

NORTH TONAWANDA 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*

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Education
North Tonawanda 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 North Tonawanda 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of 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 Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 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 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.

Drescher & Malecki LLP

October 7, 2020

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

As management of the North Tonawanda 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 \$53,886,687 (*net position*). This consists of \$36,420,310 net investment in capital assets, \$8,271,346 restricted for specific purposes and unrestricted net position of \$9,195,031.
- The District's net position increased by \$1,631,949 during the year ended June 30, 2020.
- At the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$2,874,859, an increase of \$1,852,347 in comparison with the prior year's fund balance of \$1,022,512. Excluding the Capital Projects Fund, the District's governmental funds combined ending fund balances totaled \$18,888,403 an increase of \$790,426 from the prior year. Approximately 25.6 percent of the \$18,888,403, or \$4,842,045, is available for spending at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$4,842,045, or approximately 6.5 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 26.2 percent of the General Fund's total fund balance of \$18,494,798.
- The District's total bonded indebtedness decreased \$3,980,000 as a result of scheduled principal payments.

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 includes supplementary information intended to furnish additional detail to support 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 - 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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Aid Fund, School Lunch Fund, and Capital Projects Fund, all of which are considered to be 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 financial statements can be found on pages 18-19 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 20-48 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District’s net pension liability/(asset), 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 related notes to the required supplementary information can be found on pages 49-56 of this report.

Other supplementary information is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 57-59.

Finally, the Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found on pages 60-68 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,886,687 at June 30, 2020, as compared to \$52,254,738 at the close of the fiscal year ended June 30, 2019.

Table 1, presented below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position

	June 30,	
	2020	2019
Current assets	\$ 24,936,058	\$ 24,813,507
Noncurrent assets	91,029,161	92,994,464
Total assets	<u>115,965,219</u>	<u>117,807,971</u>
Deferred outflows of resources	18,990,049	18,718,188
Current liabilities	21,792,211	24,074,855
Noncurrent liabilities	52,794,131	53,255,748
Total liabilities	<u>74,586,342</u>	<u>77,330,603</u>
Deferred inflows of resources	6,482,239	6,940,818
Net position:		
Net investment in capital assets	36,420,310	33,853,386
Restricted	8,271,346	8,154,774
Unrestricted	9,195,031	10,246,578
Total net position	<u>\$ 53,886,687</u>	<u>\$ 52,254,738</u>

The largest portion of the Districts' net position, \$36,420,310 reflects its investment in capital assets (e.g. land, buildings, improvements 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.

An additional portion of the District's net position, \$8,271,346, represents resources that are subject to external restrictions on how they may be used. Any remaining portion of the District's net position would represent resources that are unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors. Unrestricted net position of \$9,195,031 represents resources that may be used to meet the District's ongoing operations.

Table 2, shown below, presents 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

	Year Ended June 30,	
	2020	2019
Program revenues:		
Charges for services	\$ 321,941	\$ 573,909
Operating grants and contributions	4,279,396	4,581,406
General revenues	<u>74,464,329</u>	<u>73,227,860</u>
Total revenues	<u>79,065,666</u>	<u>78,383,175</u>
Program expenses	<u>77,433,717</u>	<u>71,351,334</u>
Change in net position	1,631,949	7,031,841
Net position—beginning	<u>52,254,738</u>	<u>45,222,897</u>
Net position—ending	<u>\$ 53,886,687</u>	<u>\$ 52,254,738</u>

Overall revenues increased by 0.9 percent from the prior year, due primarily to increases in unrestricted State Aid, partially offset by decreases in sale of property and compensation for loss related to the sale of the Grant School Building, and operating grants and contributions. Total expenses increased 8.5 percent from the year ended June 30, 2019, due allocable employee benefit expenses related to the other postemployment benefits obligation and pension liabilities.

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

Table 3—Summary of Sources of Revenues

	Year Ended June 30,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Charges for services	\$ 321,941	\$ 573,909	\$ (251,968)	(43.9)
Operating grants and contributions	4,279,396	4,581,406	(302,010)	(6.6)
Real property taxes and other tax items	29,270,408	28,980,619	289,789	1.0
Use of money and property	682,164	817,702	(135,538)	(16.6)
Sale of property and compensation for loss	10,891	541,821	(530,930)	(98.0)
Miscellaneous	1,155,149	1,420,019	(264,870)	(18.7)
State aid—unrestricted	43,345,717	41,467,699	1,878,018	4.5
Total revenues	<u>\$ 79,065,666</u>	<u>\$ 78,383,175</u>	<u>\$ 682,491</u>	0.9

The most significant sources of revenue for the year ended June 30, 2020 are unrestricted state aid of \$43,345,717, or 54.8 percent of total revenues, real property taxes and items of \$29,270,408, or 37.0 percent of total revenues, and operating grants and contributions of \$4,279,396, or 5.4 percent of total revenues. Similarly, for the year ended June 30, 2019, the largest revenues were unrestricted state aid of \$41,467,699, or 52.9 percent of total revenues, real property taxes and items of \$28,980,619, or 37.0 percent of total revenues, and operating grants and contributions of \$4,581,406, or 5.8 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	\$ 8,935,445	\$ 8,821,429	\$ 114,016	1.3
Instruction	62,664,723	56,233,252	6,431,471	11.4
Pupil transportation	4,300,030	3,942,493	357,537	9.1
School food service	921,748	1,259,437	(337,689)	(26.8)
Interest and other fiscal charges	611,771	1,094,723	(482,952)	(44.1)
Total program expenses	<u>\$ 77,433,717</u>	<u>\$ 71,351,334</u>	<u>\$ 6,082,383</u>	8.5

The District's most significant expense items for the year ended June 30, 2020 were instruction of \$62,664,723, or 81.0 percent of total expenses, general support of \$8,935,445, or 11.5 percent of total expenses, and pupil transportation of \$4,300,030, or 5.6 percent of total expenses. Similarly, for the year ended June 30, 2019, significant expense items were instruction of \$56,233,252, or 78.8 percent of total expenses, general support of \$8,821,429, or 12.4 percent of total expenses, and pupil transportation of \$3,942,493, or 5.5 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* 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 combined ending fund balances of \$2,874,859, an increase of \$1,852,347 from the prior year fund balance of \$1,022,512. Excluding the Capital Projects Fund fund balance deficit of \$16,013,544, the District’s governmental funds combined ending fund balances totaled \$18,888,403. Approximately 25.6 percent of this amount, \$4,842,045, constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned*, to indicate that it is 1) not in spendable form, \$143,779, 2) restricted for particular purposes, \$8,271,346, or 3) assigned for particular purposes, \$5,631,233.

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 \$4,842,045, while total fund balance increased to \$18,494,798 from \$17,704,372 at June 30, 2019. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. *Unassigned fund balance* represents 6.5 percent of total General Fund expenditures and transfers out, while total fund balance represents 24.9 percent of that same amount.

The total fund balance of the District’s General Fund increased by \$790,426 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$5,083,465 of fund balance (this included funds appropriated from fund balance, \$5,000,000, and the re-appropriation of prior year’s encumbrances, \$83,465). As a result of spending less than anticipated, the District’s fund balance ended \$5,873,891 higher than anticipated.

The Special Aid Fund maintains funds that are received by the State and Federal governments. Total revenues were \$3,059,422 and comprised of state, federal and local sources. Expenditures totaled \$3,230,655 and were used toward the instruction and transportation of students. The difference between revenues and expenditures was subsidized by a transfer in from the General Fund.

The School Lunch Fund fund balance is \$393,605 as of June 30, 2020, of which \$44,767 represents inventory and is considered nonspendable. The District may use the remaining portion, \$348,838, for ongoing school lunch operations and to continue updating the school lunch facilities and equipment.

The Capital Projects Fund reported a fund balance deficit of \$16,013,544 at June 30, 2020, as compared to a fund balance deficit of \$17,075,465 at the close of the previous year. This deficit is anticipated to be remedied with the conversion of the short-term debt to long-term debt.

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 below in Table 5:

Table 5—General Fund Budget

Adopted budget, 2019-2020	\$ 79,431,300
Add: Prior year's encumbrances	<u>83,465</u>
Original budget, 2019-2020	79,514,765
Budget revisions	<u>-</u>
Final budget, 2019-2020	<u><u>\$ 79,514,765</u></u>

More detailed information regarding 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 Assets and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of June 30, 2020, amounted to \$86,900,058 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, land 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 the years ended 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,	
	<u>2020</u>	<u>2019</u>
Land	\$ 234,607	\$ 234,607
Construction in progress	228,079	-
Buildings	84,873,149	88,434,321
Land improvements	218,068	259,609
Furniture and equipment	1,171,743	1,054,086
Vehicles	<u>174,412</u>	<u>124,776</u>
Total	<u><u>\$ 86,900,058</u></u>	<u><u>\$ 90,107,399</u></u>

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Long-term liabilities—At June 30, 2020, the District had total long-term liabilities outstanding of \$52,794,131, as compared to \$53,255,748 in the prior year. Of the total long-term liabilities outstanding at June 30, 2020, \$32,575,000 represents serial bonds issued by the District.

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	\$ 32,575,000	\$ 36,555,000
Premiums on serial bonds	2,093,629	2,512,939
Capital leases	-	110,609
Compensated absences	2,583,442	2,395,270
Net pension liability	4,574,925	1,255,465
OPEB obligation	10,967,135	10,426,465
Total	<u>\$ 52,794,131</u>	<u>\$ 53,255,748</u>

Additional information on the District’s long-term liabilities can be found in Note 10 to the financial statements.

Economic Factors and Next Year’s Budget and Rates

During the current fiscal year, the District appropriated \$5,000,000 of the General Fund’s unassigned fund balance for spending in the District’s 2020-2021 fiscal year budget. The 2019-2020 adopted budget appropriations total of \$81,016,940 is an approximate increase of 2.0 percent as compared to \$79,431,300 in 2019-2020. The District’s total budgeted tax levy in 2020-2021 is \$28,875,625, which is level with \$28,875,625 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 11.2 percent. This compares to New York State’s average unemployment rate of 15.6 percent. These factors are considered in preparing the District’s budget.

Request for Information

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed Anthony Montoro, Assistant Superintendent of Administrative Services, North Tonawanda City School District, 176 Walck Road, North Tonawanda, New York 14120.

BASIC FINANCIAL STATEMENTS

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NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2020

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,447,316
Investments	5,999,843
Restricted cash and cash equivalents	8,737,896
Receivables	1,211,418
Intergovernmental receivables	5,395,806
Inventories	44,767
Cash value of life insurance	99,012
Noncurrent net pension asset	4,129,103
Capital assets not being depreciated	462,686
Capital assets, net of accumulated depreciation	86,437,372
Total assets	115,965,219
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pension plans	16,769,185
Deferred outflows—relating to OPEB	2,220,864
Total deferred outflows of resources	18,990,049
LIABILITIES	
Accounts payable	1,554,248
Accrued liabilities	1,188,857
Due to Agency Fund	50
Due to retirement systems	2,771,387
Bond anticipation notes payable	16,240,000
Unearned revenue	37,669
Noncurrent liabilities:	
Due within one year	4,812,654
Due within more than one year	47,981,477
Total liabilities	74,586,342
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pension plans	5,781,940
Deferred inflows—relating to OPEB	700,299
Total deferred inflows of resources	6,482,239
NET POSITION	
Net investment in capital assets	36,420,310
Restricted:	
Debt service	3,716,069
Workers' compensation	1,142,827
Unemployment insurance	160,829
Retirement contribution	433,126
Insurance	1,196,954
Bus Reserve	1,514,241
Employee benefits	107,300
Unrestricted	9,195,031
Total net position	\$ 53,886,687

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Governmental Activities</u>
Governmental activities:				
General support	\$ 8,935,445	\$ -	\$ -	\$ (8,935,445)
Instruction	62,664,723	125,175	3,404,449	(59,135,099)
Pupil transportation	4,300,030	-	-	(4,300,030)
School food service	921,748	196,766	874,947	149,965
Interest and other fiscal charges	611,771	-	-	(611,771)
Total primary government	<u>\$ 77,433,717</u>	<u>\$ 321,941</u>	<u>\$ 4,279,396</u>	<u>(72,832,380)</u>
General revenues:				
				29,270,408
				682,164
				10,891
				1,155,149
				<u>43,345,717</u>
				<u>74,464,329</u>
				1,631,949
				<u>52,254,738</u>
				<u>\$ 53,886,687</u>

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2020

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,049,037	\$ 92,503	\$ 305,776	\$ -	\$ 3,447,316
Investments	5,999,843	-	-	-	5,999,843
Restricted cash and cash equivalents	8,288,776	572	19,667	428,881	8,737,896
Receivables	1,211,288	-	130	-	1,211,418
Intergovernmental receivables	2,730,883	2,558,970	105,953	-	5,395,806
Due from other funds	2,579,535	-	-	77,380	2,656,915
Inventories	-	-	44,767	-	44,767
Cash value of life insurance	99,012	-	-	-	99,012
Total assets	<u>\$ 23,958,374</u>	<u>\$ 2,652,045</u>	<u>\$ 476,293</u>	<u>\$ 506,261</u>	<u>\$ 27,592,973</u>
LIABILITIES					
Accounts payable	\$ 1,213,911	\$ 20,257	\$ 40,275	\$ 279,805	\$ 1,554,248
Accrued liabilities	923,782	1,261	-	-	925,043
Due to other funds	4,264	2,629,955	22,746	-	2,656,965
Due to retirement systems	2,771,387	-	-	-	2,771,387
Bond anticipation notes payable	-	-	-	16,240,000	16,240,000
Unearned revenue	17,430	572	19,667	-	37,669
Total liabilities	<u>4,930,774</u>	<u>2,652,045</u>	<u>82,688</u>	<u>16,519,805</u>	<u>24,185,312</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue—property taxes	532,802	-	-	-	532,802
Total deferred inflows of resources	<u>532,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>532,802</u>
FUND BALANCES (DEFICIT)					
Nonspendable	99,012	-	44,767	-	143,779
Restricted	8,271,346	-	-	-	8,271,346
Assigned	5,282,395	-	348,838	-	5,631,233
Unassigned	4,842,045	-	-	(16,013,544)	(11,171,499)
Total fund balances (deficit)	<u>18,494,798</u>	<u>-</u>	<u>393,605</u>	<u>(16,013,544)</u>	<u>2,874,859</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 23,958,374</u>	<u>\$ 2,652,045</u>	<u>\$ 476,293</u>	<u>\$ 506,261</u>	<u>\$ 27,592,973</u>

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

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

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

Total fund balances (deficit)—governmental funds (page 14)	\$	2,874,859
Net pension assets are not current financial resources and, therefore, are not reported in the funds.		4,129,103
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$149,599,508 and the accumulated depreciation is \$62,699,450.		86,900,058
Real property taxes not collected within 60 days of year-end, therefore, are reported as deferred inflows of resources on the fund statements, but are recognized as revenues on the accrual basis for the government-wide statements.		532,802
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 relating to employer contributions	\$ 2,672,633	
Deferred outflows relating to experience, changes in assumptions and investment earnings	14,096,552	
Deferred inflows of resources related to pension plans	<u>(5,781,940)</u>	10,987,245
Deferred outflows and inflows of resources related to other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows relating to experience, changes of assumptions, and employer contributions	\$ 2,220,864	
Deferred inflows relating to experience and changes of assumptions	<u>(700,299)</u>	1,520,565
Net accrued interest expense for serial bonds is not reported in the fund statements.		(263,814)
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	\$ (32,575,000)	
Premiums on serial bonds	(2,093,629)	
Compensated absences	(2,583,442)	
Net pension liability	(4,574,925)	
OPEB obligation	<u>(10,967,135)</u>	<u>(52,794,131)</u>
Net position of governmental activities	\$	<u><u>53,886,687</u></u>

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

NORTH TONAWANDA 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 Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes and other tax items	\$ 29,242,501	\$ -	\$ -	\$ -	\$ 29,242,501
Charges for services	125,175	-	-	-	125,175
Use of money and property	682,039	-	125	-	682,164
Sale of property and compensation for loss	10,891	-	-	-	10,891
Miscellaneous	1,108,856	7,479	-	38,814	1,155,149
State sources	43,345,717	1,057,176	28,802	-	44,431,695
Federal sources	352,506	1,994,767	846,145	-	3,193,418
Sales - food service	-	-	196,766	-	196,766
Total revenues	<u>74,867,685</u>	<u>3,059,422</u>	<u>1,071,838</u>	<u>38,814</u>	<u>79,037,759</u>
EXPENDITURES					
Current:					
General support	6,742,954	-	-	-	6,742,954
Instruction	42,728,983	2,971,862	-	-	45,700,845
Pupil transportation	3,075,397	258,793	-	-	3,334,190
Employee benefits	14,562,920	-	-	-	14,562,920
Debt service:					
Principal	4,090,609	-	-	-	4,090,609
Interest and other fiscal charges	1,447,735	-	-	-	1,447,735
Cost of sales (school lunch)	-	-	992,320	-	992,320
Capital outlay	-	-	-	313,839	313,839
Total expenditures	<u>72,648,598</u>	<u>3,230,655</u>	<u>992,320</u>	<u>313,839</u>	<u>77,185,412</u>
Excess (deficiency) of revenues over expenditures	<u>2,219,087</u>	<u>(171,233)</u>	<u>79,518</u>	<u>(275,025)</u>	<u>1,852,347</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	133,647	171,233	15,315	1,375,760	1,695,955
Transfers out	<u>(1,562,308)</u>	<u>-</u>	<u>(94,833)</u>	<u>(38,814)</u>	<u>(1,695,955)</u>
Total other financing sources (uses)	<u>(1,428,661)</u>	<u>171,233</u>	<u>(79,518)</u>	<u>1,336,946</u>	<u>-</u>
Net change in fund balances (deficit)	790,426	-	-	1,061,921	1,852,347
Fund balances (deficit)—beginning	17,704,372	-	393,605	(17,075,465)	1,022,512
Fund balances (deficit)—ending	<u>\$ 18,494,798</u>	<u>\$ -</u>	<u>\$ 393,605</u>	<u>\$ (16,013,544)</u>	<u>\$ 2,874,859</u>

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

NORTH TONAWANDA 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

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances (deficit)—total governmental funds (page 16)	\$	1,852,347
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		
Capital asset additions, net	\$	795,008
Depreciation expense		<u>(4,002,349)</u>
		(3,207,341)
<p>Governmental funds recognize real property taxes only if collected within 60 days after the end of the fiscal year; however, the government-wide statements recognize revenue on a full accrual basis.</p>		
		27,907
<p>Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:</p>		
District pension contributions	\$	3,170,743
Cost of benefits earned net of employee contributions		<u>(6,842,033)</u>
		(3,671,290)
<p>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. These amounts are shown net of current year amortization.</p>		
		2,324,308
<p>In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.</p>		
		524,941
<p>The issuance of long-term debt 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:</p>		
Repayment of serial bonds	\$	3,980,000
Amortization of premiums on serial bonds		419,310
Payment of capital leases		110,609
Change in compensated absences		(188,172)
Change in other postemployment benefits obligation		<u>(540,670)</u>
		<u>3,781,077</u>
Change in net position of governmental activities	\$	<u><u>1,631,949</u></u>

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

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

	Private Purpose Trust	Agency
ASSETS		
Restricted cash and cash equivalents	\$ 55,516	\$ 598,620
Due from other funds	-	50
Total assets	55,516	\$ 598,670
LIABILITIES		
Other agency liabilities	-	\$ 508,427
Extraclassroom activity funds	-	90,243
Total liabilities	-	\$ 598,670
NET POSITION		
Restricted for scholarships	\$ 55,516	

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

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

	<u>Private Purpose Trust</u>
ADDITIONS	
Gifts and contributions	\$ 10,902
Investment earnings	<u>16</u>
Total additions	<u>10,918</u>
DEDUCTIONS	
Scholarships and awards	<u>13,204</u>
Total deductions	<u>13,204</u>
Change in net position	(2,286)
Net position—beginning	<u>57,802</u>
Net position—ending	<u><u>\$ 55,516</u></u>

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

SUPPLEMENTAL SCHEDULES

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of North Tonawanda 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 13 participating school districts in the Orleans-Niagara Board of Cooperative Education Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES. All BOCES property is held by the BOCES Board as a corporation under Section 1950(6) of Education Law.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of General Municipal Law.

The BOCES budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of June 30, 2020, there was no debt issued by the District on behalf of BOCES.

During the year ended June 30, 2020, the District was billed \$12,392,232 for BOCES administrative and program costs and recognized \$711,711 in revenue as a refund from prior years’ expenditures paid to BOCES. Audited financial statements are available from the Orleans-Niagara 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 latter 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 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 real property taxes and 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 the 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. 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 and claims and judgments, 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, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and so 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 its 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 the date of acquisition. New York State law governs the District’s investment policies. Permissible investments include obligations of the United States Treasury, United States 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 represents 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 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.

Cash Value of Life Insurance—An asset representing a life insurance contract is measured at the amount that could be realized under the insurance contract as of the date of the financial statements, which is the amount reported by the insurance entity as the cash surrender value. However, since the assets are placed in trust and the District is entitled to receive back only the amount of premiums paid, an allowance offsets the asset to represent the difference between cash surrender value and premiums paid by the District. In the governmental funds, a corresponding amount of fund balance is recorded as nonspendable to indicate the funds are not available expendable resources. The District reported \$99,012 within cash value of life insurance as of June 30, 2020.

Capital Assets—Capital assets, which include land, construction in progress, land improvements, buildings and 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 (\$5,000) for the type of asset and an estimated useful life in excess of eight years. 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, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	Capitalization Threshold	Estimated Useful Life (Years)
Buildings	\$5,000	50
Land improvements	5,000	20
Furniture, equipment and vehicles	5,000	8-20

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 two 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.

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 has three items that qualify for reporting in this category. The first item arises only under the modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenue from property taxes that remain uncollected after 60 days after year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second 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 and is reported on the government-wide financial statements. Finally, the third 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 reported on the government-wide financial statements.

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 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 Assistant Superintendent of Administrative Services 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 by the Board of Education no later than September 1 and become a lien on September 1 each year. Taxes are collected during the period of September 1 to October 31 each year. The City of North Tonawanda, New York (the “City”), in which the District is located, enforces uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the City. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable within the fund financial statements.

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 \$17,430, \$572, and \$19,667 of unearned revenues in the General Fund, Special Aid Fund and School Lunch Fund, respectively. The District receives health insurance premiums in advance but has not performed the services and therefore recognizes a liability.

Compensated Absences—The District labor agreements and District rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or 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 6.

Other Postemployment Benefits—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees, as disclosed in Note 7.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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, and 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 Capital Projects Fund has a deficit fund balance at June 30, 2020 totaling \$16,013,544. The primary reason for the deficit in this case is that the District issued bond anticipation notes (“BANs”), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenses, and fund balances.) When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Since the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

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 as follows:

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 100	\$ -	\$ 100
Deposits	<u>12,185,112</u>	<u>654,136</u>	<u>12,839,248</u>
Total	<u>\$ 12,185,212</u>	<u>\$ 654,136</u>	<u>\$ 12,839,348</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 Amount
FDIC insured	\$ 767,933	\$ 767,933
Uninsured:		
Collateral held by pledging bank's agent in the District's name	<u>12,424,576</u>	<u>12,071,315</u>
Total	<u>\$ 13,192,509</u>	<u>\$ 12,839,248</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, amounts to support restricted fund balances, unearned revenues, and amounts held on behalf of others as restricted cash and cash equivalents. At June 30, 2020, the District reported \$8,737,896 of restricted cash within its governmental funds and \$654,136 within its fiduciary funds.

Investments—At June 30, 2020, the District reports investments of \$5,999,843, which consist of U.S. Treasury notes with maturities of six months. The District's investments are Level 1 investments.

Fair Value Measurements—Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in 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.

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:

Receivables—Primarily represents stop-loss payments owed to the District. The District reported \$637,731 and \$130 of those receivables in the General Fund and School Lunch Fund, respectively, at June 30, 2020. In addition to this, the District also recorded amounts for taxes receivable; representing amounts due from District taxpayers that remain unpaid. The District reported \$573,557 of taxes receivable in the General Fund at June 30, 2020.

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 follows:

General Fund:		
New York State - Medicaid	\$	17,189
New York State - BOCES Aid		1,434,772
New York State - Excess Cost Aid		1,186,577
New York State - General Aid Accrual		<u>92,345</u>
	\$	2,730,883
Special Aid Fund:		
Federal - Title I		706,471
Federal - IDEA Part B, Section 619		46,723
Federal - IDEA Part B, Section 611		758,212
Federal - Title IIA		105,853
Federal - Title IV		12,271
New York State		<u>929,440</u>
		2,558,970
School Lunch Fund:		
New York State - Breakfast and Lunch Program		<u>105,953</u>
Total governmental funds	\$	<u><u>5,395,806</u></u>

4. CAPITAL ASSETS

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

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Capital assets, not being depreciated:				
Land	\$ 234,607	\$ -	\$ -	\$ 234,607
Construction in progress	<u>-</u>	<u>313,839</u>	<u>85,760</u>	<u>228,079</u>
Total capital assets, not being depreciated	<u>234,607</u>	<u>313,839</u>	<u>85,760</u>	<u>462,686</u>
Capital assets, being depreciated:				
Buildings	141,437,057	85,760	-	141,522,817
Land improvements	3,836,533	-	644,979	3,191,554
Furniture and equipment	3,751,748	379,688	1,038,035	3,093,401
Vehicles	<u>1,349,964</u>	<u>101,481</u>	<u>122,395</u>	<u>1,329,050</u>
Total capital assets, being depreciated	<u>150,375,302</u>	<u>566,929</u>	<u>1,805,409</u>	<u>149,136,822</u>
Less accumulated depreciation for:				
Buildings	53,002,736	3,646,932	-	56,649,668
Land improvements	3,576,924	41,541	644,979	2,973,486
Furniture and equipment	2,697,662	262,031	1,038,035	1,921,658
Vehicles	<u>1,225,188</u>	<u>51,845</u>	<u>122,395</u>	<u>1,154,638</u>
Total accumulated depreciation	<u>60,502,510</u>	<u>4,002,349</u>	<u>1,805,409</u>	<u>62,699,450</u>
Total capital assets, being depreciated, net	<u>89,872,792</u>	<u>(3,435,420)</u>	<u>-</u>	<u>86,437,372</u>
Governmental activities capital assets, net	<u>\$ 90,107,399</u>	<u>\$ (3,121,581)</u>	<u>\$ 85,760</u>	<u>\$ 86,900,058</u>

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

Governmental activities:	
General support	\$ 381,374
Instruction	3,432,366
Pupil transportation	80,322
School lunch	<u>108,287</u>
Total	<u>\$ 4,002,349</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2020, were as follows:

	General Fund	Special Aid Fund	Total Governmental Funds
Salary and employee benefits	\$ 82,615	\$ 1,261	\$ 83,876
IBNR	515,000	-	515,000
Out-of-District tuition	22,100	-	22,100
Retirement incentive	304,067	-	304,067
Total accrued liabilities	<u>\$ 923,782</u>	<u>\$ 1,261</u>	<u>\$ 925,043</u>

6. 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 requirements 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 on TRS's website at 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 ("RSSL"). 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. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For 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 Liabilities/(Assets), 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)	\$ (4,129,103)	\$ 4,574,925
District's portion of the Plan's total		
Net pension liability/(asset)	0.158934%	0.0172765%

For the year ended June 30, 2020, the District recognized pension expenses of \$5,188,012 and \$1,657,194 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 the sources below:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	\$ 2,798,188	\$ 269,253	\$ 307,048	\$ -
Changes in assumptions	7,800,429	92,117	1,901,965	79,542
Net difference between projected and actual earnings on pension plan investments	-	2,345,329	3,311,328	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	566,953	224,283	135,196	46,861
District contributions subsequent to the measurement date	2,397,118	275,515	-	-
Total	<u>\$ 13,562,688</u>	<u>\$ 3,206,497</u>	<u>\$ 5,655,537</u>	<u>\$ 126,403</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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:

Year Ending June 30,	TRS	ERS
2021	\$ 1,949,730	\$518,641
2022	200,199	721,726
2023	1,942,959	869,703
2024	1,353,215	694,509
2025	189,008	-
Thereafter	(125,078)	-

Actuarial Assumptions—The total pension liability/(asset) as of the measurement dates were determined by using actuarial valuations 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:

	TRS	ERS
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 on the following page.

Measurement date	TRS	ERS	TRS	ERS
	Target Allocation		Long-Term Expected Real Rate of Return	
			June 30, 2019	March 31, 2020
Asset class:				
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 on the following page 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.

TRS	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability/(asset)	\$ 18,638,341	\$ (4,129,103)	\$ (23,228,420)
ERS	1% Decrease (5.80%)	Current Assumption (6.80%)	1% Increase (7.80%)
Employer's proportionate share of the net pension liability/(asset)	\$ 8,396,280	\$ 4,574,925	\$ 1,055,442

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 pension 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. Accrued retirement contributions as of June 30, 2020 amounted to \$2,495,872.

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 \$275,515.

7. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—In addition to pension benefits, the District pays for a portion of eligible retirees’ health insurance, depending on the type of health plan provided 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.

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

Inactive employees or beneficiaries currently receiving benefit payments	194
Active employees	<u>363</u>
Total	<u>557</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 \$10,967,135 was measured as of June 30, 2020, and was determined by an interim actuarial valuation as of June 23, 2020.

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 June 30, 2020 interim actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 3.44% to 2.48% effective June 30, 2020. The salary scale changed from 3.36% to 3.22% effective June 30, 2020. Mortality rates were updated to rates based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, distinct for Teachers, General, and Safety, without separate Contingent Survivor effective June 30, 2020. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 5.20%, while the ultimate healthcare cost trend rate is 4.18%.

The actuarial assumptions used in the June 30, 2020 interim valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2019.

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	<u>\$ 10,426,465</u>
Changes for the year:	
Service cost	158,732
Interest	335,518
Changes of assumptions	438,953
Differences between expected and actual experience	439,248
Benefit payments	<u>(831,781)</u>
Net changes	<u>540,670</u>
Balance at June 30, 2020	<u><u>\$ 10,967,135</u></u>

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 (1.48%)	Current Discount Rate (2.48%)	1% Increase (3.48%)
Net OPEB liability	\$ 11,750,775	\$ 10,967,135	\$ 10,255,993

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (5.20%) and ultimate (4.18%) healthcare cost trend rates.

	1% Decrease (4.20% / 3.18%)	Healthcare Cost Trend Rates (5.20% / 4.18%)	0.01 Increase (6.20% / 5.18%)
Net OPEB liability	\$ 10,051,704	\$ 10,967,135	\$ 11,990,688

Funding Policy—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various union contracts, 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 funds contributed \$831,781 for the fiscal year ended June 30, 2020. The District’s contributions to the OPEB plan are based on negotiated contracts with six bargaining units, as discussed in Note 14. Any amendments to the employer’s contributions are subject to the collective bargaining agreements.

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 following table presents the District’s deferred outflows and inflows of resources at June 30, 2020.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,639,366	\$ 257,244
Changes of assumptions	374,122	443,055
Contributions subsequent to the measurement date	207,376	-
Total	<u>\$ 2,220,864</u>	<u>\$ 700,299</u>

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

Year Ending June 30,	
2021	\$ 80,720
2022	426,336
2023	403,817
2024	201,156
2025	201,160
Thereafter	-

8. 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: general liability, property, crime, earthquake and flood. The general liability insurance is limited to \$1 million per occurrence and a \$3 million aggregate. The District also carries an umbrella policy with a \$15,000,000 coverage limit per occurrence. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years. At June 30, 2020, \$1,142,827 of the General Fund’s fund balance was restricted for workers’ compensation for purposes of funding the District’s future claim liabilities. At June 30, 2020, management believes that there are no material outstanding liabilities for workers’ compensation.

Medical Self-Insurance—During the year ended June 30, 2020, the District participated in a Administrative Services Agreement with Independent Health. As part of the agreement, Independent Health prepares forms, provides access to Independent Health’s Networks Providers and processes claims for a fee per covered person per month. The responsibility of insuring claims however, lies with the District.

In order to insure against larger than expected health care losses associated with the self-insurance plan, the District has entered into a Stop Loss Agreement negotiated through Independent Health. This agreement includes a “specific deductible” for each covered person of \$150,000 per year. This will cover the individual up to an unlimited lifetime maximum specific benefit. Above this dollar amount the District will not be liable for the claim. In return, the District pays premiums to Independent Health for the stop loss insurance. The plans coverage extends to both medical and prescription claims.

9. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. A summary of the District’s short-term debt for the fiscal year ended June 30, 2020 follows:

Description	Interest Rate	Maturity Date	Balance 7/1/2019	Issued	Redeemed	Balance 6/30/2020
Capital Projects Fund:						
Various capital projects	3.25%	8/23/2019	\$ 17,530,000	\$ -	\$ 17,530,000	\$ -
Various capital projects	1.50%	8/21/2020	-	16,240,000	-	16,240,000
Total			<u>\$ 17,530,000</u>	<u>\$ 16,240,000</u>	<u>\$ 17,530,000</u>	<u>\$ 16,240,000</u>

10. 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, capital leases, compensated absences, net pension liability and other postemployment benefits (“OPEB”) obligation. 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:

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
Serial bonds	\$ 36,555,000	\$ -	\$ 3,980,000	\$ 32,575,000	\$ 4,135,000
Premiums on serial bonds	2,512,939	-	419,310	2,093,629	419,310
Bonds payable	39,067,939	-	4,399,310	34,668,629	4,554,310
Capital leases	110,609	-	110,609	-	-
Compensated absences*	2,395,270	188,172	-	2,583,442	258,344
Net pension liability*	1,255,465	3,319,460	-	4,574,925	-
OPEB obligation	10,426,465	1,372,451	831,781	10,967,135	-
Total	\$ 53,255,748	\$ 4,880,083	\$ 5,341,700	\$ 52,794,131	\$ 4,812,654

(*Additions to compensated absences and 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 10 to 15 years.

A summary of additions and payments for the year ended June 30, 2020 is presented below:

Description	Original Issue	Interest Rate (%)	Year of Issue/Maturity	Balance 7/1/2019	Additions	Payments	Balance 6/30/2020
2015 serial bonds	\$ 9,160,000	4.00%	2015 - 2025	\$ 5,730,000	\$ -	\$ 905,000	\$ 4,825,000
2016 serial bonds	19,065,000	2.00-5.00%	2016 - 2026	14,320,000	-	1,880,000	12,440,000
2017 QZAB bonds	17,688,626	n/a	2017 - 2032	16,505,000	-	1,195,000	15,310,000
Total				\$ 36,555,000	\$ -	\$ 3,980,000	\$ 32,575,000

Amortization of Bond Premium—On September 17, 2014, the District issued serial bonds totaling \$9,160,000 and received a bond premium of \$1,077,532. The premium is being amortized on a straight-line basis over the life of the bonds, which mature on September 15, 2024. On September 16, 2015, the District issued serial bonds totaling \$19,065,000 and received a bond premium of \$3,115,573. The premiums are being amortized on a straight-line basis over the life of the bonds, which mature on September 1, 2025. The total unamortized premiums as of June 30, 2020 totaled \$2,093,629.

Capital Leases—The District entered into lease agreements as lessee for the financing of energy performance improvements and co-generation. These lease agreements qualified as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. During the year ended June 30, 2020, the District made the final payment on its capital leases.

Compensated Absences—As described 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 \$2,583,442. Management estimates that \$258,344 is due within one year.

Net Pension Liability—The District reported a liability, \$4,574,925 for its proportionate share of the net pension liability for Employees’ Retirement System. Refer to Note 6 for additional information related to the District’s net pension liability.

OPEB Obligation—As explained in Note 7, the District provides health insurance coverage for certain retirees. The District’s annual postemployment benefit (“OPEB”) cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. The long-term OPEB obligation is estimated to be \$10,967,135 at June 30, 2020.

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

Year Ending June 30,	Serial Bonds	Premiums on Serial Bonds	Compensated Absences	Net Pension Liability	OPEB Obligation	Total
2021	\$ 4,135,000	\$ 419,310	\$ 258,344	\$ -	\$ -	\$ 4,812,654
2022	4,275,000	419,310	-	-	-	4,694,310
2023	4,415,000	419,310	-	-	-	4,834,310
2024	4,555,000	419,310	-	-	-	4,974,310
2025	4,720,000	416,389	-	-	-	5,136,389
2026-2030	7,795,000	-	-	-	-	7,795,000
2031-thereafter	2,680,000	-	2,325,098	4,574,925	10,967,135	20,547,158
Total	<u>\$ 32,575,000</u>	<u>\$ 2,093,629</u>	<u>\$ 2,583,442</u>	<u>\$ 4,574,925</u>	<u>\$ 10,967,135</u>	<u>\$ 52,794,131</u>

Interest requirements on serial bonds payable are as follows:

Year Ending June 30,	Interest
2021	\$ 751,600
2022	615,875
2023	469,400
2024	311,850
2025	147,550
2026	33,000
Total	<u>\$ 2,329,275</u>

11. 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, including infrastructure, 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 represents 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.
- **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:

- **Cash Value of Life Insurance**—Represents cash value of life insurance. This balance is nonspendable as the cash does not represent an available resource. The balance at June 30, 2020 was \$99,012.
- **Inventories**—Representing the portion of fund balance, \$44,767, 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 grants, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balance maintained by the District at June 30, 2020 includes:

	General Fund
Debt service	\$ 3,716,069
Workers' compensation	1,142,827
Unemployment insurance	160,829
Retirement contribution	433,126
Liability and casualty	1,196,954
Bus reserve	1,514,241
Employee benefit accrued liabilities	107,300
Total	<u>\$ 8,271,346</u>

- ***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 and unspent debt proceeds and premiums.
- ***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.
- ***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.
- ***Retirement Contribution***—According to General Municipal Law Section 6-r, this restriction must be used to pay "retirement contributions," which are defined as all or any portion of the amount payable to the ERS, pursuant to Sections 17 or 317 of the NYSSRL. The restriction may be established by Board resolution; there are no referendum requirements to create the funds or expend money from the funds. The Board may authorize the transfer of the moneys to a reserve fund established pursuant to Sections 6c-g of the GML or Section 3651 of Education Law.
- ***Liability and Casualty***—According to Education Law Sections 1709[8-c] and 1950[4][cc], this restriction must be used to establish and maintain a program of reserves to cover property loss or liability claims. The creation of a property loss reserve requires resolution of the governing board; there are no referendum requirements to create the funds or expend money from the funds.
- ***Bus Reserve***—Similar to the restriction 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 bus capital reserve fund requires authorization by a majority of the voters establishing the purpose of the restriction, 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.

- **Employee Benefit Accrued Liabilities**—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.

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	\$ 5,000,000	\$ -	\$ 5,000,000
Encumbrances	282,395	-	282,395
Specific use	-	348,838	348,838
Total	<u>\$ 5,282,395</u>	<u>\$ 348,838</u>	<u>\$ 5,631,233</u>

- **Assigned to Subsequent Year’s Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2020-2021 fiscal year.
- **Assigned to Encumbrances**—Represents amounts related to unperformed (executory) contracts for goods and services.
- **Assigned to Specific Use**—Represents fund balance within the special revenue fund that is assigned for a specific purpose. The assignments’ purpose relates to each fund’s operations and represent remaining amounts within funds that are not committed or restricted.

If the District must use funds for emergency expenditures the Board of Education shall authorize the Assistant Superintendent of Administrative Services to expend funds first from fund 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.

12. 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 as follows:

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Governmental funds:		
General Fund	\$2,579,535	\$ 4,264
Special Aid Fund	-	2,629,955
School Lunch Fund	-	22,746
Capital Projects Fund	<u>77,380</u>	<u>-</u>
Total governmental funds	<u>2,656,915</u>	<u>2,656,965</u>
Fiduciary Funds:		
Agency Fund	<u>50</u>	<u>-</u>
Total	<u>\$2,656,965</u>	<u>\$2,656,965</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:

	<u>Transfers In:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Capital Projects Fund</u>	
Transfers out:					
General Fund	\$ -	\$ 171,233	\$ 15,315	\$ 1,375,760	\$ 1,562,308
School Lunch Fund	94,833	-	-	-	94,833
Capital Projects Fund	<u>38,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,814</u>
Total	<u>\$ 133,647</u>	<u>\$ 171,233</u>	<u>\$ 15,315</u>	<u>\$ 1,375,760</u>	<u>\$ 1,695,955</u>

Transfers are used primarily to finance certain special aid and school lunch programs, to support capital projects expenditures, and for payments on bond anticipation notes payable.

13. AGENCY FUNDS

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
ASSETS				
Restricted cash and cash equivalents	\$ 595,135	\$ 37,471,237	\$ 37,467,752	\$ 598,620
Due from other funds	-	36,032,650	36,032,600	50
Total assets	<u>\$ 595,135</u>	<u>\$ 73,503,887</u>	<u>\$ 73,500,352</u>	<u>\$ 598,670</u>
LIABILITIES				
Other agency liabilities	\$ 506,575	\$ 446,725	\$ 444,873	\$ 508,427
Due to other funds	1,012	23,459,441	23,460,453	-
Extraclassroom activity funds	87,548	182,639	179,944	90,243
Total liabilities	<u>\$ 595,135</u>	<u>\$ 24,088,805</u>	<u>\$ 24,085,270</u>	<u>\$ 598,670</u>

14. LABOR CONTRACTS

District employees are represented by six bargaining units, with the balance of employees governed by Board of Education rules and regulations. The North Tonawanda School Administrators Association is negotiated through June 30, 2020; the North Tonawanda Substitutes Teachers Association is negotiated through June 30, 2021; the CSEA Clerical, Nursing and Teacher Aide Unit #7686 – Local 872, the North Tonawanda United Teachers, and the CSEA School Bus Drivers, Substitute School Bus Drivers, and School Bus Attendants – Local 872 are negotiated through June 30, 2022, and the CSEA Custodial and Maintenance Unit #7686 – Local 872 is negotiated through June 30, 2023.

15. 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 \$10,000. The significant encumbrances of the District as of June 30, 2020 are shown below:

Fund	Purpose	Amount Encumbered
General	Personal protective equipment	\$ 16,050
General	Signage	49,496
General	Fencing	51,745
General	Paving	54,561
General	Stone work	85,439
Capital Projects	Architectural/engineering	10,672
Capital Projects	Paving/excavating	190,150

16. TAX ABATEMENTS

The District is subject to tax abatements granted by the City of North Tonawanda (“CNT”) and the Niagara County Industrial Development Agency (“NCIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the CNT and NCIDA 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 the CNT and the NCIDA, the District collected \$242,791 during the 2019-2020 fiscal year in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$292,644 in property taxes.

17. 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 the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Other—The District is involved in litigation 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.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 7, 2020, which is the date the financial statements are available for issuance and have determined there are no subsequent events that require disclosure under generally accepted accounting principles, except as noted below.

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 Excess Cost, BOCES Aid, 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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NORTH TONAWANDA 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*

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
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)	0.158934%	0.159660%	0.162255%	0.171633%	0.167170%	0.167281%	0.169281%
District's proportionate share of the net pension liability/(asset)	<u>\$ (4,126,103)</u>	<u>\$ (2,887,065)</u>	<u>\$ (1,233,300)</u>	<u>\$ 1,838,260</u>	<u>\$ (17,363,609)</u>	<u>\$ (18,634,064)</u>	<u>\$ (1,114,299)</u>
District's covered payroll	\$ 26,939,308	\$ 26,591,121	\$ 26,193,144	\$ 26,931,069	\$ 25,477,447	\$ 24,710,014	\$ 24,796,031
District's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	(15.3%)	(10.9%)	(4.7%)	6.8%	(68.2%)	(75.4%)	(4.5%)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	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.

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

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,397,118	\$ 2,548,661	\$ 3,013,456	\$ 3,511,869	\$ 4,401,987	\$ 4,015,377	\$ 3,025,099
Contributions in relation to the contractually required contribution	<u>(2,397,118)</u>	<u>(2,548,661)</u>	<u>(3,013,456)</u>	<u>(3,511,869)</u>	<u>(4,401,987)</u>	<u>(4,015,377)</u>	<u>(3,025,099)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 27,410,741	\$ 26,939,308	\$ 26,591,121	\$ 26,193,144	\$ 26,931,069	\$ 25,477,447	\$ 24,710,014
Contributions as a percentage of covered payroll	8.7%	9.5%	11.3%	13.4%	16.3%	15.8%	12.2%

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

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

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
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	0.0172765%	0.0177193%	0.0183255%	0.0162665%	0.0168878%	0.0169674%	0.0169674%
District's proportionate share of the net pension liability	<u>\$ 4,574,925</u>	<u>\$ 1,255,465</u>	<u>\$ 591,444</u>	<u>\$ 1,528,439</u>	<u>\$ 2,710,543</u>	<u>\$ 573,201</u>	<u>\$ 766,734</u>
District's covered payroll	\$ 5,928,072	\$ 5,616,215	\$ 5,551,126	\$ 5,475,661	\$ 4,841,399	\$ 5,065,175	\$ 5,087,885
District's proportionate share of the net pension liability as a percentage of its covered payroll	77.2%	22.4%	10.7%	27.9%	56.0%	11.3%	15.1%
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.

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

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 773,625	\$ 778,037	\$ 808,778	\$ 742,180	\$ 866,199	\$ 987,331	\$ 1,165,954
Contributions in relation to the contractually required contribution	<u>(773,625)</u>	<u>(778,037)</u>	<u>(808,778)</u>	<u>(742,180)</u>	<u>(866,199)</u>	<u>(987,331)</u>	<u>(1,165,954)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,938,792	\$ 5,747,110	\$ 5,634,882	\$ 5,344,668	\$ 5,040,800	\$ 5,005,282	\$ 5,124,516
Contributions as a percentage of covered payroll	13.0%	13.5%	14.4%	13.9%	17.2%	19.7%	22.8%

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

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

	Year Ended June 30,			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 158,732	\$ 233,136	\$ 228,953	\$ 212,285
Interest	335,518	556,514	584,217	463,814
Changes in assumptions or other inputs	438,953	(1,497,013)	206,793	(552,534)
Differences between expected and actual experience	439,248	(2,817,954)	(4,621)	2,362,942
Changes of benefit terms	-	(1,230,978)	-	-
Benefit payments	<u>(831,781)</u>	<u>(977,766)</u>	<u>(974,238)</u>	<u>(873,928)</u>
Net changes in total OPEB liability	<u>540,670</u>	<u>(5,734,061)</u>	<u>41,104</u>	<u>1,612,579</u>
Total OPEB liability—beginning	<u>10,426,465</u>	<u>16,160,526</u>	<u>16,119,422</u>	<u>14,506,843</u>
Total OPEB liability—ending	<u>\$ 10,967,135</u>	<u>\$ 10,426,465</u>	<u>\$ 16,160,526</u>	<u>\$ 16,119,422</u>
Plan fiduciary net position				
Contributions—employer	\$ 831,781	\$ 977,766	\$ 974,238	\$ 873,928
Benefit payments	<u>(831,781)</u>	<u>(977,766)</u>	<u>(974,238)</u>	<u>(873,928)</u>
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability—ending	<u>\$ 10,967,135</u>	<u>\$ 10,426,465</u>	<u>\$ 16,160,526</u>	<u>\$ 16,119,422</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 3,913,563	\$ 3,791,477	\$ 3,791,477	\$ 3,670,000
District's net OPEB liability as a percentage of covered-employee payroll	280.2%	275.0%	426.2%	439.2%

*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.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local sources:				
Real property taxes and other tax items	\$ 29,210,625	\$ 29,210,625	\$ 29,242,501	\$ 31,876
Charges for services	168,260	168,260	125,175	(43,085)
Use of money and property	535,974	535,974	682,039	146,065
Sale of property and compensation for loss	27,636	27,636	10,891	(16,745)
Miscellaneous	821,412	821,412	1,108,856	287,444
State sources:				
Basic formula	26,853,713	26,853,713	25,222,242	(1,631,471)
Excess cost	7,446,000	7,446,000	8,141,571	695,571
Lottery	4,588,000	4,588,000	5,309,915	721,915
VLT lottery	1,397,000	1,397,000	1,467,422	70,422
BOCES	2,455,049	2,455,049	2,736,901	281,852
Tuition for students with disabilities	-	-	11,453	11,453
Textbooks	261,231	261,231	221,467	(39,764)
Computer software	128,000	128,000	118,769	(9,231)
Library loan program	22,000	22,000	22,537	537
In-kind grants	-	-	93,440	93,440
Federal sources:				
Medicaid assistance	300,000	300,000	352,506	52,506
Total revenues	<u>74,214,900</u>	<u>74,214,900</u>	<u>74,867,685</u>	<u>652,785</u>
OTHER FINANCING SOURCES				
Transfers in	216,400	216,400	133,647	(82,753)
Total other financing sources	<u>216,400</u>	<u>216,400</u>	<u>133,647</u>	<u>(82,753)</u>
Total revenues and other financing sources	<u>\$ 74,431,300</u>	<u>\$ 74,431,300</u>	<u>\$ 75,001,332</u>	<u>\$ 570,032</u>

(continued)

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

	<u>Budgeted Amounts</u>		<u>Actual</u>		(concluded)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Encumbrances</u>	<u>Variance with Final Budget</u>
EXPENDITURES					
General support:					
Board of Education	\$ 48,051	\$ 124,306	\$ 94,011	\$ -	\$ 30,295
Central administration	245,491	246,951	237,846	-	9,105
Finance	459,120	512,800	463,856	-	48,944
Staff	518,901	525,839	415,148	-	110,691
Central services	5,883,351	6,093,434	4,837,994	271,550	983,890
Special items	820,992	825,492	694,099	-	131,393
Instruction:					
Instruction, administration and improvement	1,789,651	2,161,553	1,918,456	-	243,097
Teaching—regular school Programs for children with handicapping conditions	20,011,302	20,198,067	19,617,897	950	579,220
Occupational education	14,633,303	15,501,542	15,102,690	2,515	396,337
Teaching—special schools	1,405,380	1,457,902	1,457,902	-	-
Instructional media	17,093	24,023	24,023	-	-
Pupil services	1,574,201	1,665,871	1,598,689	-	67,182
Pupil transportation	3,137,854	3,187,925	3,009,326	-	178,599
Employee benefits	3,099,073	3,330,753	3,075,397	7,380	247,976
Debt service:	18,705,266	16,431,023	14,562,920	-	1,868,103
Debt service - principal	4,194,253	4,194,253	4,090,609	-	-
Debt service - interest	1,456,483	1,456,483	1,447,735	-	-
Total expenditures/encumbrances	<u>77,999,765</u>	<u>77,938,217</u>	<u>72,648,598</u>	<u>282,395</u>	<u>4,894,832</u>
OTHER FINANCING USES					
Transfers out	<u>1,515,000</u>	<u>1,576,548</u>	<u>1,562,308</u>	<u>-</u>	<u>14,240</u>
Total expenditures/encumbrances and other financing uses	<u>79,514,765</u>	<u>79,514,765</u>	<u>74,210,906</u>	<u>282,395</u>	<u>4,909,072</u>
Net change in fund balance*	(5,083,465)	(5,083,465)	790,426		
Fund balance—beginning	<u>17,704,372</u>	<u>17,704,372</u>	<u>17,704,372</u>		
Fund balance—ending	<u>\$ 12,620,907</u>	<u>\$ 12,620,907</u>	<u>\$ 18,494,798</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 schedule.

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

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 decreased from 3.44% to 2.48% at June 30, 2020. Mortality rates were updated to rates based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, distinct for Teachers, General, and Safety, without separate Contingent Survivor. Finally, the initial healthcare cost trend rate remained at 5.20%, while the ultimate healthcare cost trend rate decreased from 3.80% to 4.18% at June 30, 2020.

2. BUDGETARY INFORMATION

Budgetary Basis of Accounting—An annual budget is 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 Fund or School Lunch Fund. Appropriation limits, where applicable, for the Special Aid Fund are maintained based on individual grants and donations 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

NORTH TONAWANDA 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

Changes from Adopted Budget to Final Budget

Adopted budget, 2019-2020	\$ 79,431,300
Add: Prior year's encumbrances	<u>83,465</u>
Original budget	79,514,765
Budget revisions	<u>-</u>
Final budget, 2019-2020	<u>\$ 79,514,765</u>

Section 1318 of Real Property Tax Law Limit Calculation

2020-21 voter-approved expenditure budget	\$ <u>81,016,940</u>
Maximum allowed (4% of 2020-21 budget)	<u>\$ 3,240,678</u>
General Fund fund balance subject to Section 1318 of Real Property Tax Law*:	
Unrestricted fund balance:	
Assigned fund balance	\$ 5,282,395
Unassigned fund balance	<u>4,842,045</u>
Total unrestricted fund balance	\$ 10,124,440
Less:	
Appropriated fund balance	\$ 5,000,000
Encumbrances included in assigned fund balance	<u>282,395</u>
Total adjustments	<u>5,282,395</u>
General Fund fund balance subject to Section 1318 of Real Property Tax Law	<u>\$ 4,842,045</u>
Actual percentage	5.98%

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

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Capital Project Expenditures
Year Ended June 30, 2020

Project Title	S.E.D. Project No.	Original Approp- riation	Revised Approp- riation	Expenditures to Date			Unexpended Balance
				Prior Years	Current Year	Total	
Unallocated 2016 serial bond	N/A	\$ 3,861,210	\$ -	\$ -	\$ -	\$ -	\$ -
Spruce School	011-010	459,375	262,935	296,288	-	296,288	(33,353)
Ohio School	014-012	553,171	40,526	92,679	-	92,679	(52,153)
Meadow Complex	015-016	29,875,493	33,912,190	33,428,904	-	33,428,904	483,286
Concession Stand	024-001	514,458	1,121,893	1,170,512	-	1,170,512	(48,619)
Press Box	025-001	55,308	106,686	42,496	-	42,496	64,190
NT Former Middle School (4-6)	016-015	4,080,985	3,955,770	4,361,177	-	4,361,177	(405,407)
19-20 Meadow Complex	015-019	100,000	100,000	-	85,761	85,761	14,239
Tennis Courts	015-020	450,000	450,000	-	228,078	228,078	221,922
Totals		<u>\$ 39,950,000</u>	<u>\$ 39,950,000</u>	<u>\$ 39,392,056</u>	<u>\$ 313,839</u>	<u>\$ 39,705,895</u>	<u>\$ 244,105</u>

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
Year Ended June 30, 2020

Capital assets, net of accumulated depreciation	\$ 86,900,058
Add: Unspent debt proceeds	428,881
Deduct:	
Serial bonds	\$ (32,575,000)
Premiums on serial bonds	(2,093,629)
Bond anticipation notes payable	<u>(16,240,000)</u> <u>(50,908,629)</u>
Net investment in capital assets	<u>\$ 36,420,310</u>

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FEDERAL AWARDS INFORMATION

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity's Identifying Number (1c)	Passed- Through to Subrecipients	Federal Expenditures (1d)
U.S. DEPARTMENT OF AGRICULTURE:				
<i>Passed through New York State Department of Agriculture:</i>				
Child Nutrition Cluster:				
National School Breakfast Program	10.553	n/a	\$ -	\$ 195,579
National School Lunch Program	10.555	n/a	-	556,834
Total Child Nutrition Cluster			-	752,413
Commodity Supplemental Food Program	10.565	n/a	-	93,731
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	846,144
U.S. DEPARTMENT OF EDUCATION:				
<i>Passed through New York State Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	021-19-1970	-	83,863
Title I Grants to Local Educational Agencies	84.010	021-20-1970	-	706,471
Total Title I Grants to Local Educational Agencies			-	790,334
Special Education Cluster:				
Special Education - Grants to States	84.027	0032-19-0611	-	15
Special Education - Grants to States	84.027	0032-20-0611	-	963,098
Special Education - Preschool Grants	84.173	0033-20-0611	-	58,557
Total Special Education Cluster			-	1,021,670
English Language Acquisition State Grants	84.365	0149-19-1970	-	1,222
Improving Teacher Quality - State Grants	84.367	0147-18-1970	-	105,853
Improving Teacher Quality - State Grants	84.367	0147-19-1970	-	11,481
Total Improving Teacher Quality - State Grants			-	117,334
Title IV Student Support and Academic Enrichment Program	84.424	0204-19-1970	-	40,073
Title IV Student Support and Academic Enrichment Program	84.424	0204-20-1970	-	24,132
Total Title IV Student Support and Academic Enrichment Program			-	64,205
TOTAL U.S. DEPARTMENT OF EDUCATION			-	1,994,765
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			\$ -	\$ 2,840,909

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

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

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the North Tonawanda 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 North Tonawanda 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 is reconciled to Federal sources as reported in the basic financial statements as follows:

Balance per schedule of expenditures of federal awards	\$ 2,840,909
Medicaid reimbursement	<u>352,509</u>
Total Federal sources per financial statements	<u>\$ 3,193,418</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. Pass-through entity identifying numbers are presented where available. 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 \$93,731 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
North Tonawanda 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 North Tonawanda 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 October 7, 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 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.

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

Drescher & Malecki LLP

October 7, 2020

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
North Tonawanda City School District, New York:

Report on Compliance for Each Major Federal Program

We have audited the North Tonawanda 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Drescher & Malecki LLP

October 7, 2020

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

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported
Noncompliance material to the financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Federal Awards:

Internal control over major federal programs:		
Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported
Type of auditor's 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	_____ <input checked="" type="checkbox"/> No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs?	\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes _____ No

Section II. FINANCIAL STATEMENT FINDINGS

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

Finding 2020-001—Unrestricted Fund Balance Calculation

Criteria—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 Statement No. 54 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—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 appropriated fund balance and amounts assigned for encumbrances 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 the establishment of certain restricted fund balance or increasing current restrictions.

View of Responsible Officials and Corrective Action Plan—The District and Board of Education will develop a long-term strategic financial plan to ensure the continued financial stability of the District. This plan will include the recommendation for the establishment of a reserve(s) to address excess fund balance.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Year Ended June 30, 2020
(Follow-up of June 30, 2019 Findings)

Finding 2019-001—Excess Fund Balance

Criteria—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 Statement No. 54 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—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 appropriated fund balance and amounts assigned for encumbrances 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 the establishment of certain restricted fund balance or increasing current restrictions.

View of Responsible Officials and Corrective Action Plan—The District and Board of Education will develop a long-term strategic financial plan to ensure the continued financial stability of the District. This plan will include the recommendation for the establishment of a reserve(s) to address excess fund balance.

Current Status—See Finding 2020-001 within the Schedule of Findings and Questioned Costs for current status.

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