

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**Financial Statements and Required Reports
Under Uniform Guidance**

**For the Year Ended June 30, 2020
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

October 13, 2020

To the Board of Education of
Newburgh Enlarged City School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The other information listed in the accompanying table of contents, as required by the New York State Education Department, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information listed in the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The following is a discussion and analysis of Newburgh Enlarged City School District's (the School District) financial performance for the fiscal year ended June 30, 2020. This section summarizes the School District's financial activities based on currently known facts, decisions, and 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. As this section is only an introduction, it should be read in conjunction with the School District's basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide net position of the School District is \$(464,652,785).
- Government-wide net position is \$34,215,261 less than at July 1, 2019.
- The School District continued to offer all programs, without reducing services.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *School District-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status. Because of this, the Statement of Net Position will include assets such as building and equipment and long-term balances due to the School District as well as long term liabilities such as bonds payable. In addition, payments for principal on long term bond obligations will be shown as a reduction of the liability and payments for buildings and equipment will be shown as additions to assets.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the Government-wide statements. The fund financial statements concentrate on the School District's most significant funds.
- 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. As such, in this presentation, payments for buildings and equipment will be shown as expenditures rather than an increase in assets, proceeds from new long-term borrowings will be shown as a source of revenue rather than a long-term liability, and principal payments on the long-term borrowings will be shown as expenditures.
- *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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data immediately following the financial statements. The statements are followed by a section of required supplementary information and then other information.

These schedules further explain and support the financial statements with a comparison of the School District's budget for the year, a detailed capital project schedule, and other financial information.

Table A-1 shows how the various sections of this annual report are arranged and related to one another.

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

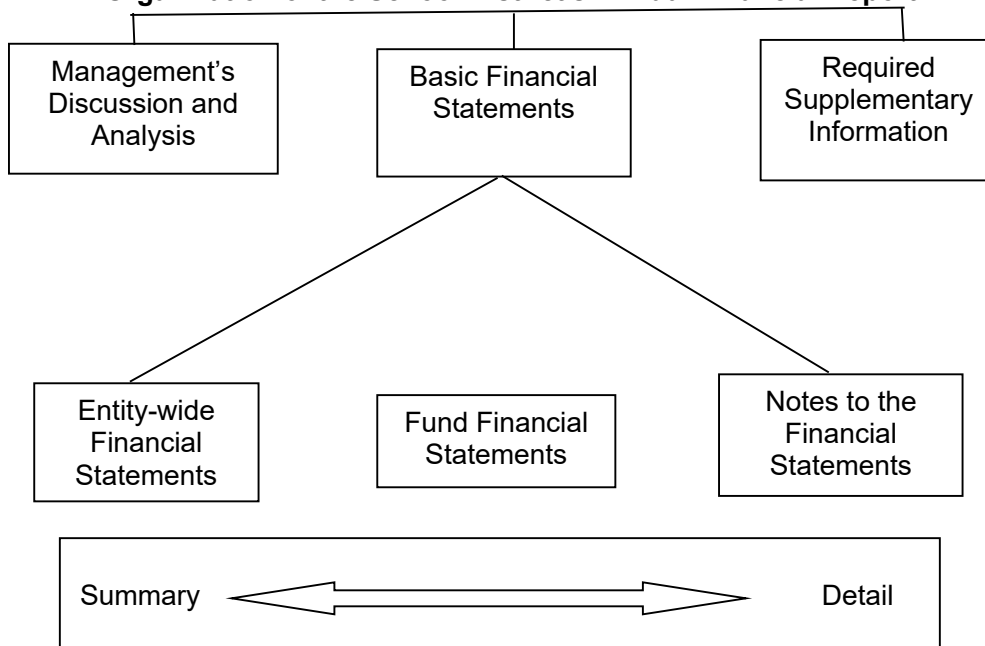


Table A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

Government-Wide Statements

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

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

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Statements (Continued)

- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

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

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

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets.
 - Restricted net position is those assets with constraints placed on use by external sources or imposed by law.
 - 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, not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The School District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, debt service fund, capital projects fund, and library fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and change in fund balance.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The analysis below focuses on the net position (Table A-3) and changes in net position (Table A-4) of the School District's governmental activities.

Table A-3 Condensed Statement of Net Position

	Fiscal Year 2020	Fiscal Year 2019	Dollar Change
Assets:			
Current and other assets	\$ 125,389,639	\$ 121,890,116	\$ 3,499,523
Noncurrent assets	<u>170,350,328</u>	<u>157,678,839</u>	<u>12,671,489</u>
Total assets	<u>295,739,967</u>	<u>279,568,955</u>	<u>16,171,012</u>
Deferred Outflows of Resources	<u>148,754,169</u>	<u>130,374,117</u>	<u>18,380,052</u>
Liabilities:			
Current liabilities	47,624,761	34,843,215	12,781,546
Long-term liabilities	<u>769,872,797</u>	<u>704,279,193</u>	<u>65,593,604</u>
Total liabilities	<u>817,497,558</u>	<u>739,122,408</u>	<u>78,375,150</u>
Deferred Inflows of Resources	<u>91,649,363</u>	<u>101,258,188</u>	<u>(9,608,825)</u>
Net position:			
Net investment in capital assets	99,281,471	90,676,724	8,604,747
Restricted	41,376,946	39,685,113	1,691,833
Unrestricted	<u>(605,311,202)</u>	<u>(560,799,361)</u>	<u>(44,511,841)</u>
Total net position	<u>\$(464,652,785)</u>	<u>\$(430,437,524)</u>	<u>\$ (34,215,261)</u>

In Table A-3, total assets at June 30, 2020 were approximately \$16 million greater than at June 30, 2019. Non-current assets increased approximately \$13 million, due largely to the Teachers' Retirement System's net pension asset increasing \$5.6 million. Current assets increased approximately \$3.5 million, due primarily to an increase in cash of approximately \$36 million from proceeds from the energy performance contract debt issuance.

Deferred outflows of resources at June 30, 2020 were approximately \$18 million greater than at June 30, 2019, due primarily to an increase in pension and OPEB related deferred outflows.

Total liabilities increased by approximately \$78 million, due primarily to an increase in long term liabilities of approximately \$24.5 million due to the issuance of energy performance contract debt and an increase of \$26 million in OPEB.

Deferred inflows of resources decreased by \$9.6 million due to a decrease in OPEB deferred inflows and a decrease in pension deferred inflow.

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

Table A-4 Changes in Net Position from Operating Results

	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Dollar Change</u>
Revenue			
Program revenue:			
Charges for services	\$ 725,211	\$ 945,345	\$ (220,134)
Operating grants	25,764,445	29,762,786	(3,998,341)
General revenue:			
Property and other tax items	121,437,482	121,189,094	248,388
State aid	163,163,768	160,225,578	2,938,190
Federal aid	555,598	498,393	57,205
Use of money and of property	997,252	1,467,214	(469,962)
Sale of property and compensation for loss	154,060	189,113	(35,053)
Miscellaneous	<u>2,226,598</u>	<u>2,652,397</u>	<u>(425,799)</u>
Total revenue	<u>315,024,414</u>	<u>316,929,920</u>	<u>(1,905,506)</u>
Expenses			
General support	43,549,477	32,086,872	11,462,605
Instruction	279,480,442	260,872,896	18,607,546
Pupil transportation	15,446,348	15,512,580	(66,232)
Debt service - Interest	2,346,688	2,103,676	243,012
School lunch program	<u>8,416,720</u>	<u>8,642,659</u>	<u>(225,939)</u>
Total expenses	<u>349,239,675</u>	<u>319,218,683</u>	<u>30,020,992</u>
Change in Net Position	<u><u>\$(34,215,261)</u></u>	<u><u>\$ (2,288,763)</u></u>	<u><u>\$(31,926,498)</u></u>

The School District's fiscal year 2020 revenues totaled \$315,024,414. (See Table A-4). Property taxes (including other tax items) and state and federal sources accounted for most of the School District's revenue by contributing 39% and 52% respectively, of every dollar raised in 2020. (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$349,239,675 for fiscal year 2020. These expenses are predominately related to general instruction, which account for 80% of School District expenses. (See Table A-6). The School District's general support activities accounted for 12% of total expenses. The \$30 million increase in expenses over the prior year is substantially due to recognizing pension and other-employment benefits on a full accrual basis.

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

Table A-5 Sources of Revenue for 2020

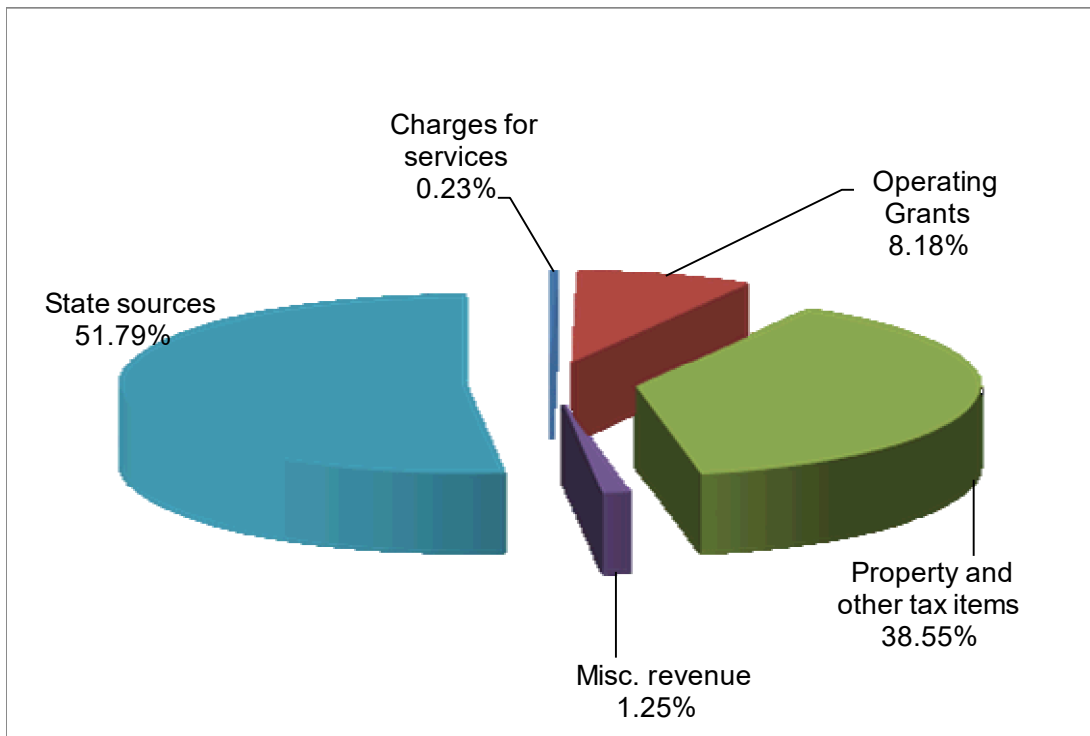
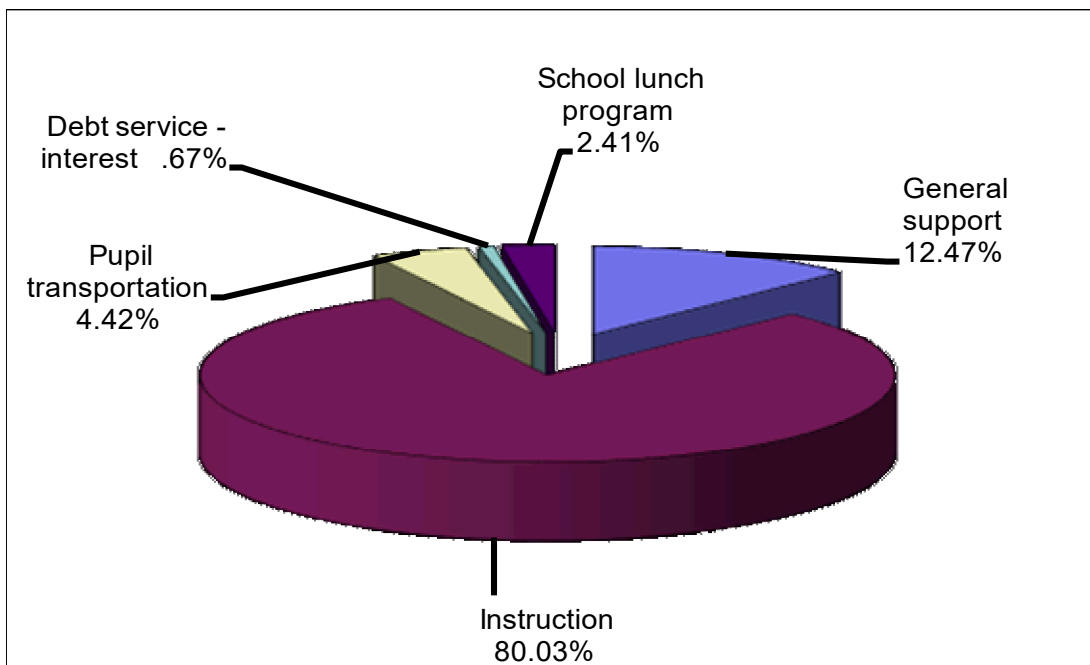


Table A-6 Sources of Expenses for 2020



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

Governmental Activities

Table A-7 presents the cost of the School District's major programs or activities as well as each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions and is presented in the Statement of Activities.

Table A-7 Net Costs of Governmental Activities

	Total Cost Of Services <u>2020</u>	Total Cost Of Services <u>2019</u>	Percent Change	(Net) Cost Of Services <u>2020</u>	(Net) Cost Of Services <u>2019</u>	Percent Change
Functions:						
General support	\$ 43,549,477	\$ 32,086,872	35.72%	\$ 43,549,477	\$ 32,086,872	35.72%
Instruction	279,480,442	260,872,896	7.13%	259,320,006	238,617,744	8.68%
Pupil transportation	15,446,348	15,512,580	-0.43%	15,446,348	15,512,580	-0.43%
Debt service - Interest	2,346,688	2,103,676	11.55%	2,346,688	2,103,676	11.55%
Cost of sales	8,416,720	8,642,659	-2.61%	2,087,500	189,680	1000.54%
Total	<u>\$349,239,675</u>	<u>\$319,218,683</u>	<u>9.40%</u>	<u>\$322,750,019</u>	<u>\$288,510,552</u>	<u>11.87%</u>

- The total cost of all governmental activities for the year was \$349,239,675.
- The users of the School District's programs financed \$725,211 the costs.
- The federal and state operating grants financed \$25,764,445 of the costs.
- The remainder of the costs was financed by the School District's taxpayers and unrestricted state aid and federal aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

- General fund – ended the year with \$57.5 million in fund balance. Revenue exceeded expenditures by approximately \$2.1 million.
- School lunch fund – ended the year with \$587,119 in fund balance. Expenditures exceeded revenues by approximately \$1.3 million.
- Capital projects fund – ended the year with \$7.3 million in fund balance. Capital expenditures totaled nearly \$14.7 million and the School District recognized \$2.0 million in proceeds from energy performance contract.
- Special aid fund – ended the year with \$18 thousand in fund balance. By the nature of the fund, total expenditures of \$21.1 million were matched with offsetting revenue.
- Debt service fund – ended the year with \$9.5 million in fund balance.
- Library fund – ended the year with \$2.5 million in fund balance. Revenue exceeded expenditures by \$141 thousand.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund.

Table A-8 – Results vs. Budget

	Adopted Budget	Final Budget	Actual	Encumbrances	Variance
Revenue:					
Real property taxes	\$ 99,257,166	\$100,475,219	\$ 99,270,604	\$ -	\$ (1,204,615)
Other tax items	16,462,832	15,244,785	15,769,172	-	524,387
Charges for services	400,000	400,000	478,131	-	78,131
Use of money and property	850,000	850,000	798,644	-	(51,356)
Sale of property and compensation for loss	250,000	250,000	154,060	-	(95,940)
Miscellaneous	1,230,000	1,236,500	1,925,951	-	689,451
State sources	163,145,568	163,145,568	161,618,202	-	(1,527,366)
Medicaid reimbursement	400,000	400,000	555,598	-	155,598
Federal sources	-	-	73,367	-	73,367
Transfers in	449,274	449,274	622,017	-	172,743
Total revenue	<u>282,444,840</u>	<u>282,451,346</u>	<u>281,265,746</u>	<u>-</u>	<u>(1,185,600)</u>
Expenditures:					
General support	25,889,533	27,404,816	26,603,190	734,287	67,339
Instruction	149,759,812	150,393,648	148,402,576	1,776,447	214,625
Pupil transportation	14,331,895	13,689,350	13,387,676	599	301,075
Employee benefits	78,584,464	75,617,853	75,617,343	-	510
Transfers out	13,879,136	17,568,177	15,126,054	-	2,442,123
Total expenses	<u>282,444,840</u>	<u>284,673,844</u>	<u>279,136,839</u>	<u>2,511,333</u>	<u>3,025,672</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,222,498)</u>	2,128,907	<u>\$ (2,511,333)</u>	<u>\$ 1,840,072</u>
Fund balance - beginning of year			<u>55,355,790</u>		
Fund balance - end of year			<u>\$ 57,484,697</u>		

The general fund is the only fund for which a budget is legally adopted.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights (Continued)

The following significant variances between budget and actual occurred during fiscal 2020:

Property taxes - As a small city school district, we are not guaranteed one hundred percent of the property tax levy every year, due to governmental municipalities' current budgetary needs we did not receive anticipated revenues.

Interfund transfers – the favorable variance in the interfund transfer was due to capital projects and it was not necessary to make the transfer.

All other budgetary variances are considered immaterial.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2020, the School District had \$152,292,066 invested in a broad range of capital assets including land, buildings, vehicles, athletic facilities, computers, and other educational equipment.

Table A-9 – Capital Assets (Net of Depreciation)

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>
Construction in progress	\$ 20,426,846	\$ 6,280,740
Land	1,949,269	1,949,269
Buildings and improvements	266,821,648	266,834,919
Furniture and equipment	13,042,445	12,480,145
Vehicles	1,414,942	1,290,832
Accumulated depreciation	<u>(151,363,084)</u>	<u>(143,583,270)</u>
Total capital assets	<u>\$152,292,066</u>	<u>\$145,252,635</u>

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

As of June 30, 2020, the School District had \$780,792,615 in general obligation and other long-term liabilities outstanding. More detailed information about the School District's long-term debt is included in the notes to the financial statements.

Table A-10 – Long-term Liabilities

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>
Bonds payable, including unamortized bond premium	\$ 39,698,499	\$ 50,258,346
Energy performance contract	27,771,848	26,135,748
Compensated absences	3,571,649	3,107,798
Total other postemployment benefits liability	680,877,061	621,422,574
Net pension liability - ERS	19,837,087	5,006,132
Judgment and claims	<u>9,036,471</u>	<u>8,885,673</u>
Total long-term liabilities	<u>\$780,792,615</u>	<u>\$714,816,271</u>

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the School District was aware of existing circumstances that could significantly affect its fiscal status in the future. The School District must comply and budget within the Annual Tax Levy decisions, Tax Cap freeze, Deferred State/Federal Tax Filings, COVID-related expenses, Unanticipated Reimbursable Aides Affordable Health Care regulations, and all unfunded mandates established by the New York State Education Department. The School District works with the Town of Newburgh, City of Newburgh, and Town of New Windsor to stay apprised on pending tax certioraris. The School District will continue to monitor changes in student enrollment on an on-going basis. As a result of the COVID-19 pandemic the School District must comply with the CDC, NYS Department of Health, and NYSED guidelines to ensure the safety of our students, staff, and community members. At present, the full financial impact of COVID-19 is not known.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Newburgh Enlarged City School District
Attn: Assistant Superintendent - Finance
124 Grand Street
Newburgh, New York 12550

NEWBURGH ENLARGED CITY SCHOOL DISTRICT**STATEMENT OF NET POSITION
JUNE 30, 2020****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

CURRENT ASSETS:

Cash and cash equivalents - unrestricted	\$ 45,499,477
Cash and cash equivalents - restricted	41,376,946
Taxes receivable	5,785,565
Accounts receivable	885,782
Due from fiduciary funds	471,993
State and federal aid receivable	30,784,366
Prepaid expenses	250,000
Inventories	<u>335,510</u>
 Total current assets	 <u>125,389,639</u>

NON-CURRENT ASSETS:

Net pension asset-TRS	18,058,262
Capital assets, net	<u>152,292,066</u>
 Total non-current assets	 <u>170,350,328</u>
 Total assets	 <u>295,739,967</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refunding	563,606
Deferred outflows of resources - TRS Pension	58,296,424
Deferred outflows of resources - ERS Pension	13,532,283
Deferred outflows - OPEB	<u>76,361,856</u>
 Total deferred outflows of resources	 <u>148,754,169</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:

Accounts payable and accrued expenses	23,363,234
Accrued interest	628,403
Due to other governments	13,832
Unearned revenue	315,053
Due to Teachers' Retirement System	11,535,387
Due to Employees' Retirement System	849,034
Long-term debt due within one year	<u>10,919,818</u>
 Total current liabilities	 <u>47,624,761</u>

LONG-TERM LIABILITIES:

Bonds payable, net of current portion and unamortized premiums	30,333,499
Energy performance contract	26,217,030
Compensated absences	3,571,649
Judgments and claims	9,036,471
Net pension liability - ERS	19,837,087
Total other postemployment benefits liability	<u>680,877,061</u>
 Total long-term liabilities	 <u>769,872,797</u>
 Total liabilities	 <u>817,497,558</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - TRS Pension	25,348,737
Deferred inflows of resources - ERS Pension	383,419
Deferred inflows - OPEB	<u>65,917,207</u>
 Total deferred inflows of resources	 <u>91,649,363</u>

NET POSITION

Net investment in capital assets	99,281,471
Restricted	41,376,946
Unrestricted	<u>(605,311,202)</u>
 TOTAL NET POSITION	 <u>\$ (464,652,785)</u>

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
GOVERNMENTAL ACTIVITIES				
FUNCTIONS/PROGRAMS:				
General support	\$ 43,549,477	\$ -	\$ -	\$ (43,549,477)
Instruction	279,480,442	498,592	19,661,844	(259,320,006)
Pupil transportation	15,446,348	-	-	(15,446,348)
Debt service - interest	2,346,688	-	-	(2,346,688)
School lunch program	<u>8,416,720</u>	<u>226,619</u>	<u>6,102,601</u>	<u>(2,087,500)</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 349,239,675</u>	<u>\$ 725,211</u>	<u>\$ 25,764,445</u>	<u>(322,750,019)</u>
GENERAL REVENUE:				
Real property taxes				105,668,310
Other tax items				15,769,172
Use of money and property				997,252
Sale of property and compensation for loss				154,060
State sources				163,163,768
Medicaid reimbursement				555,598
Miscellaneous				<u>2,226,598</u>
TOTAL GENERAL REVENUE				<u>288,534,758</u>
CHANGE IN NET POSITION				(34,215,261)
TOTAL NET POSITION - beginning of year				<u>(430,437,524)</u>
TOTAL NET POSITION - end of year				<u>\$ (464,652,785)</u>

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Library</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents - unrestricted	\$ 28,410,243	\$ 209,949	\$ 465,553	\$ 13,896,146	\$ 1,605,021	\$ 912,565	\$ 45,499,477
Cash and cash equivalents - restricted	41,227,883	-	-	149,063	-	-	41,376,946
Taxes receivable	5,785,565	-	-	-	-	-	5,785,565
Accounts receivable	882,634	2,682	466	-	-	-	885,782
Due from other funds	5,787,711	-	-	10,237	7,905,376	2,097,975	15,801,299
State and federal aid receivable	15,265,160	13,996,004	237,233	1,285,969	-	-	30,784,366
Prepaid expenditures	250,000	-	-	-	-	-	250,000
Inventory	-	-	335,510	-	-	-	335,510
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 97,609,196	\$ 14,208,635	\$ 1,038,762	\$ 15,341,415	\$ 9,510,397	\$ 3,010,540	\$ 140,718,945
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
LIABILITIES:							
Accounts payable and accrued expenses	\$ 16,528,995	\$ 591,346	\$ 231,873	\$ 5,515,455	\$ -	\$ 495,565	\$ 23,363,234
Due to other funds	-	13,082,803	219,770	2,026,733	-	-	15,329,306
Due to other governments	-	13,832	-	-	-	-	13,832
Due to Teachers' Retirement System	11,535,387	-	-	-	-	-	11,535,387
Due to Employees' Retirement System	849,034	-	-	-	-	-	849,034
Unearned revenue	-	502,345	-	517,375	-	-	1,019,720
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	28,913,416	14,190,326	451,643	8,059,563	-	495,565	52,110,513
DEFERRED INFLOWS OF RESOURCES:							
Deferred state aid	704,667	-	-	-	-	-	704,667
Deferred taxes	3,342,280	-	-	-	-	-	3,342,280
Deferred revenue	7,164,136	-	-	-	-	-	7,164,136
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	11,211,083	-	-	-	-	-	11,211,083

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2020

	<i>General</i>	<i>Special Aid</i>	<i>School Lunch</i>	<i>Capital Projects</i>	<i>Debt Service</i>	<i>Library</i>	<i>Total Governmental Funds</i>
Nonspendable							
Prepaid expenditures	250,000	-	-	-	-	-	250,000
Inventory	-	-	335,510	-	-	-	335,510
Total nonspendable fund balance	<u>250,000</u>	<u>-</u>	<u>335,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>585,510</u>
Restricted for:							
Unemployment insurance	1,018,742	-	-	-	-	-	1,018,742
Workers' compensation reserve	8,340,784	-	-	-	-	-	8,340,784
Retirement	4,506,322	-	-	-	-	-	4,506,322
Tax certiorari	3,361,885	-	-	-	-	-	3,361,885
Capital projects	19,354,934	-	-	149,063	-	-	19,503,997
Employee benefits accrued liability	2,328,167	-	-	-	-	-	2,328,167
Insurance	655,003	-	-	-	-	-	655,003
Repairs	1,662,046	-	-	-	-	-	1,662,046
Total restricted fund balance	<u>41,227,883</u>	<u>-</u>	<u>-</u>	<u>149,063</u>	<u>-</u>	<u>-</u>	<u>41,376,946</u>
Assigned							
Appropriated for subsequent year's budget	1,998,177	-	-	-	-	-	1,998,177
Unappropriated	2,511,333	18,309	251,609	7,132,789	9,510,397	2,514,975	21,939,412
Total assigned fund balance	<u>4,509,510</u>	<u>18,309</u>	<u>251,609</u>	<u>7,132,789</u>	<u>9,510,397</u>	<u>2,514,975</u>	<u>23,937,589</u>
Unassigned	<u>11,497,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,497,304</u>
Total fund balance	<u>57,484,697</u>	<u>18,309</u>	<u>587,119</u>	<u>7,281,852</u>	<u>9,510,397</u>	<u>2,514,975</u>	<u>77,397,349</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 97,609,196</u>	<u>\$ 14,208,635</u>	<u>\$ 1,038,762</u>	<u>\$ 15,341,415</u>	<u>\$ 9,510,397</u>	<u>\$ 3,010,540</u>	<u>\$ 140,718,945</u>

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

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

Amounts reported for governmental activities in the statement of net position are different because:

Fund balance - total governmental funds	\$ 77,397,349
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	152,292,066
Revenue related to the tax levy and deferred state aid is recognized when earned in the statement of activities, but deferred in the fund statements if collection is anticipated to exceed sixty days after year-end.	11,915,750
Deferred outflows/inflows of resources related to pensions and OPEB and deferred gains and losses on refundings are applicable to future periods and; therefore, are not reported in the funds:	
Deferred outflows - ERS/TRS	71,828,707
Deferred inflows - ERS/TRS	(25,732,156)
Deferred outflows - Refunding	563,606
Deferred outflows - OPEB	76,361,856
Deferred inflows - OPEB	(65,917,207)
Net pension obligations are not due and payable in the current period and; therefore, are not reported in the funds.	
Net pension liability - ERS	(19,837,087)
Net pension asset - TRS	18,058,262
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:	
Bonds payable, net of unamortized premium	(41,253,317)
Energy performance contract debt	(26,217,030)
Judgment and claims	(9,036,471)
Compensated absences	(3,571,649)
Total other postemployment benefits liability	(680,877,061)
Accrued interest	<u>(628,403)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (464,652,785)</u>

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

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

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Library</u>	<u>Total Governmental Funds</u>
REVENUE:							
Real property taxes	\$ 99,270,604	\$ -	\$ -	\$ -	\$ -	\$ 5,242,546	\$ 104,513,150
Other tax items	15,769,172	-	-	-	-	-	15,769,172
Charges for services	478,131	-	-	-	-	20,461	498,592
Use of money and property	798,644	-	115	-	193,888	4,605	997,252
Sale of property and compensation for loss	154,060	-	-	-	-	-	154,060
Miscellaneous	1,925,951	-	925	-	-	310,742	2,237,618
State sources	161,618,202	9,793,919	201,970	-	-	34,331	171,648,422
Medicaid reimbursement	555,598	-	-	-	-	-	555,598
Federal sources	73,367	9,867,925	5,900,631	-	-	-	15,841,923
Sales - school lunch	-	-	226,619	-	-	-	226,619
	<u>280,643,729</u>	<u>19,661,844</u>	<u>6,330,260</u>	<u>-</u>	<u>193,888</u>	<u>5,612,685</u>	<u>312,442,406</u>
EXPENDITURES:							
General support	26,603,190	-	-	-	-	3,873,380	30,476,570
Instruction	148,402,576	15,478,334	-	-	-	-	163,880,910
Pupil transportation	13,387,676	1,864,262	-	-	-	-	15,251,938
Employee benefits	75,617,343	3,735,297	1,643,041	-	-	1,488,569	82,484,250
Debt service - principal	-	-	-	-	10,537,078	-	10,537,078
Debt service - interest	-	-	-	-	2,720,400	-	2,720,400
Cost of sales	-	-	6,027,978	-	-	-	6,027,978
Capital outlay	-	-	-	14,663,481	-	-	14,663,481
	<u>264,010,785</u>	<u>21,077,893</u>	<u>7,671,019</u>	<u>14,663,481</u>	<u>13,257,478</u>	<u>5,361,949</u>	<u>326,042,605</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>16,632,944</u>	<u>(1,416,049)</u>	<u>(1,340,759)</u>	<u>(14,663,481)</u>	<u>(13,063,590)</u>	<u>250,736</u>	<u>(13,600,199)</u>
OTHER SOURCES AND (USES):							
Proceeds from issuance of installment debt	-	-	-	1,998,178	-	-	1,998,178
Operating transfers in	622,017	1,823,985	-	118,003	13,818,322	-	16,382,327
Operating transfers (out)	<u>(15,126,054)</u>	<u>(407,936)</u>	<u>-</u>	<u>(739,267)</u>	<u>-</u>	<u>(109,070)</u>	<u>(16,382,327)</u>
	<u>(14,504,037)</u>	<u>1,416,049</u>	<u>-</u>	<u>1,376,914</u>	<u>13,818,322</u>	<u>(109,070)</u>	<u>1,998,178</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	2,128,907	-	(1,340,759)	(13,286,567)	754,732	141,666	(11,602,021)
FUND BALANCE - beginning of year	<u>55,355,790</u>	<u>18,309</u>	<u>1,927,878</u>	<u>20,568,419</u>	<u>8,755,665</u>	<u>2,373,309</u>	<u>88,999,370</u>
FUND BALANCE - end of year	<u>\$ 57,484,697</u>	<u>\$ 18,309</u>	<u>\$ 587,119</u>	<u>\$ 7,281,852</u>	<u>\$ 9,510,397</u>	<u>\$ 2,514,975</u>	<u>\$ 77,397,349</u>

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

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

Net changes in fund balance - total governmental funds	\$ (11,602,021)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	15,106,666
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities.	(8,067,235)
Deferred tax revenues and State Aid are recorded on the modified accrual basis, but are not reported in the government-wide financial statement.	2,582,008
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as reductions of liabilities in the statement of net position.	10,537,078
Amortization of premiums associated with long-term debt are not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	384,847
Amortization of the deferred gain on bond refunding is not recorded as a revenue in the governmental funds, but is recorded in the statement of activities.	(131,865)
Proceeds from issuance of energy performance contract debt is an other financing source in the governmental funds, however, it increases long-term debt in the statement of net position.	(1,998,178)
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of district pension contributions is reported as pension expense;	
ERS Pension Expense	(3,704,185)
TRS Pension Expense	(10,652,517)
Certain expenses in the statement of activities do not require the use of current resources and are, therefore, not reported as expenditures in the governmental funds:	
Change in accrued interest	120,730
Change in compensated absences	(463,851)
Change in judgment and claims	(150,798)
Change in other postemployment benefits	<u>(26,175,940)</u>
Change in net position - governmental activities	<u>\$ (34,215,261)</u>

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<i>Private Purpose Trust</i>	<i>Agency</i>
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalent - unrestricted	\$ 345,584	\$ 567,699
Cash and cash equivalent - restricted	-	190,368
Accounts receivable	-	1,066
Investments	<u>20,906</u>	<u>-</u>
Total assets	<u>366,490</u>	<u>\$ 759,133</u>
LIABILITIES:		
Extraclassroom activity balances	-	190,368
Due to other funds	-	471,993
Other liabilities	<u>-</u>	<u>96,772</u>
Total liabilities	<u>-</u>	<u>\$ 759,133</u>
NET POSITION:		
Restricted for scholarships	<u>\$ 366,490</u>	

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<i>Private Purpose Trust</i>
	<u> </u>
ADDITIONS:	
Gifts and contributions	\$ 4,150
Investment earnings	<u>25,237</u>
Total additions	<u>29,387</u>
DEDUCTIONS:	
Scholarships and awards	<u>34,750</u>
CHANGE IN NET POSITION	(5,363)
NET POSITION - beginning of year	<u>371,853</u>
NET POSITION - end of year	<u>\$ 366,490</u>

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Newburgh Enlarged City School District (School District) provides K-12 public education to students living within its geographic boundaries.

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

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

Reporting Entity

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education. The President of the Board of Education 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 School District. The Board of Education has the authority to make decisions, power to appoint management, and primarily accountability for all fiscal matters.

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

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

Extraclassroom Activity Funds

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

Public Library

The public library jointly shares the services of the School District Treasurer, appoints trustees for library purposes, and has title to real property used by the library.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The School District's financial statements consist of School District-wide financial statements, including a statement of net position and a statement of activities and change in net position, and fund level financial statements which provide more detailed information. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures, as appropriate. Governmental resources are allocated to and accounted in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Statements

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

The statement of activities presents a comparison between program expenses and revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The fund financial statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

Governmental Fund Types

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

- **General Fund:** This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- **Special Aid Fund:** Used to account for special operating projects or programs supported in whole, or in part, with federal funds or state or local grants.
- **School Lunch Fund:** Used to account for transactions of the lunch and breakfast programs.
- **Library Fund:** Used to account for operations of the public library.
- **Capital Projects Funds:** These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- **Debt Service Fund:** This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds.

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

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

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Measurement Focus and Basis of Accounting

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

The Government-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 School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Cash and Cash Equivalents

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

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by FDIC insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and School District subdivisions.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financing institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name.

The School District participates in NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law, whereby the School District holds a portion of the investments in cooperation with other participants. At June 30, 2020, the School District held \$43,773,998 in NYCLASS consisting of various investments in securities issued by the United States and its agencies. NYCLASS is rated 'AAAm' from Standard & Poor's Global Ratings. Amounts held with NYCLASS are highly liquid and the amount held represents the cost of the investment pool shares, which are considered to approximate fair value. Additional information concerning NYCLASS, including the annual report, can be found on its website www.newyorkclass.org.

Restricted Cash

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

Accounts Receivable

Accounts receivable are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Inventory and Prepaid Expenditures

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

Prepaid items represent payments made by the School District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures in both the government-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.

Interfund Transactions

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

In the government-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 School District's practice to settle these amounts at a net balance based upon the right of legal offset.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Capital Assets, Net

Capital assets, net are reflected in the government-wide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third-party professionals, net of accumulated depreciation. Donated assets are reported at estimated fair value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$5,000	SL	50
Buildings and improvements	\$5,000	SL	50
Furniture and equipment	\$5,000	SL	5-15
Vehicles	\$5,000	SL	5

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position presents 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 (expenses/expenditure) until then.

In addition to liabilities, the statement of net position presents 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 and so will not be recognized as an inflow of resources (revenue) until then.

The School District also reports deferred outflows of resources and deferred inflows of resources in relation to its pension and OPEB obligations. These amounts are detailed in the discussion of the School District's pension and OPEB plans in Note 8.

Vested Employee Benefits

Compensated Absences

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

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

School District employees are granted vacation 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.

The liability for compensated absences has been calculated using the vesting/termination method and an accrual for that liability is included in the government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Vested Employee Benefits (Continued)

Net Pension Liability/Asset

The net pension liability/asset represents the School District's proportionate share of the net pension liability or asset of the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Total Other Postemployment Benefits Liability

In addition to providing the pension benefits through the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System, the School District provides post-employment health insurance coverage (OPEB) to its retired employees and their survivors. The School District has retained an actuary to determine the School District's total OPEB liability in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The disclosures relating to the School District's total OPEB liability are reflected in Note 8.

Property Taxes

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

The City of Newburgh (City) and County of Orange (County) in which the School District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City and the County to the School District within two years from the return of unpaid taxes to both the City and the County. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable.

Unearned Revenue

Unearned revenue is reported when potential revenue does meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded. Unearned revenue recorded in governmental funds is generally not recorded in the government-wide financial statements.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Accrued Liabilities and Long-Term Obligations

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

Long-term obligations represent the School District's future obligations or future economic outflows. The liabilities are reported as due within one year (current) or due within more than one year (non-current) in the statement of net position.

Short-Term Debt

The School 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 School District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued. The School District did not issue any budget notes during the year ended June 30, 2020.

The School District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

Restricted Resources

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

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Net Position and Fund Balance Classifications

Government-wide Statements

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

Net investment in capital assets - consists of net capital assets, (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements of those assets.

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

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

Governmental Fund Statements

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

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

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

Capital

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

Repair

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

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position and Fund Balance Classifications (Continued)
Governmental Fund Statements (Continued)

Workers' Compensation

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

Unemployment Insurance

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

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. The reserve is accounted for in the debt service fund under restricted fund balance.

Insurance

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

Tax Certiorari

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

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

Net Position and Fund Balance Classifications (Continued)
Governmental Fund Statements (Continued)

Employee Benefit Accrued Liability

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

Retirement Contribution

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

Encumbrances

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

Restricted fund balance at June 30, 2020 consists of:

Unemployment insurance	\$ 1,018,742
Retirement contributions	4,506,322
Workers compensation	8,340,784
Tax certiorari	3,361,885
Capital projects	19,503,997
Employee benefits accrued liability	2,328,167
Insurance	655,003
Repairs	1,662,046
Total restricted fund balance	<u>\$ 41,376,946</u>

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

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Assigned fund balance – Includes amounts that are constrained by the School District’s intent to be used for specific purposes but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. As of June 30, 2020, the School District’s encumbrances were classified as follows:

General Support	\$ 734,287
Instruction	1,776,447
Pupil Transportation	<u>599</u>
	<u>\$ 2,511,333</u>

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

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

Order of Fund Balance Spending Policy

The School District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The School District considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Explanation of Certain Differences between Governmental Fund Statements and Government-Wide Statements

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

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 changes in net position, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

Long-Term Debt Transaction Differences

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

Pension Differences

Pension differences occur as a result of changes in the School District's proportion of the collection net pension asset/liability and differences between the School District's contributions and its proportionate share of the total contributions to the pensions system.

OPEB Differences

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

Stewardship, Compliance, and Accountability

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

The voters of the School District approved the proposed appropriation budget for the general fund and library fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

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.

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

2. CASH AND CASH EQUIVALENTS

The School District's aggregate bank balances, including balances not covered by depository insurance at year-end are collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including trust funds	\$ <u>46,126,537</u>	\$ <u>44,207,142</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 44,852,498	
Covered by FDIC insurance	<u>1,274,039</u>	
Total	<u>\$ 46,126,537</u>	

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of June 30, 2020 includes \$40,388,674 within the governmental funds.

General Fund:

Unemployment insurance	\$ 1,018,742
Workers' compensation reserve	8,340,784
Retirement	4,506,322
Tax certiorari	3,361,885
Capital projects	19,354,934
Employee benefits accrued liability	2,328,167
Insurance	655,003
Repairs	<u>1,662,046</u>

Total restricted cash - General Fund 41,227,883

Capital Projects Fund: 149,063

3. INVESTMENTS

The School District has few investments (primarily donated scholarship funds) and chooses to disclose its investments by specifically identifying each. The School District's investment policy for these investments is also governed by New York State statutes. Investments which consist of equity securities are carried at the fair value of \$20,906.

4. CAPITAL ASSETS, NET

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

	July 1, 2019 <u>Balance</u>	Additions/ <u>Adjustments</u>	Deletions/ <u>Adjustments</u>	June 30, 2020 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,949,269	\$ -	\$ -	\$ 1,949,269
Construction in progress	<u>6,280,740</u>	<u>14,146,106</u>	<u>-</u>	<u>20,426,846</u>
Total non-depreciable capital assets	<u>8,230,009</u>	<u>14,146,106</u>	<u>-</u>	<u>22,376,115</u>
Capital assets that are depreciated:				
Buildings and improvements	266,834,919	-	(13,271)	266,821,648
Machinery and equipment	12,480,145	728,558	(166,258)	13,042,445
Vehicles	<u>1,290,832</u>	<u>242,272</u>	<u>(118,162)</u>	<u>1,414,942</u>
Total depreciable capital assets	<u>280,605,896</u>	<u>970,830</u>	<u>(297,691)</u>	<u>281,279,035</u>
Less accumulated depreciation:	<u>(143,583,270)</u>	<u>(8,067,235)</u>	<u>287,421</u>	<u>(151,363,084)</u>
Total capital assets, net	<u>\$145,252,635</u>	<u>\$ 7,049,701</u>	<u>\$ (10,270)</u>	<u>\$152,292,066</u>

Depreciation expense for the year ended June 30, 2020, was allocated to specific functions as follows:

General government support	\$ 597,782
Instruction	7,300,041
Pupil transportation	154,891
Cost of sales	<u>14,521</u>
Total depreciation	<u>\$ 8,067,235</u>

5. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year	Long-term Portion
Government activities:						
Bonds and notes payable:						
Bond payable	\$ 47,900,000	\$ -	\$ 10,175,000	\$ 37,725,000	\$ 9,365,000	\$ 28,360,000
Unamortized bond premium	2,358,346	-	384,847	1,973,499	-	1,973,499
Total bonds payable, net	<u>50,258,346</u>	<u>-</u>	<u>10,559,847</u>	<u>39,698,499</u>	<u>9,365,000</u>	<u>30,333,499</u>
Other long-term liabilities:						
Energy performance contract	26,135,748	1,998,178	362,078	27,771,848	1,554,818	26,217,030
Judgments and claims	8,885,673	1,259,824	1,109,026	9,036,471	-	9,036,471
Net pension liability - ERS	5,006,132	14,830,955	-	19,837,087	-	19,837,087
Compensated absences	3,107,798	463,851	-	3,571,649	-	3,571,649
Total other postemployment benefits	<u>621,422,574</u>	<u>76,961,024</u>	<u>17,506,537</u>	<u>680,877,061</u>	<u>-</u>	<u>680,877,061</u>
Total long-term liabilities	<u>\$714,816,271</u>	<u>\$ 95,513,832</u>	<u>\$ 29,537,488</u>	<u>\$780,792,615</u>	<u>\$ 10,919,818</u>	<u>\$769,872,797</u>

Issue dates, maturities, and interest rates on outstanding debt are as follows at June 30, 2020:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
Serial Bonds	2008	2021	Varies	\$ 9,365,000
Serial Bonds	2011	2020	Varies	6,595,000
Serial Bonds	2011	2024	Varies	6,900,000
Serial Bonds	2011	2024	Varies	7,075,000
Serial Bonds	2011	2024	Varies	4,690,000
Serial Bonds	2014	2026	Varies	3,100,000
				<u>\$ 37,725,000</u>

The following is a summary of the maturity of bonds payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 9,365,000	\$ 1,576,943	\$ 10,941,943
2022	6,595,000	1,196,908	7,791,908
2023	6,900,000	878,610	7,778,610
2024	7,075,000	541,955	7,616,955
2025	4,690,000	271,938	4,961,938
2025 - 2026	<u>3,100,000</u>	<u>109,438</u>	<u>3,209,438</u>
Total	<u>\$ 37,725,000</u>	<u>\$ 4,575,792</u>	<u>\$ 42,300,792</u>

5. LONG-TERM LIABILITIES (Continued)

In 2019, the School District entered into an \$26,135,748 equipment lease/purchase agreement in order to implement a performance energy contract. The agreement carries an interest rate of 2.935% and matures in April 2034. In 2020, the School District entered into an \$1,998,178 equipment lease/purchase agreement in addition to the implemented performance energy contract. The agreement carries an interest rate of 2.271% and matures in February 2034. The following is a summary of the scheduled principal and interest payments of energy performance agreement:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,554,818	\$ 790,824	\$ 2,345,642
2022	1,688,556	744,403	2,432,959
2023	1,737,599	695,361	2,432,960
2024	1,788,072	644,888	2,432,960
2025	1,840,015	592,944	2,432,959
2025 - 2034	<u>19,162,788</u>	<u>2,733,849</u>	<u>21,896,637</u>
Total	<u>\$ 27,771,848</u>	<u>\$ 6,202,269</u>	<u>\$ 33,974,117</u>

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

Interest paid	\$ 2,720,400
Less : interest accrued in the prior year	(749,133)
Plus : interest accrued in the current year	628,403
Amortization of debt premiums	(384,847)
Amortization of deferred gains and losses on refunding	<u>131,865</u>
Total expense	<u>\$ 2,346,688</u>

6. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditures</u>
General fund	\$ 5,787,711	\$ -	\$ 622,017	\$ 15,126,054
Special aid fund	-	13,082,803	1,823,985	407,936
School lunch fund	-	219,770	-	-
Capital fund	10,237	2,026,733	118,003	739,267
Debt service fund	7,905,376	-	13,818,322	-
Library fund	2,097,975	-	-	109,070
Fiduciary fund	-	471,993	-	-
Total	<u>\$ 15,801,299</u>	<u>\$ 15,801,299</u>	<u>\$ 16,382,327</u>	<u>\$ 16,382,327</u>

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

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

7. PENSION PLANS

New York State and Local Employee Retirement System (ERS)

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

ERS is noncontributory except for employees who joined ERS after July 27, 1976, who contribute 3.0% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% of their salary for their entire length of service.

Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during ERS's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2020	\$	3,290,587
2019	\$	3,043,822
2018	\$	3,214,618

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

At June 30, 2020, the School District reported a net pension liability of \$19,837,087 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2019. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020, the School District's proportion was .0749118% which was an increase of .0004257% from its proportionate share measured at March 31, 2020.

7. PENSION PLANS (Continued)

New York State and Local Employee Retirement System (ERS) (Continued)

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

For the year ended June 30, 2020, the School District recognized pension expense of \$7,117,275. At June 30, 2020, the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,167,493	\$ -
Changes of assumptions	399,425	344,897
Net difference between projected and actual earnings on pension plan investments	10,169,455	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	946,876	38,522
Contributions subsequent to the measurement date	849,034	-
	<u>\$ 13,532,283</u>	<u>\$ 383,419</u>

The School District recognized \$849,034 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2020 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

ERS's Year Ended March 31:	
2021	\$ 2,234,909
2022	3,124,842
2023	3,853,309
2024	3,086,770
2025	-
Thereafter	-
	<u>\$ 12,299,830</u>

7. PENSION PLANS (Continued)

New York State and Local Employee Retirement System (ERS) (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.5%
Salary Increases	4.2%, indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality Improvement	Society of Actuaries Scale MP-2018
Investment Rate of Return	6.8% compounded annually, net of investment expenses

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations</u>	<u>Long-Term expected real rate of return</u>
Domestic Equity	36%	4.05%
International Equity	14%	6.15%
Private Equity	10%	6.75%
Real Estate	10%	4.95%
Absolute Return Strategies	2%	3.25%
Opportunistic Portfolio	3%	4.65%
Real Asset	3%	5.95%
Bonds & Mortgages	17%	0.75%
Cash	1%	0.00%
Inflation-Indexed Bonds	4%	0.50%
	<u>100%</u>	

Discount Rate

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

7. PENSION PLANS (Continued)

New York State and Local Employee Retirement System (ERS) (Continued)

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (5.8%) or 1% higher (7.8%) than the current rate:

	1 % Decrease <u>(5.80%)</u>	Current Assumption <u>(6.80%)</u>	1% Increase <u>(7.80%)</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 36,406,655	\$ 19,837,087	\$ 4,576,444

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of ERS as of March 31, 2020, were as follows (in thousands):

	Pension Plan's Fiduciary Net Position
Total pension liability	\$ 194,596,261
Net position	<u>(168,115,682)</u>
Net pension liability (asset)	<u>\$ 26,480,579</u>
Fiduciary net position as a percentage of total pension liability	86.39%

New York State Teachers' Retirement System (TRS)

The School District participates in the New York State Teachers' Retirement System (TRS). TRS is a cost-sharing, multiple-employer defined benefit pension plan. TRS provides retirement benefits as well as death and disability benefits. The TRS is governed by a ten-member Board of Trustees, which sets policy and oversees operations consistent with its fiduciary obligations under applicable law. Obligations of employers and employees to contribute and benefits to employees are governed by the Education Law of the State of New York. Once a public employer elects to participate in the TRS, 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 TRS issues a stand-alone financial report which may be found at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

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

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (TRS) (Continued)

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

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

2020	\$ 10,636,512
2019	\$ 10,969,680
2018	\$ 12,642,345

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

At June 30, 2020, the School District reported net pension asset of \$18,058,262 for its proportionate share of the NYSTRS net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension asset used to calculate the net pension asset was determined by the actuarial valuation as of that date. The School District's proportion of the net pension asset was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019 the School District's proportionate share was 0.695081%, which was an increase of 0.007891% from its proportionate share measured at June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of \$22,201,776. At June 30, 2020 the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,237,623	\$ 1,342,848
Changes of assumptions	34,114,472	8,318,073
Net difference between projected and actual earnings on pension plan investments	-	14,481,794
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	408,942	1,206,022
Contributions subsequent to the measurement date	11,535,387	-
	<u>\$ 58,296,424</u>	<u>\$ 25,348,737</u>

The School District recognized \$11,535,387 as a deferred outflow of resources related to pensions resulting from the School District's contributions subsequent to the measurement date June 30, 2019 which will be recognized as a reduction of the net pension asset in the year ended June 30, 2021.

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (TRS) (Continued)

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

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

TRS's Year Ended June 30:	
2020	\$ 8,039,440
2021	388,022
2022	8,009,828
2023	5,190,915
2024	474,203
Thereafter	<u>(690,108)</u>
	<u>\$ 21,412,300</u>

Actuarial Assumptions

The total pension liability at the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. These actuarial valuations used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.20%
Projected Salary Increases	Rates of increase differ based on service They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.3% compounded annually
Investment Rate of Return	7.10% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2018, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

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.

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (TRS) (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations</u>	<u>Long-Term expected real rate of return</u>
Domestic Equity	33%	6.3%
International Equity	16%	7.8%
Global Equity	4%	7.2%
Real Estate Equity	11%	4.6%
Private Equity	8%	9.9%
Domestic Fixed Income	16%	1.3%
Global Bonds	2%	0.9%
Private Debt	1%	6.5%
Real Estate Debt	7%	2.9%
High-yield Bonds	1%	3.6%
Cash Equivalents	1%	0.3%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from School Districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' 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) to the Discount Rate

The following presents the net pension liability (asset) of the School District calculated using the discount rate of 7.10 percent, as well as what the School Districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.10 percent) or 1% higher (8.10 percent) than the current rate:

	<u>1 % Decrease (6.10%)</u>	<u>Current Assumption (7.10%)</u>	<u>1% Increase (8.10%)</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 81,513,109	\$ (18,058,262)	\$ (101,587,405)

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (TRS) (Continued)

Pension Plan Fiduciary Net Position

The components of the current year net pension asset of NYSTRS as of June 30, 2019, were as follows (in thousands):

	Pension Plan's Fiduciary Net Position
Total pension liability	\$119,879,473,882
Net position	<u>(122,477,480,654)</u>
Net pension liability (asset)	<u>\$ (2,598,006,772)</u>
Fiduciary net position as a percentage of total pension liability	102.2%

8. TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY

Plan Description

The School District's single-employer defined benefit OPEB plan, which is administered by the School District, provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefits and eligibility requirements determined by the employment contracts negotiated between the School District and its employee groups. All employees are eligible if they retire at or after the age of 55 and have 10 years of service with the School District. Medical benefits, including pharmaceutical costs, are provided through plans whose premiums are based on the benefits paid during the year. The School District pays 100% of the cost of premiums with surviving spouses contributing 100% of premiums.

Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. The plan does not accumulate assets to meet its future obligation and the plan is not administered through a trust or an equivalent arrangement. The OPEB plan does not issue a stand-alone financial report.

In the governmental funds, the School District recognizes the cost of providing health care insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the general fund in the year paid. Total contributions to the plan to cover the School District's share of insurance premiums for the year ended June 30, 2020 was \$16,445,248.

At June 30, 2020, the number of employees covered by the School District's OPEB plan was:

Inactive employees or beneficiaries	
currently receiving benefits	1,736
Active employees	<u>1,990</u>
Total participants	<u><u>3,726</u></u>

8. TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

Total OPEB Liability

The School District's total OPEB liability of \$680,877,061 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2019. The July 1, 2019 total OPEB liability was increased by service cost and interest, decreased by benefits payments and adjusted to reflect any material plan changes to arrive at the total OPEB liability at the measurement date. The changes in the OPEB liability are as follows:

Balance at June 30, 2019	<u>\$621,422,574</u>
Changes for the Year	
Service cost	22,504,303
Interest	24,606,506
Changes of benefit terms	(1,151,558)
Changes in assumptions or other inputs	8,345,884
Differences between expected and actual experience	21,504,331
Benefit payments	<u>(16,354,979)</u>
Net changes	<u>59,454,487</u>
Balance at June 30, 2020	<u><u>\$680,877,061</u></u>

Actuarial Assumptions and Other Inputs

The total OPEB liability per the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- The actuarial method used is the entry age normal -level percentage of payroll.
- The discount rate of 3.51% was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
- Mortality rates used were PUB-2010 Headcount Weighted Mortality Table, Teachers and General Classification projected generationally with MP-2019.
- Disc

Health care costs are assumed to increase at the following rates:

Year	Pre-65	Post-65	EGWP	Rx
2019	5.75%	5.00%	8.00%	8.00%
2020	5.75%	4.90%	7.00%	7.00%
2021	5.50%	4.80%	6.00%	6.00%
2022	5.25%	4.80%	5.50%	5.50%
2023	5.00%	4.75%	5.25%	5.25%
2024	5.00%	4.75%	5.00%	5.00%
2025	4.75%	4.50%	4.50%	4.50%
2026	4.50%	4.50%	4.50%	4.50%

8. TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Changes in the actuarial methods and assumption since the prior measurement period are as follows:

- The discount rate was updated from 3.87% to 3.51% to be consistent with the Bond Buyer 20 GO Bond Index
- Mortality assumption has been updated from RP-2014 Headcount Weighted Mortality Table projected generationally with scale MP 2018 from the central year to PUB-2010 Headcount Weighted Mortality Table projected generationally with scale MP 2019 varying based on Bargaining Unit Classification.
- Salary Scale was updated to service-based tables from ERS and TRS to be consistent with GASB 75 requirements
- Healthcare Cost Trend Rate was 5.75% in 2019, decreasing 0.25% per year to an ultimate rate of 4.5% for 2026.

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

	1% Decrease <u>(2.51%)</u>	Current Discount <u>(3.51%)</u>	1% Increase <u>(4.51%)</u>
Total OPEB Liability	<u>\$807,129,466</u>	<u>\$680,877,061</u>	<u>\$581,028,111</u>

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

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

	<u>Decrease</u> <u>(4.50%)</u>	Healthcare <u>(5.50%)</u>	Increase <u>(6.50%)</u>
Total OPEB Liability	<u>\$569,251,086</u>	<u>\$680,877,061</u>	<u>\$826,899,318</u>

8. TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$42,621,188. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 52,798,060	\$ 14,444
Assumption changes	7,118,548	65,902,763
Benefit payments subsequent to measurement date	<u>16,445,248</u>	<u>-</u>
Total	<u>\$ 76,361,856</u>	<u>\$ 65,917,207</u>

The School District recognized \$16,445,248 as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of June 30, 2019, which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021.

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ (3,338,063)
2022	(3,338,063)
2023	(3,338,063)
2024	(1,532,787)
2025	2,034,590
Thereafter	<u>3,511,787</u>
	<u>\$ (6,000,599)</u>

9. RISK MANAGEMENT

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

Consortiums and Self Insured Plans – For the year ended June 30, 2020, the School District has chosen to establish a risk financing fund for risks associated with workers' compensation, which is accounted for in the School District's general fund.

The School District's workers compensation program administrator is responsible for the approval, processing and payment of claims, after which they bill the School District for reimbursement. The School District performs an actuarial study of its workers compensation plan on a biannual basis, the last actuarial study was conducted during the fiscal year ended June 30, 2017. At year end, the School District estimated its liability at \$9,036,471 which represents reported and unreported claims which were incurred on or before year end, but which were not paid by the School District as of that date.

As of June 30, 2020, the School District's reserves provide coverage for up to a maximum of \$650,000 for each workers' compensation claim with annual cash flow endorsements, \$50,000 for each property claim and \$10,000 for School Board liability. The School District purchases commercial insurance for claims in excess of coverage provided by the fund for all other risks of loss.

The School District's claims experience for the past 2 years for workers' compensation is as follows:

<u>Reported Claims</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Unpaid Claims, beginning of fiscal year	\$ 8,885,673	\$ 8,523,615
Plus: Incurred Claims	1,259,824	1,259,824
Less: Claims Payments	<u>(1,109,026)</u>	<u>(897,766)</u>
Unpaid Claims, end of fiscal year	<u>\$ 9,036,471</u>	<u>\$ 8,885,673</u>

The School District participates in a risk sharing pool for property and casualty insurance, sponsored by NYSIR (New York School Insurance Reciprocal). The School District is jointly and severally liable for claims of all group members.

10. TAX ABATEMENTS

All real property in New York State is subject to taxation unless specific legal provision grant it exempt status. Real property exemptions are granted on the basis of many different criteria, including the use to which the property is put, the owner's ability to pay taxes, the desire of the state and local governments to encourage certain economic or social activities, and other considerations. Most exemptions are granted under Article 4 of the Real Property Tax Law, but others are authorized by a wide variety of statutes ranging from Article 18-A of the Real Property Tax Law, the Agriculture and Markets Law and the Transportation Law. Certain exemptions provide full relief from taxation (wholly exempt property) and others reduce the taxes which would otherwise be payable by varying degrees (partially exempt property). Some exemptions apply to taxes levied for county, city/town, and school purposes, whereas other pertain only to certain of these purposes. Some tax exemptions are mandated by State law, others are subject to local option and/or local determination of eligibility criteria.

10. TAX ABATEMENTS (Continued)

The School District has 29 real property tax abatement agreements that are entered into by the Orange County Industrial Development Agency (OCIDA), the Town of Newburgh, the Town of New Windsor and the City of Newburgh Industrial Development Agency (NIDA). These agreements provide for abatement of real property taxes in exchange for payment in lieu of taxes (PILOT) in accordance with the OCIDA's, NIDA's or the Towns' Tax Exemption Policy.

PILOTs are granted in accordance with various activities such as new affordable housing construction, purchase of an existing facility, development of a new facility, or the improvement or expansion of an existing facility to promote job creation or retention. There are no policies for recapture of PILOTs should the applicant not meet certain criteria.

The following are the aggregated PILOT agreements by purpose and the amount of real property tax that has been abated for the year ended June 30, 2019.

<u>Purpose</u>	<u>Assessed Taxable Value</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Amount of Tax Abated</u>
Town of Newburgh				
Promote affordable housing	\$ 2,620,000	\$ 199,535	\$ 15,536	\$ 183,999
Promote job retention and growth	3,362,000	256,044	27,058	228,986
Town of New Windsor:				
Promote job retention and growth	3,048,200	482,886	437,827	45,059
Orange County Industrial Development Agency:				
Promote economic growth	27,062,876	2,238,379	1,266,547	971,832
City of Newburgh Industrial Development Agency:				
Promote affordable housing	54,371,200	1,333,332	569,399	763,933
Promote job retention and growth	722,300	17,713	12,058	5,655
Total		<u>\$ 4,527,889</u>	<u>\$ 2,328,425</u>	<u>\$ 2,199,464</u>

11. CONTINGENCIES AND COMMITMENTS

The School District has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial. The School District has tax certiorari pending with certain property owners. While the outcome of these matters is uncertain, the School District intends to vigorously defend its position.

Other Contingencies – The School District has several claims that are currently being litigated with the support of legal counsel. The results of this litigation are unknown at this time.

12. COVID-19 PANDEMIC

As of the date of this report, the United States is in a midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). The School District was closed effective March 16, 2020 and did not re-open during the 2020 academic year. The School District has developed a re-opening plan for the 2020-2021 school year and resumed educating students in September. Instruction will be a mix of in-person and virtual education.

Businesses throughout NYS remain closed or are operating significantly below their capacity. New York State has publicly stated that COVID-19 will have a significant negative impact on its revenues and its 2020-2021 budget. In August 2020 the New York State Department of Education notified all School Districts that effective immediately certain future payments of state aid will be reduced by a 20% withholding and that this withholding may become a permanent reduction in aid. As a result, at June 30, 2020, the School District has recorded a deferred inflow of resources in the amount of \$704,667 in the General Fund.

It is difficult at this time to predict with certainty the full effect this impact may have on future State aid payments to the School District. The School District is currently analyzing the effects such a reduction will have on its fiscal 2021 operations.

13. DONOR-RESTRICTED ENDOWMENTS

The School District administers endowment funds within the private purpose trust, which are restricted by the donor for the purpose of student scholarships and awards.

The School District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the School District.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
REVENUE					
Local sources:					
Real property taxes	\$ 99,257,166	\$ 100,475,219	\$ 99,270,604	\$ -	\$ (1,204,615)
Other tax items	16,462,832	15,244,785	15,769,172	-	524,387
Charges for services	400,000	400,000	478,131	-	78,131
Use of money and property	850,000	850,000	798,644	-	(51,356)
Sale of property and compensation for loss	250,000	250,000	154,060	-	(95,940)
Miscellaneous	1,230,000	1,236,500	1,925,951	-	689,451
Interfund transfers	<u>449,274</u>	<u>449,274</u>	<u>622,017</u>	<u>-</u>	<u>172,743</u>
Total local sources	118,899,272	118,905,778	119,018,579	-	112,801
State sources	163,145,568	163,145,568	161,618,202	-	(1,527,366)
Medicaid reimbursement	400,000	400,000	555,598	-	155,598
Federal sources	<u>-</u>	<u>-</u>	<u>73,367</u>	<u>-</u>	<u>73,367</u>
Total revenue	<u>282,444,840</u>	<u>282,451,346</u>	<u>281,265,746</u>	<u>-</u>	<u>(1,185,600)</u>

(Continued)

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED) (Continued)
FOR THE YEAR ENDED JUNE 30, 2020**

	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	\$ 221,605	\$ 153,979	\$ 153,961	\$ -	\$ 18
Central administration	903,089	916,615	911,177	1,666	3,772
Finance	1,302,062	1,484,889	1,464,550	14,825	5,514
Staff	1,542,692	1,610,258	1,593,080	16,333	845
Central services	20,835,808	21,795,627	21,037,032	701,463	57,132
Special items	1,084,277	1,443,448	1,443,390	-	58
Total general support	25,889,533	27,404,816	26,603,190	734,287	67,339
INSTRUCTION:					
Instruction, administration, and improvement	12,920,671	13,537,267	13,393,571	140,049	3,647
Teaching - regular school	76,914,074	75,946,841	74,823,834	970,233	152,774
Programs for children with handicapping conditions	40,604,951	41,146,087	41,136,884	8,439	764
Teaching - special school	440,486	159,045	159,041	-	4
Occupational education	4,957,203	4,915,432	4,905,731	1,952	7,749
Instructional media	3,621,353	4,326,660	3,660,720	653,479	12,461
Pupil services	10,301,074	10,362,316	10,322,795	2,295	37,226
Total instruction	149,759,812	150,393,648	148,402,576	1,776,447	214,625
Pupil transportation	14,331,895	13,689,350	13,387,676	599	301,075
Employee benefits	78,584,464	75,617,853	75,617,343	-	510
Total expenditures	268,565,704	267,105,667	264,010,785	2,511,333	583,549
OTHER FINANCING SOURCES (USES)					
Transfers (to) other funds	(13,879,136)	(17,568,177)	(15,126,054)	-	2,442,123
Total other financing sources (uses)	(13,879,136)	(17,568,177)	(15,126,054)	-	2,442,123
Total expenditures and other financing sources (uses)	282,444,840	284,673,844	279,136,839	2,511,333	3,025,672
NET CHANGE IN FUND BALANCE	-	(2,222,498)	2,128,907	(2,511,333)	1,840,072
FUND BALANCE - beginning of year	55,355,790	55,355,790	55,355,790	-	-
FUND BALANCE - end of year	\$ 55,355,790	\$ 53,133,292	\$ 57,484,697	\$ (2,511,333)	\$ 1,840,072

See the accompanying independent auditor's report.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*					
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,290,587	\$ 3,043,822	\$ 3,214,618	\$ 3,204,154	\$ 3,881,960	\$ 4,520,397
Contributions in relation to the contractually required contribution	3,290,587	3,043,822	3,214,618	3,204,154	3,881,960	4,520,397
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	23,285,661	\$ 20,882,636	\$ 20,882,636	\$ 21,254,678	\$ 20,746,383	\$ 21,051,468
Contributions as a percentage of covered-employee payroll	14.13%	14.58%	15.39%	15.08%	18.71%	21.47%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*					
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 10,636,512	\$ 10,969,680	\$ 12,614,496	\$ 13,741,368	\$ 17,998,149	\$ 16,423,833
Contributions in relation to the contractually required contribution	10,636,512	10,969,680	12,614,496	13,741,368	17,998,149	16,423,833
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 120,050,929	\$ 111,935,510	\$ 107,632,218	\$ 103,630,226	\$ 102,670,559	\$ 101,069,742
Contributions as a percentage of covered-employee payroll	8.86%	9.80%	11.72%	13.26%	17.53%	16.25%

* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

	Last Ten Fiscal Years*		
	2020	2019	2018
Total OPEB Liability - Post-Retirement Health Care Plan			
Service cost	\$ 22,504,303	\$ 20,183,805	\$ 21,319,845
Interest	24,606,506	22,478,124	18,116,285
Changes of benefit terms	(1,151,558)	-	-
Differences between expected and actual experience	21,504,331	(20,514)	63,090,036
Changes in assumptions	8,345,884	(20,927,950)	(93,687,165)
Benefit payments	<u>(16,354,979)</u>	<u>(15,836,050)</u>	<u>(15,159,717)</u>
Total change in total OPEB liability	59,454,487	5,877,415	(6,320,716)
OPEB Plan Fiduciary Net Position	-	-	-
Total OPEB liability - beginning	<u>621,422,574</u>	<u>615,545,159</u>	<u>621,865,875</u>
Total OPEB liability - ending	<u>\$ 680,877,061</u>	<u>\$ 621,422,574</u>	<u>\$ 615,545,159</u>
Covered-employee payroll	\$ 150,483,916	\$ 145,299,977	\$ 138,885,552
Total OPEB liability as a percentage of covered-employee payroll	452.46%	427.68%	443.20%

Notes to schedule:

Change in significant assumptions:

	2020	2019	2018
Discount rate	3.51%	3.87%	3.58%

* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

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

OTHER INFORMATION (UNAUDITED)

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND SECTION 1318 OF THE REAL PROPERTY TAX LIMIT (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2020**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 282,444,840
Add: Prior year's encumbrances	<u>2,222,498</u>
Original budget	284,667,338
Budget revisions	
General support	838,458
Instruction	(893,759)
Pupil transportation	(660,623)
Employee benefits	(2,966,611)
Transfer to other funds	<u>3,689,041</u>
Total budget revisions	<u>6,506</u>
Final budget	<u>\$ 284,673,844</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter-approved expenditure budget	\$ 287,432,600	
Maximum allowed (4% of 2020-21 budget)		11,497,304
General fund, fund balance subject to section 1318 of real property tax law*:		
Unrestricted fund balance:		
Assigned fund balance		4,509,510
Unassigned fund balance		<u>11,497,304</u>
Total unrestricted fund balance		<u>\$ 16,006,814</u>
Less:		
Appropriated fund balance	1,998,177	
Encumbrances included in committed and assigned fund balance	<u>2,511,333</u>	
Total adjustments	<u>4,509,510</u>	
General fund, fund balance subject to section 1318 of real property tax law		<u>\$ 11,497,304</u>
Actual percentage		4.00%

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

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2020**

<i>PROJECT TITLE</i>	<i>Original Appropriation</i>	<i>Revised Appropriation</i>	Expenditures			<i>Unexpended Balance</i>	Methods of Financing			<i>Fund Balance June 30, 2020</i>	
			<i>Prior Years</i>	<i>Current Year</i>	<i>Total</i>		<i>Proceeds of Obligations</i>	<i>State Aid</i>	<i>Local Sources</i>		<i>Total</i>
Smart Schools Bond Act	\$ 12,831,056	\$ 12,831,056	\$ 7,671,128	\$ 517,375	\$ 8,188,503	\$ 4,642,553	\$ -	\$ 7,681,364	\$ -	\$ 7,681,364	\$ (507,139)
Security - District Wide	1,114,451	1,122,879	973,817	149,062	1,122,879	-	-	-	1,122,879	1,122,879	-
HOH Reconstruction	250,000	250,000	36,093	81,910	118,003	131,997	-	-	118,003	118,003	-
Energy Performance Contract	26,135,748	28,133,926	6,207,240	12,483,726	18,690,966	9,442,960	28,133,926	-	-	28,133,926	9,442,961
Projects District Wide	300,000	700,000	73,500	1,580,470	1,653,970	(953,970)	-	-	-	-	(1,653,970)
District Wide Renovations	49,950,222	49,434,228	49,021,865	412,363	49,434,228	-	49,434,228	-	-	49,434,228	-
District Wide Improvements	68,000,000	68,259,843	68,082,001	177,842	68,259,843	-	57,413,343	9,483,351	1,363,149	68,259,843	-
Athletic Field Improvements	8,500,000	8,637,429	8,637,429	-	8,637,429	-	8,637,429	-	-	8,637,429	-
Total	\$ 167,081,477	\$ 169,369,361	\$ 140,703,073	\$ 15,402,748	\$ 156,105,821	\$ 13,263,540	\$ 143,618,926	\$ 17,164,715	\$ 2,604,031	\$ 163,387,672	\$ 7,281,852

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

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

Capital assets, net	\$ 152,292,066
Add:	
Unspent energy performance contract proceeds	13,896,146
Deferred loss on refunding	<u>563,606</u>
	<u>14,459,752</u>
Deduct:	
Short-term portion of bonds payable and energy performance contract	10,919,818
Long-term portion of bonds payable, including unamortized premium and energy performance contract	<u>56,550,529</u>
	<u>67,470,347</u>
Net investment in capital assets	<u>\$ 99,281,471</u>

See the accompanying independent auditor's report.

REQUIRED REPORTS UNDER UNIFORM GUIDANCE

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

October 13, 2020

To the Board of Education of
Newburgh Enlarged City School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newburgh Enlarged City School District (School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 13, 2020.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 13, 2020

To the Board of Education of the
Newburgh Enlarged City School District:

Report on Compliance for Each Major Federal Program

We have audited the Newburgh Enlarged City School District's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2020. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)**

Report on Internal Control Over Compliance

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

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

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

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

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

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

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grant Number</u>	<u>Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
U.S. Department of Agriculture:				
Child Nutrition Cluster:				
National School Lunch Program (Donated Commodities)	10.555	N/A	\$ 538,455	\$ -
Passed through New York State Department of Education:				
School Breakfast Program	10.553	N/A	1,716,880	-
National School Lunch Program (Snack Program)	10.555	N/A	15,577	-
National School Lunch Program	10.555	N/A	3,076,144	-
<i>Total National School Lunch Program</i>			<u>4,808,601</u>	<u>-</u>
Summer Food Service Program for Children	10.559	N/A	517,944	-
<i>Total Child Nutrition Cluster</i>			<u>5,865,000</u>	<u>-</u>
<i>Total U.S. Department of Agriculture</i>			<u>5,865,000</u>	<u>-</u>
U.S. Department of Education				
Passed through New York State Department of Education:				
Title I Grants to Local Educational Agencies - Part A&D	84.010	0021-20-2275	3,620,232	-
Title I Grants to Local Educational Agencies - Part A&D	84.010	0021-19-2275	1,071,412	-
Title I Grants to Local Educational Agencies - School Improvement	84.010	0011-20-2138	156,931	-
Title I Grants to Local Educational Agencies - School Improvement	84.010	0011-19-2138	432	-
Title I Grants to Local Educational Agencies - School Improvement	84.010	0011-18-2138	235,059	-
Title I Grants to Local Educational Agencies - Delinquent At Risk	84.010	0016-20-2275	17,199	-
<i>Total Title I Grants to Local Educational Agencies</i>			<u>5,101,265</u>	<u>-</u>
Adult Education - Basic Grants to States	84.002	2338-20-3182	5,821	-
<i>Total Adult Education - Basic Grants to States</i>			<u>5,821</u>	<u>-</u>
Special Education Cluster:				
Special Education - Grants to States	84.027	0032-20-0691	2,736,609	-
Special Education - Grants to States	84.027	0032-19-0691	3,449	-
Special Education - Preschool Grants	84.173	0033-20-0691	71,482	-
<i>Total Special Education Cluster</i>			<u>2,811,540</u>	<u>-</u>
Education for Homeless Children and Youth	84.196	0212-20-3017	36,980	-
Education for Homeless Children and Youth	84.196	0212-19-3017	971	-
<i>Total Education for Homeless Children and Youth Cluster</i>			<u>37,951</u>	<u>-</u>
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	8000-20-0041	74,219	-
<i>Total Career and Technical Education - Basic Grants to States</i>			<u>74,219</u>	<u>-</u>
Supporting Effective Instruction State Grants	84.367	0147-20-2275	443,096	-
Supporting Effective Instruction State Grants	84.367	0147-19-2275	187,946	-
<i>Total Improving Teacher Quality State Grants</i>			<u>631,042</u>	<u>-</u>
English Language Acquisition State Grants (Title III, Part A - LEP)	84.365	0293-20-2275	64,730	-
English Language Acquisition State Grants (Title III, Part A - LEP)	84.365	0293-19-2275	330,452	-
English Language Acquisition State Grants (Title III, Part A - Immigration)	84.365	0149-20-2275	3,621	-
<i>Total English Language Acquisition State Grants</i>			<u>398,803</u>	<u>-</u>
Twenty-First Century Community Learning Centers	84.287	0187-19-7140	804,161	-
<i>Total Twenty-First Century Community Learning Centers</i>			<u>804,161</u>	<u>-</u>
Student Support and Academic Enrichment Program	84.424	0204-20-2275	66,202	-
Student Support and Academic Enrichment Program	84.424	0204-19-2275	4,049	-
<i>Total Student Support and Academic Enrichment Program</i>			<u>70,251</u>	<u>-</u>
Hurricane Education Recovery	84.938	0084-19-2275	6,916	-
<i>Total Hurricane Education Recovery</i>			<u>6,916</u>	<u>-</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	20,000	-
<i>Total Passed through New York State Education Department</i>			<u>9,961,969</u>	<u>-</u>
<i>Total U.S. Department of Education</i>			<u>9,961,969</u>	<u>-</u>
<i>Total expenditures of federal awards</i>			<u>\$ 15,826,969</u>	<u>\$ -</u>

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

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

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Newburgh Enlarged City School District (School District), under programs of the federal government for the year ended June 30, 2020. The information in this 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). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or the respective changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented in conformity with accounting principles generally accepted in the United States and the amounts presented are derived from the School District's general ledger.

3. PASS-THROUGH PROGRAMS

Where the School District receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than the CFDA numbers, which may be assigned by pass-through grantors are not maintained in the School District's financial management system. The School District has identified certain pass-through identifying numbers and included them in the schedule of expenditures of federal awards, as available.

4. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the financial reports used as the source for the expenditures presented.

The School District did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

5. MATCHING COSTS

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

6. NON-MONETARY FEDERAL PROGRAM

The School District is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed a non-monetary program. During the year ended June 30, 2020, the School District received food commodities, the fair value of which amounted to \$538,455, which is presented in the Schedule as National School Lunch Program under CFDA 10.555.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

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

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes 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 No

Identification of major programs:

CFDA Number Name of Federal Program/Cluster

84.010 Title 1 Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? Yes No

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

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

Section II – Financial statement findings

There were no findings that are required to be reported under *Government Auditing Standards*.

Section III – Federal award finding and questioned costs

There were no findings that are required to be reported under Uniform Guidance.