claims. The individual appointed should be independent, qualified to audit the claims and should receive any necessary training. Additionally, the claims auditor should maintain their own records of information that is reviewed to ensure completeness of the District's transactions provided for review.

Cause of Condition: There has been no request for the Claims Auditor to report to the Board of Education. The District also believed the information maintained by the District Clerk was sufficient for the Claims Auditors procedures.

Effect of Condition: There could be reoccurring errors that are not being corrected or other information that is important for the Board of Education to be aware of and to evaluate whether internal controls are functioning. Additionally, without maintaining their own check log, there could be claims being paid with District funds that have not been reviewed by the Claims Auditor.

Context: The Claims Auditor has received training previously and has put together their procedures for review and approval of claims, which includes the review of purchase orders, invoices/receipts, budget coding, sufficient budget appropriations and sales tax.

Recommendation: We recommend the Claims Auditor report to the full Board of Education or the Audit Committee on a regular basis. This report should include the period of claims audited; errors found (including those corrected) as well as any concerns they have noted performing the claims auditing function. Additionally, we recommend that the Claims auditor maintain an independent listing of all checks to ensure they have reviewed all claims paid with District funds.

Views of Responsible Officials and Planned Corrective Action: The District agrees that procedures for Claims Auditor reporting to the full Board or Education or the Audit Committee need to be strengthened.

The District is actively negotiating a contract with Michael T. Wolff, CIA, Advisory Services to provide intense training for the Claims Auditor and Deputy Claims Auditor.

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR JUNE 30, 2024**

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Material Weakness

2024-001 Claims Auditor Reporting and Procedure

Training will consist of the history and issues of claims auditing, NYS OSC findings, professional attributes, law, operational procedures, practicum, fraud, and reports & reporting. Once training is complete, the Claims Auditor and Deputy Claims Auditor will be expected to provide meaningful reports of all required claims directly to the Board of Education on a regular basis, including, but not limited to the period of claims audited, errors found (including those corrected), and any concerns noted while performing the audit function. In addition, the Claims Auditor will maintain an independent listing of all checks.

2024-002 Audit Adjustments

Statement of Condition: Several adjusting journal entries were proposed as a result of audit procedures and to properly reflect account balances throughout the funds and financial statements at year end.

Criteria: To accurately present the financial position of the District, general ledger accounts should be reconciled and monitored throughout the year and at year end by management. The accuracy of financial data is crucial to the budget process and monthly report monitoring.

Cause of Condition: Multiple adjusting journal entries were proposed as a result of audit procedures to properly reflect year-end balances. Additionally, the District posted numerous entries during and after audit field work.

Effect of Condition: In the general fund, cash and accounts payable were understated by \$60,663, accrued expenses and fringe benefits were understated by \$76,890, unassigned fund balance was overstated by \$150,000 and the transportation reserve was understated by \$150,000, accounts receivable and due from the school lunch fund were overstated by \$12,287, special education expenses year were understated and due from the special aid fund were overstated by \$198,317, and BOCES state aid and due from the school lunch fund were overstated by \$41,906.

In the school lunch fund, the surplus food expenditure and federal surplus food revenue were understated by \$6,088, expenditures were understated and the due to general fund was overstated by \$12,287, and the BOCES state aid was understated and due to the general fund was overstated by \$41,906.

In the special aid fund, the state and federal receivables and due to general fund were overstated by \$198,317.

In the capital projects fund, cash was understated and capital outlay were overstated by \$149,154, and accounts payable and capital outlay were overstated by \$154,154.

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Material Weakness

2024-002 Audit Adjustments

Context: There were transactions that was not properly recorded during the year, these adjustments related to not recording expenditures in the correct fund, reversal of duplicate entries, return of bad debts to the proper fund, recording of liabilities, writing off uncollectable summer handicapped receivables, accruing expenditures in the incorrect period. Additionally, adjustments were recorded to properly adjust cash, accounts payable and expenditures for checks that were back dated in attempt to record them in the correct period.

Recommendation: We recommend that management review and monitor account balances during the year end more closely and implement a formal closing process for end of year reconciliations and cut off.

Views of Responsible Officials and Planned Corrective Action: Although some of the items noted above were due to delayed delivery in buses and different expectations of the prior auditors, the District firmly agrees that a more formal review process would be beneficial. Given staff turnover in accounts payable and the identified need for claims auditor training, enhanced supervision by management to the accounts payable year end process and cut off is needed. Additionally, the District will benefit from a more proactive approach to journal entry review. A procedure will be implemented for the 2024-25 fiscal year whereby journal entries will be reviewed by the Finance Officer/Accountant. At month end, the District Treasurer shall print a monthly report of journal entries completed. The District Treasurer shall review and sign the report and forward it to the Finance Officer/Accountant. The District Treasurer shall maintain adequate documentation to support journal entries and file such documentation with the monthly journal entry reports. Closing journal entries at fiscal year end shall be reviewed using the same procedures. Copies will be maintained for auditor review at the close of the fiscal year.

Significant Deficiency

2024-003 Compensated Absences

Statement of Condition: The compensated absences calculation of benefits was based on unclear, and lack of concise wording included in the Districts union contracts and/or employee handbooks.

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Significant Deficiency

2024-003 Compensated Absences

Criteria: The District originally calculated the compensated absences with a methodology consistently used in the prior year, however upon further review due to contract amendment or memorandums of agreement compensated absences thresholds have been modified making it unclear as to certain limits or thresholds to be paid out as future benefits.

Cause of Condition: The contracts and memorandums of agreement currently in place for the District are not clear or concise in the benefit terms and thresholds utilized in the calculation of compensated absences.

Effect of Condition: Estimated compensated absences liability could be misstated which could have an impact on the District's related reserve. Additionally, compensated absences could be improperly paid out to employees by the District due to the lack of clarity from these agreements.

Context: The labor union agreements and non-labor union employee handbook are unclear as to the limits to be accrued and paid out to members of the district upon the criteria currently in place.

Recommendation: We recommend the District consider consulting with their labor attorney as well as with the labor unions to provide additional clarification and guidance as to the benefits that will be paid out upon retirement, include limitation in hours and rates, as well as the and the methods to which those benefits will be paid out.

Views of Responsible Officials and Planned Corrective Action: The District agrees that the labor union agreements and non-labor union handbook are unclear and clarification is necessary. While Administration is working with labor union leadership, all contracts have been settled. Current contracts are as follows:

- Administrators – July 1, 2024 through June 30, 2029
- Teacher Support Staff – July 1, 2023 through June 30, 2027
- CSEA – July 1, 2024 through June 30, 2026
- Non-Union Employees – July 15, 2022 through June 30, 2027
- Teachers – July 1, 2021 through June 30, 2025

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Significant Deficiency

2024-003 Compensated Absences

By April 2025, Administration shall have specific points identified that need clarity in contracts for the next cycle of contract negotiations.

Prior to the next cycle of contract renewals, the Human Resources Specialist shall review the Treasurer compensated absences calculations to ensure equivalent contract interpretation.

2024-004 Information Technology Access

Statement of Condition: All members of the business office have administrative rights within the accounting software.

Criteria: To maintain a strong control environment administrative rights within the financial reporting software should be limited to one or two individuals outside of the financial reporting process. There are compensating controls in place due to the nature of the districts internal control and financial reporting process, however there is a risk that these controls can be circumvented.

Cause of Condition: The District does not currently have areas limited within their accounting software based on an individual's job functions or responsibilities.

Effect of Condition: Potential for unauthorized access to areas and functions within the accounting software based on individuals job function, roles or responsibilities.

Context: As part of the audit process we consider the roles and responsibilities of employees involved in the financial reporting process and compare those responsibilities to their access levels within the financial reporting software. Additionally, we consider any compensating controls to overcome access levels that are not consistent with job responsibilities. Inquiries and observations were performed to verify the compensating controls were in place and functioning.

Recommendation: We recommend that the District review access tables within the accounting software and restrict user rights to those program and modules based on their job function, roles and responsibilities, as well as limiting those individuals who have administrator access to someone outside of the financial reporting process.

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Significant Deficiency

2024-004 Information Technology Access

Views of Responsible Officials and Planned Corrective Action: The District agrees that a review of the accounting software is necessary and that the District needs to restrict user rights to the software for the district employees, limiting users' rights to job responsibilities. At the October 28, 2024 Board of Education meeting, the District will appoint the IT technician as nVision Administrator, removing all software administrative rights from the district office staff. In addition, the District will review all user rights for staffing and adjust them to limit access for what is only necessary to the job title.

Material Noncompliance

2024-005 Compliance with Net Cash Resources and Negative Fund Balance for Child Nutrition.

Statement of Condition: The School Lunch Fund has deficit fund equity of approximately \$40,000.

Criteria: NYS Child Nutrition Management System requires any negative fund balance at the end of the year must be cleared by funds from non-federal sources, such as the general fund.

Cause of Condition: The cumulative effect of non-federal sources not being transferred to the School Lunch Fund to cover the negative fund balance.

Effect of Condition: The District was not in compliance with NYS Child Nutrition Management System.

Context: As part of audit procedures, the compliance Net Resources and Negative Fund balance with NYS Child Nutrition Management System is reviewed.

Recommendation: The District should develop a plan to budget and transfers funds from the general fund to the Child Nutrition Fund to cover the negative fund equity.

Views of Responsible Officials and Planned Corrective Action: The District agrees to develop a plan to budget and transfer funds from the General Fund to the School Lunch Fund to cover any negative fund equity. At month end, the District Treasurer shall produce School Lunch Fund financial reports to the Board of Education to keep Management and the Board of Education informed of the School Lunch Fund's financial position. At fiscal year end, the Finance Officer/Accountant will review the working financials and, if necessary, have the District Treasurer transfer funds from the General Fund to the School Lunch Fund to cover any negative fund equity.

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal Awards which are required to be reported in accordance with 2CFR 200.516(a):

None Noted.

**BERNE-KNOX-WESTERLO CENTRAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

No findings in the prior year to report on.