

**OLEAN CITY**  
**SCHOOL DISTRICT, NEW YORK**  
*Basic Financial Statements, Required Supplementary  
Information, Supplementary Information and  
Federal Awards Information for the Year Ended  
June 30, 2020 and Independent Auditors' Reports*



**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
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**Year Ended June 30, 2020**

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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

The Board of Education  
Olean City School District, New York

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the 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.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, 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*

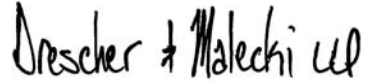
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



September 17, 2020



**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2020**

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As management of the Olean City School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. This document should be read in conjunction with the additional information that we have furnished in the District's financial statements, which follow this narrative.

**Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$43,139,283 (*net position*). Net position consists of \$28,022,641 net investment in capital assets, \$9,330,759 restricted for specific purposes, and unrestricted net position of \$5,785,883.
- The District's total net position increased by \$135,258 during the year ended June 30, 2020.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$12,657,616, a decrease of \$2,993,288 in comparison with the prior year's fund balance of \$15,650,904.
- At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$2,541,461, or approximately 6.3 percent of total General Fund expenditures and transfers out. This total amount is available for spending at the District's discretion and constitutes approximately 21.3 percent of the General Fund's total fund balance of \$11,918,813 at June 30, 2020.
- The District's total bond indebtedness decreased by \$2,205,000 as a result of scheduled principal payments made during the year ended June 30, 2020.

**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements**—The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general support, instruction, pupil transportation, school food service, and interest and other fiscal charges. The District does not engage in any business-type activities.

The government-wide financial statements can be found on pages 12 and 13 of this report.

**Fund financial statements**—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds**—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures and changes in fund balances for the General Fund, Special Aid Fund, School Lunch Fund, and Capital Projects Fund, which are considered major funds.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

**Fiduciary funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District maintains two fiduciary funds, the Private Purpose Trust Fund and the Agency Fund.

The fiduciary fund statements can be found on pages 18 and 19 of this report.

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-46 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District’s net pension liabilities/(assets), the changes in the District’s total other postemployment benefits (“OPEB”) obligation, and the District’s budgetary comparison for the General Fund. Required supplementary information and the related notes to the required supplementary information can be found on pages 47-54 of this report.

Supplementary information is presented immediately following the required supplementary information in the Supplementary Information section of this report on pages 55-57.

The Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found on pages 58-66 of this report.

### Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43,139,283 at June 30, 2020, as compared to \$43,004,025 at the close of the year ended June 30, 2019.

Table 1, below, presents the condensed statements of net position of the District at June 30, 2020 and June 30, 2019.

**Table 1 - Condensed Statements of Net Position**

	June 30,	
	2020	2019
Current assets	\$ 14,526,586	\$ 19,361,179
Noncurrent assets	53,779,146	50,386,892
Total assets	<u>68,305,732</u>	<u>69,748,071</u>
Deferred outflows of resources	<u>10,414,251</u>	<u>9,905,183</u>
Current liabilities	1,904,879	4,209,152
Noncurrent liabilities	<u>30,032,086</u>	<u>29,658,419</u>
Total liabilities	<u>31,936,965</u>	<u>33,867,571</u>
Deferred inflows of resources	<u>3,643,735</u>	<u>2,781,658</u>
Net position:		
Net investment in capital assets	28,022,641	27,503,926
Restricted	9,330,759	8,659,368
Unrestricted	<u>5,785,883</u>	<u>6,840,731</u>
Total net position	<u>\$ 43,139,283</u>	<u>\$ 43,004,025</u>

The largest portion of the District’s net position, \$28,022,641, reflects its investment in capital assets (e.g. land, construction in progress, buildings and site improvements, vehicles, furniture and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The next largest portion of the District’s net position, \$9,330,759, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining balance of the District’s net position, \$5,785,883, is considered unrestricted and represents resources that may be used to meet the District’s ongoing operations.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2020 and June 30, 2019.

**Table 2—Condensed Statements of Changes in Net Position**

	<u>Year Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Program revenues:		
Charges for services	\$ 197,927	\$ 204,817
Operating grants and contributions	3,938,751	4,101,498
General revenues	<u>40,645,761</u>	<u>39,664,989</u>
Total revenues	<u>44,782,439</u>	<u>43,971,304</u>
Program expenses	<u>44,647,181</u>	<u>42,257,218</u>
Change in net position	135,258	1,714,086
Net position—beginning	<u>43,004,025</u>	<u>41,289,939</u>
Net position—ending	<u>\$ 43,139,283</u>	<u>\$ 43,004,025</u>

Overall revenues increased 1.8 percent from the prior year, primarily due to an increase in state sources. Total expenses increased 5.7 percent from the year ended June 30, 2019, largely as a result of increased instruction costs.

A summary of sources of revenues for the years ended June 30, 2020 and June 30, 2019 is presented in Table 3 on the following page.

**Table 3—Summary of Sources of Revenues**

	Year Ended June 30,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Charges for services	\$ 197,927	\$ 204,817	\$ (6,890)	(3.4)
Operating grants and contributions	3,938,751	4,101,498	(162,747)	(4.0)
Taxes	13,981,960	13,840,839	141,121	1.0
Use of money and property	314,207	332,106	(17,899)	(5.4)
Other items	850,820	1,038,451	(187,631)	(18.1)
State sources—unrestricted	<u>25,498,774</u>	<u>24,453,593</u>	<u>1,045,181</u>	4.3
Total revenues	<u>\$ 44,782,439</u>	<u>\$ 43,971,304</u>	<u>\$ 811,135</u>	1.8

The most significant sources of revenue for the year ended June 30, 2020 were State sources—unrestricted of \$25,498,774, or 56.9 percent of total revenues, taxes of \$13,981,960, or 31.2 percent of total revenues, and operating grants and contributions of \$3,938,751, or 8.8 percent of total revenues. Similarly, for the year ended June 30, 2019, the most significant sources of revenue were State sources—unrestricted of \$24,453,593, or 55.6 percent of total revenues, taxes of \$13,840,839, or 31.5 percent of total revenues, and operating grants and contributions of \$4,101,498, or 9.3 percent of total revenues.

A summary of program expenses for the years ended June 30, 2020 and June 30, 2019 is presented below in Table 4:

**Table 4—Summary of Program Expenses**

	Year Ended June 30,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
General support	\$ 7,120,769	\$ 7,324,236	\$ (203,467)	(2.8)
Instruction	34,542,930	32,110,826	2,432,104	7.6
Pupil transportation	894,217	795,255	98,962	12.4
School food service	1,203,931	1,201,324	2,607	0.2
Interest and other fiscal charges	<u>885,334</u>	<u>825,577</u>	<u>59,757</u>	7.2
Total program expenses	<u>\$ 44,647,181</u>	<u>\$ 42,257,218</u>	<u>\$ 2,389,963</u>	5.7

The most significant expense items for the year ended June 30, 2020 were instruction of \$34,542,930, or 77.4 percent of total expenses, general support of \$7,120,769, or 16.0 percent of total expenses, and school food service expenses of \$1,203,931, or 2.7 percent of total expenses. For the year ended June 30, 2019, the most significant expense items were instruction of \$32,110,826, or 76.0 percent of total expenses, general support of \$7,324,236, or 17.3 percent of total expenses, and school food service expenses of \$1,201,324, or 2.8 percent of total expenses.

## Financial Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**—The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to specific use* in special revenue funds may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the District itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Board of Education.

At June 30, 2020, the District’s governmental funds reported a combined ending fund balance of \$12,657,616, a decrease of \$2,993,288 from the prior year. Approximately 19.9 percent, \$2,513,158, of this amount constitutes *unassigned fund balance* which is available for spending at the District’s discretion. The remainder of fund balance is *nonspendable, restricted, or assigned*, to indicate that it is 1) not in spendable form, \$57,270, 2) restricted for particular purposes, \$9,330,759, or 3) assigned for particular purposes, \$756,429.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,541,461, while total fund balance increased to \$11,918,813. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 6.3 percent of total General Fund expenditures and transfers out, while total fund balance represents 29.5 percent of that same amount.

The total fund balance of the District’s General Fund increased by \$612,993 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$676,849 of unrestricted fund balance (this included funds appropriated from fund balance and the re-appropriation of prior year’s encumbrances). As a result of spending less than anticipated and receiving slightly more in revenues than anticipated, the District’s General Fund fund balance ended \$1,289,842 higher than expected.

The Special Aid Fund maintains funds that are received by the State and Federal governments. Expenditures totaled \$2,680,374 and were used toward the instruction and transportation of students while total revenues and transfers in were \$2,680,374 and were comprised of State, Federal, other local sources and transfers from the General Fund.

The School Lunch Fund total fund balance at June 30, 2020 was \$182,543, of which \$57,270 is considered nonspendable fund balance. The School Lunch Fund received \$13,819 during the year from the General Fund to help sustain operations.

At June 30, 2020, the District’s Capital Projects Fund fund balance decreased by \$3,658,734 to an ending fund balance of \$584,563. The District’s Capital Projects Fund had transfers in from the General Fund in the amount of \$750,000 and incurred capital outlay expenditures in the amount of \$4,408,734 during the fiscal year ended June 30, 2020.



## General Fund Budgetary Highlights

The District’s General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year’s encumbrances since the funds were allocated under the previous year’s budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose. A summary of revisions from adopted budget to final budget is presented in Table 5 below.

**Table 5—General Fund Budget**

Adopted budget, 2019-2020	\$ 41,846,137
Add: Prior year's encumbrances	<u>76,489</u>
Original budget, 2019-2020	<u>41,922,626</u>
Final budget, 2019-2020	<u>\$ 41,922,626</u>

More detailed information about the District’s General Fund budget is presented in the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget (Non-GAAP Basis) and Actual—General Fund within the Required Supplementary Information section of this report.

## Capital Asset and Debt Administration

**Capital assets**—The District’s investment in capital assets for its governmental activities as of June 30, 2020, amounted to \$51,496,979 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and site improvements, furniture and equipment, and vehicles. All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the District’s capital asset policy.

Capital assets, net of depreciation for the governmental activities at June 30, 2020 and June 30, 2019 are presented in Table 6 below:

**Table 6 – Summary of Capital Assets (Net of Accumulated Depreciation)**

	June 30,	
	2020	2019
Land	\$ 379,782	\$ 379,782
Construction in progress	134,674	11,523,373
Buildings and site improvements	49,322,570	35,242,451
Furniture and equipment	1,147,125	1,105,454
Vehicles	<u>512,828</u>	<u>549,283</u>
Total	<u>\$ 51,496,979</u>	<u>\$ 48,800,343</u>

Additional information on the District’s capital assets is presented in Note 4 to the financial statements.

**Long-term liabilities**—At June 30, 2020, the District had total long-term debt outstanding of \$30,032,086 as compared to \$29,658,419 in the prior year. Of the total long-term debt outstanding at June 30, 2020, \$21,710,000 represents serial bonds issued by the District. During the year ended June 30, 2020, the made scheduled bond principal payments of \$2,205,000.

A summary of the District’s long-term liabilities at June 30, 2020 and June 30, 2019 is presented in Table 7 below:

**Table 7—Summary of Long-Term Liabilities**

	June 30,	
	2020	2019
Serial bonds	\$ 21,710,000	\$ 23,915,000
Premium on serial bonds	2,125,190	2,339,740
OPEB obligation	1,758,827	1,738,514
Health reimbursement accrual	217,372	195,729
Compensated absences	646,914	509,143
Net pension liability	3,573,783	960,293
Total	<u>\$ 30,032,086</u>	<u>\$ 29,658,419</u>

Additional information on the District’s long-term liabilities can be found in Note 9 to the financial statements.

**Economic Factors and Next Year’s Budget and Rates**

During the current fiscal year, the District appropriated \$600,000 of the General Fund’s unassigned fund balance for spending in the District’s 2020-2021 fiscal year budget. The 2020-2021 adopted budget appropriations total of \$43,185,450 is an approximate increase of 3.2 percent as compared to \$41,846,137 in 2019-2020. The District’s total tax levy in 2020-2021 is \$13,750,594, remaining the same compared to \$13,750,594 levied during the 2019-2020 year.

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. The extent of the impact of COVID-19 on the District’s operational and financial performance will depend on further developments, including the duration and spread of the outbreak, impact on patients, employees and vendors all of which cannot be predicted. Largely as a result of the public health emergency, the unemployment rate, not seasonally adjusted, for the region at June 30, 2020 was 11.5 percent. This compares to New York State’s average unemployment rate of 15.6 percent. These factors, as well as others, are considered in preparing the District’s budget.

**Request for Information**

This financial report is designed to provide our taxpayers, customers and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jenny Bilotta, Business Administrator, Olean City School District, 410 West Sullivan Street, Olean New York 14760.

# BASIC FINANCIAL STATEMENTS



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**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Statement of Net Position**  
**June 30, 2020**

	<u>Primary Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,822,090
Restricted cash and cash equivalents	9,332,020
Intergovernmental receivables	2,315,206
Inventories	57,270
Noncurrent net pension asset	2,282,167
Capital assets not being depreciated	514,456
Capital assets, net of accumulated depreciation	<u>50,982,523</u>
Total assets	<u>68,305,732</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows—relating to pensions	9,692,381
Deferred outflows—relating to OPEB	361,018
Deferred charge on refunding	<u>360,852</u>
Total deferred outflows of resources	<u>10,414,251</u>
<b>LIABILITIES</b>	
Accounts payable	239,185
Accrued liabilities	35,909
Due to Agency Fund	16,260
Due to retirement systems	1,602,217
Intergovernmental payables	331
Unearned revenue	10,977
Noncurrent liabilities:	
Due within one year	3,172,994
Due within more than one year	<u>26,859,092</u>
Total liabilities	<u>31,936,965</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows—relating to pensions	3,199,943
Deferred inflows—relating to OPEB	<u>443,792</u>
Total deferred inflows of resources	<u>3,643,735</u>
<b>NET POSITION</b>	
Net investment in capital assets	28,022,641
Restricted:	
Liability insurance	66,578
Tax certiorari	468,883
Unemployment insurance	280,561
Employee benefits	646,913
Debt service	354,285
Retirement contribution	4,284,627
Workers' compensation	307,354
Capital projects	2,921,558
Unrestricted	<u>5,785,883</u>
Total net position	<u>\$ 43,139,283</u>

The notes to the financial statements are an integral part of this statement.

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Statement of Activities**  
**Year Ended June 30, 2020**

<b>Function/Program</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Primary Governmental Activities</b>
Governmental activities:				
General support	\$ 7,120,769	\$ -	\$ -	\$ (7,120,769)
Instruction	34,542,930	166,835	2,824,679	(31,551,416)
Pupil transportation	894,217	-	-	(894,217)
School food service	1,203,931	31,092	1,114,072	(58,767)
Interest and other fiscal charges	885,334	-	-	(885,334)
Total primary government	<u>\$ 44,647,181</u>	<u>\$ 197,927</u>	<u>\$ 3,938,751</u>	<u>(40,510,503)</u>
General revenues:				
Real property taxes and other tax items				13,981,960
Use of money and property				314,207
Sale of property and compensation for loss				1,046
Miscellaneous				849,774
State sources—unrestricted				25,498,774
Total general revenues				<u>40,645,761</u>
Change in net position				135,258
Net position—beginning				<u>43,004,025</u>
Net position—ending				<u>\$ 43,139,283</u>

The notes to the financial statements are an integral part of this statement.

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**June 30, 2020**

	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,757,463	\$ 60,656	\$ 3,971	\$ -	\$ 2,822,090
Restricted cash and cash equivalents	8,747,696	5,408	4,069	574,847	9,332,020
Intergovernmental receivables	1,095,033	1,068,553	151,620	-	2,315,206
Due from other funds	1,187,015	13,556	13,819	26,044	1,240,434
Inventories	-	-	57,270	-	57,270
Total assets	<u>\$ 13,787,207</u>	<u>\$ 1,148,173</u>	<u>\$ 230,749</u>	<u>\$ 600,891</u>	<u>\$ 15,767,020</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 199,276	\$ 30,909	\$ 150	\$ 8,850	\$ 239,185
Due to other funds	65,401	1,140,159	43,656	7,478	1,256,694
Due to retirement systems	1,602,217	-	-	-	1,602,217
Intergovernmental payables	-	-	331	-	331
Unearned revenue	1,500	5,408	4,069	-	10,977
Total liabilities	<u>1,868,394</u>	<u>1,176,476</u>	<u>48,206</u>	<u>16,328</u>	<u>3,109,404</u>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable	-	-	57,270	-	57,270
Restricted	8,746,196	-	-	584,563	9,330,759
Assigned	631,156	-	125,273	-	756,429
Unassigned	2,541,461	(28,303)	-	-	2,513,158
Total fund balances (deficit)	<u>11,918,813</u>	<u>(28,303)</u>	<u>182,543</u>	<u>584,563</u>	<u>12,657,616</u>
Total liabilities and fund balances (deficit)	<u>\$ 13,787,207</u>	<u>\$ 1,148,173</u>	<u>\$ 230,749</u>	<u>\$ 600,891</u>	<u>\$ 15,767,020</u>

The notes to the financial statements are an integral part of this statement.



**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**June 30, 2020**

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Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances (deficit)—governmental funds (page 14)		\$ 12,657,616
Net pension assets are not current financial resources and, therefore, are not reported in the fund statements.		2,282,167
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$81,400,255 and the accumulated depreciation is \$29,903,276.		51,496,979
Deferred charges associated with refunding of bonds are not reported in governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.		360,852
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 1,488,896	
Deferred outflows related to experience, changes in assumptions and investment earnings	8,203,485	
Deferred inflows of resources related to pension plans	<u>(3,199,943)</u>	6,492,438
Deferred outflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to experience	\$ 361,018	
Deferred inflows related to changes of assumptions	<u>(443,792)</u>	(82,774)
Net accrued interest expense for serial bonds is not reported in the fund statements.		(35,909)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Serial bonds	\$ (21,710,000)	
Premium on serial bonds	(2,125,190)	
OPEB obligation	(1,758,827)	
Health reimbursement accrual	(217,372)	
Compensated absences	(646,914)	
Net pension liability	<u>(3,573,783)</u>	<u>(30,032,086)</u>
Net position of governmental activities		<u>\$ 43,139,283</u>

The notes to the financial statements are an integral part of this statement.

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balances (Deficit)—Governmental Funds**  
**Year Ended June 30, 2020**

	<u>General</u>	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Total Governmental Funds</u>
		<u>Special Aid</u>	<u>School Lunch</u>		
<b>REVENUES</b>					
Real property taxes	\$ 13,879,502	\$ -	\$ -	\$ -	\$ 13,879,502
Real property tax items	102,458	-	-	-	102,458
Charges for services	166,835	-	-	-	166,835
Use of money and property	314,195	-	12	-	314,207
Sale of property and compensation for loss	1,046	-	-	-	1,046
Miscellaneous	685,351	163,591	832	-	849,774
State sources	25,702,240	771,409	26,242	-	26,499,891
Federal sources	218,694	1,631,110	1,087,830	-	2,937,634
Sales—food service	-	-	31,092	-	31,092
Total revenues	<u>41,070,321</u>	<u>2,566,110</u>	<u>1,146,008</u>	<u>-</u>	<u>44,782,439</u>
<b>EXPENDITURES</b>					
Current:					
General support	5,039,630	73,020	-	-	5,112,650
Instruction	24,197,955	2,113,374	-	-	26,311,329
Pupil transportation	822,323	16,672	-	-	838,995
Employee benefits	6,244,522	477,308	102,576	-	6,824,406
Debt service:					
Principal	2,205,000	-	-	-	2,205,000
Interest and other fiscal charges	1,069,815	-	-	-	1,069,815
Cost of sales (school lunch)	-	-	1,004,798	-	1,004,798
Capital outlay	-	-	-	4,408,734	4,408,734
Total expenditures	<u>39,579,245</u>	<u>2,680,374</u>	<u>1,107,374</u>	<u>4,408,734</u>	<u>47,775,727</u>
Excess (deficiency) of revenues over expenditures	<u>1,491,076</u>	<u>(114,264)</u>	<u>38,634</u>	<u>(4,408,734)</u>	<u>(2,993,288)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	114,264	13,819	750,000	878,083
Transfers out	<u>(878,083)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(878,083)</u>
Total other financing sources (uses)	<u>(878,083)</u>	<u>114,264</u>	<u>13,819</u>	<u>750,000</u>	<u>-</u>
Net change in fund balances (deficit)	612,993	-	52,453	(3,658,734)	(2,993,288)
Fund balances (deficit)—beginning	<u>11,305,820</u>	<u>(28,303)</u>	<u>130,090</u>	<u>4,243,297</u>	<u>15,650,904</u>
Fund balances (deficit)—ending	<u>\$ 11,918,813</u>	<u>\$ (28,303)</u>	<u>\$ 182,543</u>	<u>\$ 584,563</u>	<u>\$ 12,657,616</u>

The notes to the financial statements are an integral part of this statement.

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended June 30, 2020**

Net change in fund balances (deficit)—total governmental funds (page 16) \$ (2,993,288)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions	\$ 4,683,857	
Depreciation expense	<u>(1,987,221)</u>	2,696,636

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

District pension contributions	\$ 2,161,767	
Cost of benefits earned net of employee contributions	<u>(4,314,579)</u>	(2,152,812)

Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. This amount is shown net of current year amortization. (57,506)

Governmental funds report retained percentages expenditures on construction contracts when such a retained percentages are paid. However, in the statement of activities, retained percentages on construction contracts are reported as an expense as they accrue. 432,474

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 30,494

The issuance of long-term debt (e.g. serial bonds, energy performance contract) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Repayment of serial bonds	\$ 2,205,000	
Amortization of premiums on serial bonds	214,550	
Amortization of deferred charge on refunding	(60,563)	
Change in OPEB obligation	(20,313)	
Change in health reimbursement accrual	(21,643)	
Change in compensated absences	<u>(137,771)</u>	<u>2,179,260</u>

Change in net position of governmental activities \$ 135,258

The notes to the financial statements are an integral part of this statement.

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Statement of Net Position—Fiduciary Funds**  
**June 30, 2020**

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	<b>Private Purpose Trust</b>	<b>Agency Fund</b>
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Restricted cash and cash equivalents	\$ -	\$ 216,778
Restricted investments	64,249	-
Due from other funds	<u>25</u>	<u>18,815</u>
Total assets	<u>64,274</u>	<u>\$ 235,593</u>
<b>LIABILITIES</b>		
Extraclassroom activity funds	-	\$ 106,220
Due to other funds	2,580	-
Other agency liabilities	<u>-</u>	<u>129,373</u>
Total liabilities	<u>2,580</u>	<u>\$ 235,593</u>
<b>NET POSITION</b>		
Restricted for scholarships	<u>\$ 61,694</u>	

The notes to the financial statements are an integral part of this statement.

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Statement of Changes in Net Position—Fiduciary Funds**  
**Year Ended June 30, 2020**

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	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Contributions	\$ 95,993
Total additions	<u>95,993</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>115,995</u>
Total deductions	<u>115,995</u>
Change in net position	(20,002)
Net position—beginning	<u>81,696</u>
Net position—ending	<u>\$ 61,694</u>

The notes to the financial statements are an integral part of this statement.

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**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Olean City School District, New York (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

***Description of Government-wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The District reports no business-type activities or component units.

***Reporting Entity***

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations, and are governed by, or significantly influenced by, the Board of Education.

Essentially, the primary function of the District is to provide education for pupils. Support services such as transportation of pupils, food service, administration, finance, and plant maintenance are also included.

The financial reporting entity includes all funds, functions and organizations over which the District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

***Extraclassroom Activity Funds***—The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office. The District accounts for assets held as an agent for various student organizations in an Agency Fund account.

**Joint Venture**—The District is one of the twenty-two component school districts in the Board of Cooperative Education Services of Cattaraugus, Allegany, Erie and Wyoming counties (“BOCES”). BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs, and also provides educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

During the year ended June 30, 2020, the District was billed \$7,439,026 for BOCES administrative and program costs. The District’s share of BOCES aid amounted to \$2,791,585. Financial statements for BOCES are available from the BOCES administrative offices.

#### ***Basis of Presentation – Government-wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds even though the fiduciary funds are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the District’s various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

#### ***Basis of Presentation – Fund Financial Statements***

The fund financial statements provide information about the District’s 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. All of the District’s governmental funds are considered major funds.

The District reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is State sources.
- *Special Aid Fund*—The Special Aid Fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.



- *School Lunch Fund*—The School Lunch Fund is used to account for transactions of the District’s food service operations.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

Additionally, the District reports the following fund type:

*Fiduciary Funds*—These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary Funds include a *Private Purpose Trust Fund* and an *Agency Fund*.

- *Private Purpose Trust Fund*—The Private Purpose Trust Fund is used to account for assets held by the District for scholarships.
- *Agency Fund*—The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, various student groups and clubs and/or other governmental units. Included within the Agency Fund are the extraclassroom activity funds of the District, which represents funds of the students of the District. The Board of Education exercises general oversight of these funds.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

### ***Measurement Focus and Basis of Accounting***

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

The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period and certain grant revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and pensions are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The Private Purpose Trust Fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting assets and liabilities.

#### ***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance***

***Cash, Cash Equivalents and Investments***—The District’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits, and short-term, highly liquid investments with original maturities of three months or less from date of acquisition. New York State law governs the District’s investment policies. Permissible investments include obligations of the U.S. Treasury and U.S. Government Agencies, repurchase agreements and obligations of New York State or its localities. Investments are stated at fair value in accordance with GASB.

***Restricted Cash and Cash Equivalents***—Restricted cash and cash equivalents represent amounts to support fund balance restrictions, unspent proceeds of debt, unearned revenues, and amounts held on behalf of others.

***Receivables***—Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance or uncollectible accounts has been provided since it is believed that such an allowance would not be material.

**Inventories**—Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

**Capital Assets**—Capital assets, which include land, construction in progress, building and site improvements, furniture and equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than an established threshold of \$5,000 for the type of asset and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of its donation. Major outlays for capital assets and improvements are capitalized as projects are completed.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	Capitalization Threshold	Estimated Useful Life (Years)
Land	\$ 1	n/a
Buildings	5,000	20-60
Site improvements	5,000	20
Furniture, equipment & vehicles	5,000	5-15

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new school bus included as part of *expenditures—pupil transportation*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

**Deferred Outflows/Inflows of Resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2020, the District has three items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements. This represents the effect of the net change in the District’s proportion of the collective net pension liability, and the difference during the measurement period between the District’s contributions, its proportionate share of total contribution to the pension systems not included in pension expense, and any contributions to the pension systems subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the District’s proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer’s contributions and

its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. The third item is a deferred charge on refunding bonds.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2020, the District reports two deferred inflows of resources on the government-wide financial statements related to pensions and OPEB, respectively. The first item represents the effect of the net change in the District's proportion of the collective net pension liability and the difference during the measurement periods between the District's contributions, and its proportionate share of total contributions to the pension systems not included in pension expense. The second item represents the effects of the change in the District's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability.

***Net Position Flow Assumptions***—Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

***Fund Balance Flow Assumptions***—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance Policies***—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized both the Business Administrator and the Superintendent to assign fund balance. The Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an

additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### ***Revenues and Expenses/Expenditures***

***Program Revenues***—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***Property Taxes***—Real property taxes are levied annually no later than September 1 by the Board of Education and attached as an enforceable lien. Uncollected real property taxes are subsequently enforced by the County of Cattaraugus. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the District no later than April 1<sup>st</sup>.

***Unearned Revenue***—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2020, the District reported \$1,500, \$5,408 and \$4,069 of unearned revenues in the General Fund, Special Aid Fund and School Lunch Fund, respectively. The District has received tuition, grant and school lunch money in advance but has not performed the services and therefore recognizes a liability.

***Health Reimbursement Accrual***—The District labor agreements and District rules and regulations state that the District shall establish a health reimbursement account for any unit member who is participating in a District health insurance plan. The District shall choose the plan administrator and pay the administrative fees.

***Compensated Absences***—The District labor agreements and District rules and regulations provide for sick leave and vacation. Upon retirement certain eligible employees qualify for payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

***Pension Plans***—The District is mandated by New York State law to participate in the New York State Teachers' Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 5.

***Other Postemployment Benefits***—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees, as discussed in Note 6.

## **Other**

**Estimates**—The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America (“GAAP”), requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

**Adoption of New Accounting Pronouncements**—During the year ended June 30, 2020, the District early implemented GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. Additionally, the District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of certain provisions in Statements No. 84, 87, 89, 91, 92, 93, 94, 96, and 97. The implementation of GASB Statements No. 90 and 95 did not have a material impact on the District’s financial position or results from operations.

**Future Impacts of Accounting Pronouncements**— The District has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 84, *Fiduciary Activities*; No. 93, *Replacement of Interbank Offered Rates*; and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the year ending June 30, 2021, No. 87, *Leases*; No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; and No. 92, *Omnibus 2020*, effective for the year ending June 30, 2022, No. 91, *Conduit Debt Obligations*; No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 84, 87, 89, 91, 92, 93, 94, 96, and 97 will have on its financial position and results of operations when such statements are adopted.

**Deficit Fund Balance**—The Special Aid Fund has a deficit fund balance at June 30, 2020 of \$28,303. This deficit is expected to be remedied through a transfer in from the General Fund.

## **2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The District’s investment policies are governed by State statutes. District monies must be deposited in FDIC-Insured commercial banks or trust companies located within New York State. The District’s Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits, time deposits and certificates of deposit at 100 percent of all deposits not covered by Federal deposit insurance. The 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. Obligations that may be pledged as collateral are

outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents reported by the District at June 30, 2020, are shown below.

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 260	\$ -	\$ 260
Deposits	<u>12,153,850</u>	<u>216,778</u>	<u>12,370,628</u>
Total	<u>\$ 12,154,110</u>	<u>\$ 216,778</u>	<u>\$ 12,370,888</u>

**Deposits**—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2020 as follows:

	Bank Balance	Carrying Balance
FDIC insured	\$ 500,000	\$ 500,000
Uninsured:		
Collateral held pledging bank's agent in the District's name	<u>12,512,701</u>	<u>11,870,628</u>
Total	<u>\$ 13,012,701</u>	<u>\$ 12,370,628</u>

**Custodial Credit Risk—Deposits**—Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2020, the District's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the District's name.

**Restricted Cash and Cash Equivalents**—The District reports unspent proceeds of debt, unearned revenues, amounts held on behalf of others, and amounts to support restricted fund balances as restricted cash and cash equivalents. At June 30, 2020, the District reported \$9,332,020 of restricted cash within its governmental funds and \$216,778 within its fiduciary funds.

**Investments**—The District categorizes its fair value measurements into the fair value hierarchy established by GASB.

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

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2: Inputs to the valuation methodology include the following:
  - Quoted prices for similar assets or liabilities in active markets.
  - Quoted prices for identical or similar assets or liabilities in inactive markets.
  - Inputs other than quoted prices that are observable for the asset or liability.
  - Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The District records the investments, including long-term money market funds and mutual funds at June 30, 2020 in the amount of \$64,249 in the Private Purpose Trust Fund which are considered to be Level 1 inputs.

**Interest Rate Risk**—In accordance with its investment policy, the District manages exposures by limiting investments to low risk type investments governed by New York State statutes.

### 3. RECEIVABLES

Major revenues accrued by the District at June 30, 2020 consisted of the following:

**Intergovernmental Receivables**—Represent amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2020 are as presented below.

General Fund:		
New York State—Excess Cost Aid	\$ 471,654	
New York State—General Aid	504,211	
BOCES Aid	13,365	
Tuition	19,112	
Miscellaneous	86,691	\$ 1,095,033
Special Aid Fund:		
New York State—Summer Handicapped Program	255,736	
New York State—Universal Pre-k	149,074	
New York State—Employment Preparation Education Program	10,611	
New York State—Learning Technology Program	45,380	
Federal Government—Title I	289,253	
Federal Government—Title IIA	32,458	
Federal Government—Title IV	912	
Federal Government—Title V	2,276	
Federal Government—Section 611/619 IDEA	177,408	
Miscellaneous	105,445	1,068,553
School Lunch Fund:		
Federal Government—Breakfast and lunch programs		151,620
Total governmental funds		<u>\$ 2,315,206</u>



#### 4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2020 follows:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Capital assets, not being depreciated:				
Land	\$ 379,782	\$ -	\$ -	\$ 379,782
Construction in progress	<u>11,523,373</u>	<u>4,408,734</u>	<u>(15,797,433)</u>	<u>134,674</u>
Total capital assets, not being depreciated	<u>11,903,155</u>	<u>4,408,734</u>	<u>(15,797,433)</u>	<u>514,456</u>
Capital assets, being depreciated:				
Buildings and site improvements	60,446,405	15,835,540	-	76,281,945
Furniture and equipment	3,358,065	165,181	-	3,523,246
Vehicles	<u>1,008,773</u>	<u>71,835</u>	<u>-</u>	<u>1,080,608</u>
Total capital assets, being depreciated	<u>64,813,243</u>	<u>16,072,556</u>	<u>-</u>	<u>80,885,799</u>
Less accumulated depreciation for:				
Buildings and site improvements	(25,203,954)	(1,755,421)	-	(26,959,375)
Furniture and equipment	(2,252,611)	(123,510)	-	(2,376,121)
Vehicles	<u>(459,490)</u>	<u>(108,290)</u>	<u>-</u>	<u>(567,780)</u>
Total accumulated depreciation	<u>(27,916,055)</u>	<u>(1,987,221)</u>	<u>-</u>	<u>(29,903,276)</u>
Total capital assets, being depreciated, net	<u>36,897,188</u>	<u>14,085,335</u>	<u>-</u>	<u>50,982,523</u>
Governmental activities capital assets, net	<u>\$ 48,800,343</u>	<u>\$ 18,494,069</u>	<u>\$ (15,797,433)</u>	<u>\$ 51,496,979</u>

Depreciation expense was charged to the functions and programs of governmental activities as follows:

Governmental activities:	
General government support	\$ 1,871,433
Instruction	7,498
Pupil transportation	<u>108,290</u>
Total depreciation expense	<u>\$ 1,987,221</u>

#### 5. PENSION PLANS

The District participates in the New York State Teachers' Retirement System ("TRS") and the New York State and Local Employees' Retirement System ("ERS") (the "Systems"). These cost-sharing multiple-employer public employee retirement systems compute contribution retirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

##### *Plan Descriptions and Benefits Provided*

**Teachers' Retirement System**—TRS provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators

employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in 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. Additional information regarding TRS, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found at the TRS website at [www.nystrs.org](http://www.nystrs.org).

**Employees' Retirement System**—ERS provides 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"), which was established to hold all net assets and record changes in plan net position allocated to ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in 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 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](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (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 three percent (3.0%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

**Pension Liability/(Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**—At June 30, 2020, the District reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of June 30, 2019 for TRS and March 31, 2020 for ERS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by actuarial valuations as of June 30, 2018 and April 1, 2019, respectively, with update procedures used to rollforward the total pension liability/(asset) to the measurement dates. The District's proportion of the net pension liability/(asset) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2019	March 31, 2020
Net pension liability/(asset)	\$ (2,282,167)	\$ 3,573,783
District's portion of the Plan's total net pension liability/(asset)	0.087843%	0.013496%

For the year ended June 30, 2020, the District recognized pension expenses of \$2,833,861 and \$1,268,166 for TRS and ERS, respectively. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from sources shown below:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Difference between expected and actual experiences	\$ 1,546,566	\$ 210,332	\$ 169,706	\$ -
Changes of assumptions	4,311,318	71,959	1,051,221	62,135
Net difference between projected and actual earnings on pension plan investments	-	1,832,095	1,830,180	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	109,307	121,908	74,736	11,965
District contributions subsequent to the measurement date	<u>1,333,778</u>	<u>155,118</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,300,969</u>	<u>\$ 2,391,412</u>	<u>\$ 3,125,843</u>	<u>\$ 74,100</u>

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

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2021	\$ 1,044,053	\$ 381,893
2022	77,082	546,676
2023	1,040,311	686,397
2024	689,034	547,228
2025	68,414	-
Thereafter	(77,546)	-

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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2019	March 31, 2020
Actuarial valuation date	June 30, 2018	April 1, 2019
Interest rate	7.10%	6.80%
Salary scale	1.90%-4.72%	4.20%
Decrement tables	July 1, 2009 - June 30, 2014	April 1, 2010 - March 31, 2015
Inflation rates	2.20%	2.50%
Cost-of-living adjustments	1.30%	1.30%

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014.

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

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

Measurement date Asset class:	TRS	ERS	TRS	ERS
	Target Allocation		Long-Term Expected Real Rate of Return	
			June 30, 2019	March 31, 2020
Domestic equities	33.0 %	36.0 %	6.3 %	4.1 %
International equities	16.0	14.0	7.8	6.2
Global equities	4.0	0.0	7.2	0.0
Private equity	8.0	10.0	9.9	6.8
Real estate	11.0	10.0	4.6	5.0
Absolute return strategies	0.0	2.0	0.0	3.3
Domestic fixed income securities	16.0	0.0	1.3	0.0
Global fixed income securities	2.0	0.0	0.9	0.0
High-yield fixed income securities	1.0	0.0	3.5	0.0
Opportunistic portfolio	0.0	3.0	0.0	4.7
Private debt	1.0	0.0	6.5	0.0
Real assets	0.0	3.0	0.0	6.0
Bonds and mortgages	7.0	17.0	2.9	0.8
Short-term	1.0	1.0	0.3	0.0
Inflation-indexed bonds	0.0	4.0	0.0	0.5
Total	<u>100.0 %</u>	<u>100.0 %</u>		

**Discount Rate**—The discount rate used to calculate the total pension liability/(asset) was 7.10% for TRS and 6.80% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on

pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

**Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to the Discount Rate Assumption**—The chart below presents the District’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.10% for TRS and 6.80% for ERS, as well as what the District’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.10% for TRS and 5.80% for ERS) or one percentage-point higher (8.10% for TRS and 7.80% for ERS) than the current assumption.

	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
<b>TRS</b>			
Employer's proportionate share of the net pension liability/(asset)	\$ 10,301,463	\$ (2,282,167)	\$ (12,838,412)
<b>ERS</b>			
Employer's proportionate share of the net pension liability	\$ 6,558,902	\$ 3,573,783	\$ 824,477

**Pension Plan Fiduciary Net Position**—The components of the current-year net pension liability/(asset) of the employers as of the respective valuation dates, were as follows:

	(Dollar in Thousands)	
	TRS	ERS
Valuation date	June 30, 2018	April 1, 2019
Employers' total pension liability	\$ 119,879,474	\$ 194,596,261
Plan fiduciary net position	<u>122,477,481</u>	<u>168,115,682</u>
Employers' net position liability/(asset)	<u>\$ (2,598,007)</u>	<u>\$ 26,480,579</u>
System fiduciary net position as a percentage of total pension liability/(asset)	102.2%	86.4%

**Payables to the Pension Plan**—For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer’s contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$1,392,672.

For ERS, employer contributions are paid annually based on the System’s fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$209,545.

**6. OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) OBLIGATIONS**

**Plan Description**—In addition to pension benefits, the District provides post-employment health insurance coverage to retired employees at the cost of the retiree in accordance with the provisions of various employment contracts. The benefit level, employee contributions and employer contributions are governed by the District’s contractual agreements.

The Olean City School District administers the Olean City School District Retiree Medical Plan (the “Plan”) as a single-employer defined benefit other post-employment benefit plan. The plan provides for continuation of medical insurance benefits for certain retirees at the cost of the retirees. The plan and required contributions and benefits thereof can be amended by action of the District subject to an applicable collective bargaining and employment agreements. The plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying the benefits under the plan.

**Employees Covered by Benefit Terms**—At July 1, 2019, the measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	64
Active employees	<u>273</u>
Total	<u>337</u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

**Total OPEB Liability**

The District’s total OPEB liability of \$1,758,827 was measured as of July 1, 2019, and was determined by an interim actuarial valuation as of July 1, 2018.

**Actuarial Methods and Assumptions**—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the July 1, 2018 interim actuarial valuation, the entry age normal method, over a level percent of salary was used. The discount rate of 3.51% was used which is based on a yield for 20-year tax-exempt general obligation bonds with an average rating of AA/Aa or higher. This is a change from the prior valuation discount rate of 3.87%. The salary scale for non-teacher employees is based on the NYSERS valuation as of June 30, 2017. Teacher and Administration employees’ payroll growth is based on the NYSTRS valuation as of April 1, 2018. The initial healthcare trend rate was based on a combination of employer history, national trend surveys, and professional judgment. The ultimate trend rate was selected based on historical medical CPI information. An initial health care trend rate of 7.50% was used decreasing by 1.00% annually to an ultimate rate of 4.50%.

The actuarial assumptions used in the July 1, 2018 interim valuation were based on the results of a July 1, 2019 measurement date, and were reported as of June 30, 2020.

**Changes in the Total OPEB Liability**—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability
Balance at June 30, 2019	\$ 1,738,514
Changes for the year:	
Service cost	116,055
Interest	69,741
Changes of assumptions or other inputs	44,463
Differences between expected and actual experience	(103,985)
Benefit payments	(105,961)
Net changes	20,313
Balance at June 30, 2020	\$ 1,758,827

**Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate**—The discount rate assumption can have an impact on the net OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the net OPEB liability:

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Net OPEB liability	\$ 1,887,326	\$ 1,758,827	\$ 1,637,738

Additionally, healthcare costs can be subject to considerable volatility over time. The following table demonstrates the effect on liabilities of a 1% change in the healthcare cost trend rates.

	1% Decrease (6.5%/3.5%)	Healthcare Cost Trend Rates (7.5%/4.5%)	1% Increase (8.5%/5.5%)
Net OPEB liability	\$ 1,559,803	\$ 1,758,827	\$ 1,992,135

**Funding Policy**—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the District’s Board of Education. The District recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. District governmental activities contributed \$105,961 for the fiscal year ended June 30, 2020. The District’s contributions to the OPEB plan are based on negotiated contracts with three bargaining units, as discussed in Note 13. Any amendments to the employer’s contributions are subject to the collective bargaining units.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***—The District reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The table below presents the District’s deferred outflows of resources and deferred inflows of resources at June 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,362	\$ 319,972
Changes of assumptions	230,934	123,820
Benefit payments subsequent to the measurement date	<u>92,722</u>	<u>-</u>
Total	<u>\$ 361,018</u>	<u>\$ 443,792</u>

The District’s benefit payments subsequent to the measurement date will be recognized as reduction of the total OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ (15,255)
2022	(15,255)
2023	(15,255)
2024	(15,255)
2023	(15,255)
Thereafter	(99,221)

## 7. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, vehicle liability, injuries to employees, health insurance, unemployment insurance, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The District purchases insurance for: real and business personal property for direct physical loss including mechanical breakdown, flood and earthquake; commercial general liability; educators’ legal liability; business automobile; crime and miscellaneous property; and umbrella liability. The blanket buildings’ and contents’ coverage is \$102,448,045. There have not been any significant changes in any of the insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years.

***Workers’ Compensation***—The District is one of twenty-two participants in a risk sharing pool, Allegany Cattaraugus Workmen’s Compensation, to insure workers’ compensation claims. This is a public entity risk pool created under Article 5, Workers’ Compensation Law, to finance liability and risk related to Workers’ Compensation claims. For the year ended June 30, 2020, the District paid premiums or contribution expenditures totaling \$93,032.

At June 30, 2020, the General Fund maintains a restricted fund balance in the amount of \$307,354 for the purpose of funding the District’s future claim liabilities.



## 8. OPERATING LEASE

On June 16, 2020, the District entered into an operating lease for postage machines. The terms of the lease are from June 16, 2020 through June 16, 2025. The future lease payments are presented as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2021	\$ 3,517
2022	3,517
2023	3,517
2024	3,517
2025	<u>3,517</u>
Total	<u>\$ 17,585</u>

## 9. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

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

The District's outstanding long-term liabilities include serial bonds, premiums on serial bonds, other postemployment benefits obligation ("OPEB"), health reimbursement accrual, compensated absences and net pension liability. The serial bonds of the District are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the District's long-term liabilities at June 30, 2020 follows:

	<u>Balance</u> <u>7/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2020</u>	<u>Due Within</u> <u>One Year</u>
Serial bonds	\$ 23,915,000	\$ -	\$ 2,205,000	\$ 21,710,000	\$ 2,810,000
Premiums on serial bonds	<u>2,339,740</u>	<u>-</u>	<u>214,550</u>	<u>2,125,190</u>	<u>214,550</u>
Bonds payable, net	26,254,740	-	2,419,550	23,835,190	3,024,550
OPEB obligation	1,738,514	230,259	209,946	1,758,827	-
Health reimbursement accrual	195,729	109,998	88,355	217,372	83,753
Compensated absences	509,143	159,261	21,490	646,914	64,691
Net pension liability*	<u>960,293</u>	<u>2,613,490</u>	<u>-</u>	<u>3,573,783</u>	<u>-</u>
Total	<u>\$ 29,658,419</u>	<u>\$ 3,113,008</u>	<u>\$ 2,739,341</u>	<u>\$ 30,032,086</u>	<u>\$ 3,172,994</u>

(\*Additions to the net pension liability are shown net of reductions.)

**Serial Bonds**—The District issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 8 to 16 years.

Principal is paid annually, interest is paid semi-annually; these payments are recorded in the General Fund. A summary of additions and payments for the year ended June 30, 2020 is shown below:

Description	Year of Issue/ Maturity	Interest Rate (%)	Balance 7/1/2019	Additions	Payments	Balance 6/30/2020
Reconstruction of school buildings 2010	2010/2020	2.50 - 4.00	\$ 1,580,000	\$ -	\$ 1,580,000	\$ -
Reconstruction of school buildings 2015	2015/2031	2.00 - 3.12	2,225,000	-	180,000	2,045,000
Refunding 2018 bonds	2018/2026	1.25 - 5.00	10,290,000	-	5,000	10,285,000
Reconstruction of school buildings 2019	2019/2035	3.00 - 5.00	9,820,000	-	440,000	9,380,000
Total			<u>\$ 23,915,000</u>	<u>\$ -</u>	<u>\$ 2,205,000</u>	<u>\$ 21,710,000</u>

**Premiums on Serial Bonds**—The District has outstanding premiums related to the 2018 refunding bonds and 2019 serial bonds. These premiums are being amortized on a straight-line basis over the life of the bonds. The total remaining unamortized premium on bonds at June 30, 2020 is \$2,125,190.

**OPEB Obligation**—As explained in Note 6, the District provides health insurance coverage for certain retirees. The District’s annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The long-term OPEB obligation is estimated to be \$1,758,827 at June 30, 2020.

**Health Reimbursement Accrual**—As explained in Note 1, the District records the value of its health reimbursement accrual. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2020, for governmental activities is \$217,372. Management estimates that \$83,753 is due within one year. Since payment of the health reimbursement accrual is dependent upon many factors, the timing of future payments is not readily determinable.

**Compensated Absences**—As explained in Note 1, the District records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2020 for governmental activities is \$646,914. Management estimates that \$64,691 is due within one year and since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

**Net Pension Liability**—The District reported a liability, \$3,573,783, for its proportionate share of the net pension liability for the Employees’ Retirement System. Refer to Note 5 for additional information related to the District’s net pension liability.

The following is a maturity schedule of the District's indebtedness:

Year Ending June 30,	Serial Bonds	Premiums on Serial Bonds	OPEB Liability	Health Reimbursement Accrual	Compensated Absences	Net Pension Liability	Total
2021	\$ 2,810,000	\$ 214,550	\$ -	\$ 83,753	\$ 64,691	\$ -	\$ 3,172,994
2022	2,935,000	214,550	-	-	-	-	3,149,550
2023	2,975,000	214,550	-	-	-	-	3,189,550
2024	2,380,000	214,550	-	-	-	-	2,594,550
2025	2,445,000	214,550	-	-	-	-	2,659,550
2026-2030	5,470,000	584,131	-	-	-	-	6,054,131
2031-2035	2,695,000	468,309	-	-	-	-	3,163,309
2036 and beyond	-	-	1,758,827	133,619	582,223	3,573,783	6,048,452
Total	<u>\$ 21,710,000</u>	<u>\$ 2,125,190</u>	<u>\$ 1,758,827</u>	<u>\$ 217,372</u>	<u>\$ 646,914</u>	<u>\$ 3,573,783</u>	<u>\$ 30,032,086</u>

Interest requirements on serial bonds are as follows:

Year Ending June 30,	Interest
2021	\$ 861,814
2022	752,800
2023	627,388
2024	500,814
2025	416,714
2026-2030	1,101,302
2031-2035	306,124
Total	<u>\$ 4,566,956</u>

## 10. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- **Restricted Net Position**—This category presents external restriction imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**—This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2020 includes:

- **Inventory**—Representing the portion of fund balance, \$57,270 composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. At June 30, 2020, the District had restricted funds as shown below.

	General Fund	Capital Projects Fund	Total
Liability insurance	\$ 66,578	\$ -	\$ 66,578
Tax certiorari	468,883	-	468,883
Unemployment insurance	280,561	-	280,561
Employee benefits	646,913	-	646,913
Debt service	354,285	-	354,285
Retirement contribution	4,284,627	-	4,284,627
Workers' compensation	307,354	-	307,354
Capital projects	<u>2,336,995</u>	<u>584,563</u>	<u>2,921,558</u>
Total	<u>\$ 8,746,196</u>	<u>\$ 584,563</u>	<u>\$ 9,330,759</u>

- **Restricted for Liability Insurance**—According to General Municipal Law Section 6-n, this reserve must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.
- **Restricted for Tax Certiorari**—According to Education Law Section 3651.1-a, this restriction must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the restriction shall not exceed the amount that 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 proceeds 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.

- ***Restricted for Unemployment Insurance***—According to General Municipal Law Section 6-m, this restriction must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The restriction may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.
- ***Restricted for Employee Benefits***—According to General Municipal Law Section 6-p, this restriction must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.
- ***Restricted for Debt Service***—According to General Municipal Law Section 6-l, the mandatory reserve for debt service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement.
- ***Restricted for Retirement Contribution***—According to General Municipal Law Section 6-r, this restriction must be used for financing retirement contributions within the ERS and TRS. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.
- ***Restricted for Workers' Compensation***—According to General Municipal Law Section 6-j, this restriction must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of the 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.
- ***Restricted for Capital Projects***—According to Education Law Section 3651, this restriction must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the restriction 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 Section 3651 of the Education Law.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the District’s highest level of decision-making authority. As of June 30, 2020, the District has no committed fund balance.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the District at June 30, 2020 and include:

	General Fund	School Lunch Fund	Total
Subsequent year's expenditures	\$ 600,000	\$ -	\$ 600,000
Encumbrances	31,156	-	31,156
Specific use:			
School lunch	-	125,273	125,273
Total	<u>\$ 631,156</u>	<u>\$ 125,273</u>	<u>\$ 756,429</u>

- ***Assigned to Subsequent Year’s Expenditures***—Representing available fund balance being appropriated to meet expenditure requirements in the 2020-21 fiscal year.
- ***Assigned to Encumbrances***—Representing amounts related to unperformed (executory) contracts for goods and services.
- ***Assigned for Specific Use***—Representing fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents the remaining amounts within the funds that is not restricted or committed.

If the District must use funds for emergency expenditures the Board of Education shall authorize the District Business Administrator to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the District will use unassigned fund balance.

## 11. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2020 is presented on the following page.

	Interfund	
	Receivable	Payable
Governmental Funds:		
General Fund	\$ 1,187,015	\$ 65,401
Special Aid Fund	13,556	1,140,159
School Lunch Fund	13,819	43,656
Capital Projects Fund	<u>26,044</u>	<u>7,478</u>
Total Governmental Funds	1,240,434	1,256,694
Fiduciary Funds:		
Private Purpose Trust Fund	25	2,580
Agency Fund	<u>18,815</u>	<u>-</u>
Total	<u>\$ 1,259,274</u>	<u>\$ 1,259,274</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The District made the following transfers during the year ended June 30, 2020:

Fund	Transfers out:	
	General Fund	
Transfers in:		
Special Aid Fund	\$ 114,264	
School Lunch Fund	13,819	
Capital Projects Fund	<u>750,000</u>	
Total	<u>\$ 878,083</u>	

Transfers are used primarily to support deficits in the Special Aid and School Lunch Funds and capital project expenditures.

## 12. AGENCY FUND

The agency fund exists for temporary deposit funds. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2020:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
<b>ASSETS</b>				
Restricted cash and cash equivalents	\$ 145,941	\$ 22,498,452	\$ 22,427,615	\$ 216,778
Due from other funds	<u>69,124</u>	<u>21,957,107</u>	<u>22,007,416</u>	<u>18,815</u>
Total assets	<u>\$ 215,065</u>	<u>\$ 44,455,559</u>	<u>\$ 44,435,031</u>	<u>\$ 235,593</u>
<b>LIABILITIES</b>				
Extraclassroom activity funds	\$ 72,606	\$ 125,040	\$ 91,426	\$ 106,220
Other agency liabilities	<u>142,459</u>	<u>44,327,943</u>	<u>44,341,028</u>	<u>129,374</u>
Total liabilities	<u>\$ 215,065</u>	<u>\$ 44,452,983</u>	<u>\$ 44,432,454</u>	<u>\$ 235,594</u>

### 13. LABOR RELATIONS

District employees are represented by three bargaining units, with the balance governed by Board of Education rules and regulations. Negotiated contracts are in place through August 31, 2020 for the Olean Teachers Association, June 30, 2021 for the Olean Educational Support Personnel Association and June 30, 2022 for the Olean Administrators/Supervisory Association.

### 14. COMMITMENTS

**Encumbrances**—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. The District considers encumbrances significant if they are in excess of \$20,000. As of June 30, 2020, the District reported no significant encumbrances.

### 15. TAX ABATEMENTS

The District is subject to tax abatements granted by the Cattaraugus County Industrial Development Agency (“CCIDA”) and the City of Olean (the “City”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the CCIDA and the City and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the District, the abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by CCIDA the District collected \$26,459 during the 2019-2020 fiscal year in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$40,137 in property taxes. Additionally, through an agreement entered into by the City, the District collected \$32,170 of PILOT revenue. The amount of property taxes that would be collected if this agreement was not in place is not known.

### 16. CONTINGENCIES

**Litigation**—Various legal actions are pending against the District. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the District.

**Grants**—In the normal course of operations, the District receives grant funds from various federal and state agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the District. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any such amounts to be immaterial.

**Other**—The District is also involved in litigation arising in the ordinary course of its operations. The District believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the District's financial condition or results of operations.



## 17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 17, 2020, which is the date the financial statements are available for issuance, except as noted below, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

The Budget Balance Amendment passed in Spring 2020 permits the Governor to make changes to the New York State 2020-21 budget during the fiscal year. As of June 30, 2020 the District was authorized to receive State Aid for Summer Handicapped Program and Universal Pre-K. Subsequent to year-end the District was alerted that the State is withholding 20% of the amount recorded as receivable as of June 30, 2020. Since there has been no indication that this was a permanent withholding, the District did not reduce its receivable as of June 30, 2020.

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## REQUIRED SUPPLEMENTARY INFORMATION



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**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)—**  
**Teachers' Retirement System**  
**Last Seven Fiscal Years\***

	<b>Year Ended June 30,</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
District's proportion of the net pension liability/(asset)	0.087843%	0.087739%	0.086393%	0.088325%	0.089180%	0.089163%	0.090906%
District's proportionate share of the net pension liability/(asset)	<u>\$ (2,282,167)</u>	<u>\$ (1,586,549)</u>	<u>\$ (656,671)</u>	<u>\$ 946,002</u>	<u>\$ (9,262,912)</u>	<u>\$ (9,932,226)</u>	<u>\$ (598,393)</u>
District's covered payroll	\$ 15,069,854	\$ 14,680,906	\$ 13,992,173	\$ 13,931,398	\$ 13,675,885	\$ 13,451,496	\$ 13,216,725
District's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	(15.1%)	(10.8%)	(4.7%)	6.8%	(67.7%)	(73.8%)	(4.5%)
Plan fiduciary net position as a percentage of the total pension liability	102.2%	101.5%	100.7%	99.0%	110.5%	111.5%	100.7%

\*Information prior to the year ended June 30, 2014 is not available.

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of District's Contributions—**  
**Teachers' Retirement System**  
**Last Seven Fiscal Years\***

	<b>Year Ended June 30,</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,557,149	\$ 1,400,583	\$ 1,604,517	\$ 1,807,272	\$ 2,348,315	\$ 2,140,254	\$ 1,642,191
Contributions in relation to the contractually required contribution	<u>(1,557,149)</u>	<u>(1,400,583)</u>	<u>(1,604,517)</u>	<u>(1,807,272)</u>	<u>(2,348,315)</u>	<u>(2,140,254)</u>	<u>(1,642,191)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 15,448,591	\$ 15,069,854	\$ 14,680,906	\$ 13,992,173	\$ 13,931,398	\$ 13,675,885	\$ 13,451,496
Contributions as a percentage of covered payroll	10.1%	9.3%	10.9%	12.9%	16.9%	15.6%	12.2%

\*Information prior to the year ended June 30, 2014 is not available.

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of the District's Proportionate Share of the Net Pension Liability—**  
**Employees' Retirement System**  
**Last Seven Fiscal Years\***

	<b>Year Ended June 30,</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Measurement date	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
District's proportion of the net pension liability	0.0134959%	0.0135533%	0.0136056%	0.0137673%	0.0142399%	0.0142886%	0.0142886%
District's proportionate share of the net pension liability	<u>\$ 3,573,783</u>	<u>\$ 960,293</u>	<u>\$ 439,112</u>	<u>\$ 1,293,602</u>	<u>\$ 2,285,539</u>	<u>\$ 482,706</u>	<u>\$ 645,684</u>
District's covered payroll	\$ 2,639,502	\$ 4,301,576	\$ 4,109,867	\$ 3,971,491	\$ 3,909,364	\$ 3,961,881	\$ 3,948,623
District's proportionate share of the net pension liability as a percentage of its covered payroll	135.4%	22.3%	10.7%	32.6%	58.5%	12.2%	16.4%
Plan fiduciary net position as a percentage of the total pension liability	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

\*Information prior to the year ended June 30, 2014 is not available.



**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of District's Contributions—**  
**Employees' Retirement System**  
**Last Seven Fiscal Years\***

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 604,618	\$ 585,160	\$ 580,493	\$ 590,430	\$ 706,201	\$ 681,186	\$ 866,486
Contributions in relation to the contractually required contribution	<u>(604,618)</u>	<u>(585,160)</u>	<u>(580,493)</u>	<u>(590,430)</u>	<u>(706,201)</u>	<u>(681,186)</u>	<u>(866,486)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,123,471	\$ 4,294,452	\$ 4,275,277	\$ 4,020,579	\$ 3,984,937	\$ 3,996,558	\$ 3,979,542
Contributions as a percentage of covered payroll	14.7%	13.6%	13.6%	14.7%	17.7%	17.0%	21.8%

\*Information prior to the year ended June 30, 2014 is not available.

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**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Changes in the District's Total OPEB Liability and Related Ratios—**  
**Last Four Fiscal Years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 116,055	\$ 126,702	\$ 141,350	\$ 99,874
Interest	69,741	67,809	61,517	69,624
Changes of assumptions or other inputs	44,463	(79,898)	(85,576)	305,467
Differences between expected and actual experience	(103,985)	(107,882)	(200,116)	59,780
Benefit payments	<u>(105,961)</u>	<u>(91,704)</u>	<u>(117,295)</u>	<u>(115,422)</u>
Net changes in total OPEB liability	<u>20,313</u>	<u>(84,973)</u>	<u>(200,120)</u>	<u>419,323</u>
Total OPEB liability—beginning	<u>1,738,514</u>	<u>1,823,487</u>	<u>2,023,607</u>	<u>1,604,284</u>
Total OPEB liability—ending	<u>\$ 1,758,827</u>	<u>\$ 1,738,514</u>	<u>\$ 1,823,487</u>	<u>\$ 2,023,607</u>
<b>Plan Fiduciary Net Position</b>				
Contributions—employer	\$ 105,961	\$ 91,704	\$ 117,295	\$ 115,422
Benefit payments	<u>(105,961)</u>	<u>(91,704)</u>	<u>(117,295)</u>	<u>(115,422)</u>
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fiduciary net position—beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>District's net OPEB liability—ending</b>	<u>\$ 1,758,827</u>	<u>\$ 1,738,514</u>	<u>\$ 1,823,487</u>	<u>\$ 2,023,607</u>
Covered-employee payroll	\$ 16,495,542	\$ 16,093,212	\$ 15,008,790	\$ 14,816,180
District's net OPEB liability as a percentage of covered-employee payroll	10.7%	10.8%	12.1%	13.7%

\*Information prior to the year ended June 30, 2017 is not available.

The notes to the Required Supplementary Information are an integral part of this schedule.

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance—**  
**Budget (Non-GAAP) and Actual—General Fund**  
**Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources:				
Real property taxes	\$ 13,888,098	\$ 13,888,098	\$ 13,879,502	\$ (8,596)
Real property tax items	94,571	94,571	102,458	7,887
Premium on serial bonds				
Charges for services	130,000	130,000	166,835	36,835
Use of money and property	230,900	230,900	314,195	83,295
Sale of property and compensation for loss	-	-	1,046	1,046
Miscellaneous	<u>479,316</u>	<u>479,316</u>	<u>685,351</u>	<u>206,035</u>
Total local sources	14,822,885	14,822,885	15,149,387	326,502
State sources	25,956,506	25,956,506	25,702,240	(254,266)
Federal sources:				
Medicaid assistance	<u>213,586</u>	<u>213,586</u>	<u>218,694</u>	<u>5,108</u>
Total revenues	<u>40,992,977</u>	<u>40,992,977</u>	<u>41,070,321</u>	<u>77,344</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	125,000	125,000	-	(125,000)
Appropriated reserves	<u>128,160</u>	<u>128,160</u>	<u>-</u>	<u>(128,160)</u>
Total other financing sources	<u>253,160</u>	<u>253,160</u>	<u>-</u>	<u>(253,160)</u>
Total revenues and other financing sources	<u>\$ 41,246,137</u>	<u>\$ 41,246,137</u>	<u>\$ 41,070,321</u>	<u>\$ (175,816)</u>

(continued)

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance—**  
**Budget (Non-GAAP) and Actual—General Fund**  
**Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Encumbrances</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>			
<b>EXPENDITURES</b>					
General support:					
Board of education	\$ 39,445	\$ 35,230	\$ 28,900	\$ -	\$ 6,330
Central administration	245,434	247,534	242,631	-	4,903
Finance	447,359	497,316	460,900	3,235	33,181
Staff	731,465	760,167	722,586	5,281	32,300
Central services	3,288,125	3,193,525	2,879,082	4,086	310,357
Special items	741,426	745,791	705,531	-	40,260
Instruction:					
Instruction, administration and improvement	1,877,016	1,937,948	1,766,013	251	171,684
Teaching—regular school	11,845,058	11,997,824	11,623,266	3,107	371,451
Programs for students with handicapping conditions	6,942,566	6,742,862	6,243,630	-	499,232
Occupational education	1,125,570	1,100,999	1,099,110	-	1,889
Teaching—special schools	256,021	331,141	267,223	-	63,918
Instructional media	1,523,084	1,536,234	1,461,395	14,057	60,782
Pupil services	1,860,901	1,919,595	1,737,318	1,139	181,138
Pupil transportation	904,795	867,085	822,323	-	44,762
Employee benefits	6,537,310	6,488,451	6,244,522	-	243,929
Debt service:					
Principal	2,110,000	2,205,000	2,205,000	-	-
Interest	1,252,051	1,071,660	1,069,815	-	1,845
Total expenditures/encumbrances	<u>41,727,626</u>	<u>41,678,362</u>	<u>39,579,245</u>	<u>31,156</u>	<u>2,067,961</u>
<b>OTHER FINANCING USES</b>					
Transfers out	<u>195,000</u>	<u>894,264</u>	<u>878,083</u>	<u>-</u>	<u>16,181</u>
Total expenditures/encumbrances and other financing uses	<u>41,922,626</u>	<u>42,572,626</u>	<u>40,457,328</u>	<u>31,156</u>	<u>2,084,142</u>
Net change in fund balance*	(676,489)	(1,326,489)	612,993		
Fund balance—beginning	<u>11,305,820</u>	<u>11,305,820</u>	<u>11,305,820</u>		
Fund balance—ending	<u>\$ 10,629,331</u>	<u>\$ 9,979,331</u>	<u>\$ 11,918,813</u>		

\*The net change in fund balance was included as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The notes to the Required Supplementary Information are an integral part of this statement.

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Notes to the Required Supplementary Information**  
**Year Ended June 30, 2020**

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**1. OPEB LIABILITY**

*Changes of Assumptions*—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date, which increased from 3.87% to 3.51% at July 1, 2019 measurement date. Mortality rates were updated to rates based on the 2017 NYSTRS mortality rates. Finally, the healthcare cost trend rate has an initial rate of 7.50% decreasing by 1.0% annually to an ultimate rate of 4.50%.

**2. BUDGETARY INFORMATION**

*Budgetary Basis of Accounting*—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Special Aid and School Lunch Funds. Appropriation limits, where applicable, for the Special Aid Fund are maintained based on debt schedules and individual grants accepted by the Board of Education. The periods of such grants may vary from the District's fiscal year. A budget is maintained for the School Lunch Fund as a management tool for internal control purposes.

The appropriated budget is prepared by fund, function, and department. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

## SUPPLEMENTARY INFORMATION





**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit—General Fund**  
**Year Ended June 30, 2020**

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**Changes from Adopted Budget to Final Budget**

Adopted budget, 2019-2020	\$ 41,846,137
Add: Prior year's encumbrances	<u>76,489</u>
Original budget, 2019-2020	<u>41,922,626</u>
Final budget, 2019-2020	<u><u>\$ 41,922,626</u></u>

**Section 1318 of Real Property Tax Law Limit Calculation**

2020-2021 voter approved expenditure budget	\$ <u>43,185,450</u>	
Maximum allowed (4% of 2020-2021 budget)		\$ 1,727,418

General Fund fund balance subject to Section 1318 of Real Property Tax Law\*:

Unrestricted fund balance:

Assigned fund balance	\$ 631,156	
Unassigned fund balance	<u>2,541,461</u>	
Total unrestricted fund balance		\$ 3,172,617

Less:

Appropriated fund balance	\$ (600,000)	
Encumbrances included in assigned fund balance	<u>(31,156)</u>	
Total adjustments		<u>(631,156)</u>

General Fund fund balance subject to Section 1318 of Real Property Tax Law	<u><u>\$ 2,541,461</u></u>
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Actual percentage	5.88%
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\* Per the 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.

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Capital Projects Expenditures**  
**Year Ended June 30, 2020**

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<b>Project Title</b>	<b>Original Appropriation</b>	<b>Revised Appropriation</b>	<b>Expenditures to Date</b>			<b>Unexpended Balance</b>
			<b>Prior Years</b>	<b>Current Year</b>	<b>Total</b>	
2015-2016 Capital Project	\$ 16,150,000	\$ 16,150,000	\$ 8,753,763	\$ 4,179,847	\$ 12,933,610	\$ 3,216,390
2018-2019 Capital Project	100,000	100,000	-	94,213	94,213	5,787
2020 Capital Project	<u>24,000,000</u>	<u>24,000,000</u>	<u>-</u>	<u>134,674</u>	<u>134,674</u>	<u>23,865,326</u>
	<u>\$ 40,250,000</u>	<u>\$ 40,250,000</u>	<u>\$ 8,753,763</u>	<u>\$ 4,408,734</u>	<u>\$ 13,162,497</u>	<u>\$ 27,087,503</u>

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Net Investment in Capital Assets**  
**June 30, 2020**

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Capital assets, net of accumulated depreciation		\$ 51,496,979
Add:		
Deferred charge on refunding	<u>\$ 360,852</u>	360,852
Deduct:		
Serial bonds	\$ (21,710,000)	
Premium on serial bonds	<u>(2,125,190)</u>	<u>(23,835,190)</u>
Net investment in capital assets		<u>\$ 28,022,641</u>

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# FEDERAL AWARDS INFORMATION



**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

<b>Federal Grantor /Pass-through Grantor/Program or Cluster Title (1a)</b>	<b>Federal CFDA Number (1b)</b>	<b>Pass-Through Entity Identifying Number (1c)</b>	<b>Passed Through to Sub- recipients</b>	<b>Total Federal Expenditures (1d)</b>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>				
<i>Passed through New York State Department of Agriculture:</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	n/a	\$ -	\$ 272,467
National School Lunch Program	10.555	n/a	-	815,363
Total Child Nutrition Cluster			-	1,087,830
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			-	1,087,830
<b>U.S. DEPARTMENT OF EDUCATION:</b>				
<i>Passed through New York State Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	0021-20-0245	-	874,351
Special Education Cluster:				
Special Education - Grants to States	84.027	0032-20-0079	-	567,598
Special Education - Preschool Grants	84.173	0033-20-0079	-	44,818
Total Special Education Cluster			-	612,416
Rural Education	84.358	0006-20-0245	-	17,264
Supporting Effective Instruction State Grant	84.367	0147-20-0245	-	89,437
Student Support and Academic Enrichment Program	84.424	0196-20-1627	-	17,804
Student Support and Academic Enrichment Program	84.424	0204-20-0245	-	19,838
Total Support and Academic Enrichment Program			-	37,642
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			-	1,631,110
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)</b>			\$ -	\$ 2,718,940

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Olean City School District, New York (the “District”) under programs of federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations (“CFR”) 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 District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District. The following notes were identified on the Schedule:

- a) Includes all federal award programs of the Olean City School District, New York.
- b) Source: Catalog of Federal Domestic Assistance.
- c) Pass-through entity identifying numbers are presented where available.
- d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- e) Total federal expenditures for the District’s 2019-2020 fiscal year are reconciled to Federal sources as reported in the basic financial statements as follows:

Balance per schedule of expenditures of federal awards	\$ 2,718,940
Medicaid reimbursement	<u>218,694</u>
Total Federal sources per financial statements	<u><u>\$ 2,937,634</u></u>

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**3. NON-MONETARY FEDERAL PROGRAM**

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a “non-monetary program.” During the year ended June 30, 2020, the District used \$94,476 worth of commodities.

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Certified Public Accountants

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

The Board of Education  
Olean City School District, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Olean City School District, New York (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 17, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

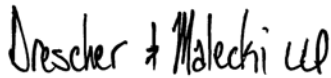
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed a significant deficiency in compliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

### **District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



September 17, 2020

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Certified Public Accountants

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

The Board of Education  
Olean City School District, New York:

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

The District's management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the 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* ("CFR") 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 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 District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the 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.

## Report on Internal Control Over Compliance

Management of the 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

Drescher & Malecki LLP

September 17, 2020

**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

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**Section I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes \_\_\_\_\_  None reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_  No

**Federal Awards:**

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes \_\_\_\_\_  None reported

Type of auditors' report issued on compliance for major federal 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 federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I 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

## **Section II. FINANCIAL STATEMENT FINDINGS**

*We consider the following deficiency to be a significant deficiency in compliance.*

### **Finding 2020-001—Excess Fund Balance**

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

*Condition and Context:* At June 30, 2020, available fund balance in the District’s General Fund exceeded 4 percent of the subsequent year’s budgeted appropriations.

*Cause:* The District’s unrestricted General Fund fund balance minus amounts assigned for the subsequent years’ budget is in excess of the 4 percent limitation.

*Effect or Potential Effect:* The District is not in compliance with New York State Real Property Tax Law §1318, which is subject to criticism from New York State and potential further repercussions.

*Recommendation:* We suggest that the District consider appropriating the additional funds in future budgets or the establishment of certain restricted fund balance or increasing current restrictions which would set aside these “one-time” revenues in a reserve to be utilized for future needs of the District. We recommend that the District consult with its legal advisor to ascertain its reserve options, including creating further reserves.

*Management’s Response:* Management acknowledges that the District has available fund balance in excess of the 4 percent allowed by Real Property Tax Lax §1318. The decision was made to hold back on spending down of particular funds in anticipation of a very unprecedented upcoming 2020-21 fiscal year due to the COVID-19 pandemic.

## **Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings noted.



**OLEAN CITY SCHOOL DISTRICT, NEW YORK**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2020**  
**(Follow Up on June 30, 2019 Findings)**

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No findings were reported.

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