

**WATKINS GLEN
CENTRAL SCHOOL DISTRICT**

Watkins Glen, New York

FINANCIAL REPORT

**For the Year Ended
June 30, 2020**



WATKINS GLEN CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

Independent Auditors' Report	1-3
Required Supplementary Information	
Management's Discussion and Analysis	4-4i
Basic Financial Statements	
District-Wide Financial Statements	
Statement of Net Position	5-5a
Statement of Activities	6
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	7-7a
Reconciliation of Governmental Funds Balance Sheet to the	
Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance -	
Governmental Funds	9-9a
Reconciliation of Governmental Funds Statement of Revenues, Expenditures,	
and Changes in Fund Balance to the Statement of Activities	10
Statement of Fiduciary Net Position - Fiduciary Funds	11
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	12
Notes to Financial Statements	13-48
<hr/>	
Required Supplementary Information	
Schedule of Revenues Compared to Budget (Non-U.S. GAAP) - General Fund	49
Schedule of Expenditures Compared to Budget (Non-U.S. GAAP) - General Fund	50-50a
Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans	51-51a
Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability	52-52a
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios	53-53a
Notes to Required Supplementary Information	54-57
Supplementary Financial Information	
Schedules of Change from Adopted Budget to Final Budget and the	
Real Property Tax Limit	58
Schedule of Project Expenditures - Capital Projects Fund	59-59a
Schedule of Net Investment in Capital Assets	60
Reports Required Under <i>Government Auditing Standards</i>	
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 <i>Government Auditing Standards</i>	61-62

WATKINS GLEN CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

Reports Required Under the Single Audit Act (Uniform Guidance)	
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	63-64
Schedule of Expenditures of Federal Awards	65
Notes to Schedule of Expenditures of Federal Awards	66
Schedule of Findings and Questioned Costs	67-68

INDEPENDENT AUDITORS' REPORT

Board of Education
Watkins Glen Central School District
Watkins Glen, 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 Watkins Glen Central School District (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 School District'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 School District'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 School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules, Schedule of Changes in the School District's Total OPEB Liability and Related Ratios, Schedule of School District's Contributions - NYSLRS and NYSTRS Pension Plans, Schedule of the School District's Proportionate Share of the Net Pension Asset/Liability, and related notes on pages 4-4i and 49-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Schedule of Net Investment in Capital Assets (supplementary information) on pages 58-60 are presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the 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 School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 7, 2020

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

The following is a discussion and analysis of Watkins Glen Central School District's (the School District) financial performance for the fiscal year ended June 30, 2020. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District recognizes its total other postemployment benefits (OPEB) liability, as well as deferred outflows and deferred inflows of resources related to the OPEB plan in accordance with the parameters of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." Current year recognition resulted in a decrease of Government-wide expenses of \$6,415,186, compared to an increase of \$207,969 in 2019.
- The School District ended the year with a net position of \$14,756,236, an increase of \$6,574,015 from a net position of \$8,182,221 at the end of the prior year. The increase is primarily attributable to the decrease in the OPEB liability as described above.
- Capital asset equipment and building additions during 2020 amounted to \$1,510,723. Depreciation expense totaled \$1,806,891.
- Overall indebtedness of the School District at June 30, 2020, in the amount of \$23,980,000, decreased \$1,990,000 from \$25,970,000 in 2019. This decrease was primarily the result of the repayment on serial bonds during the year.
- Unassigned fund balance in the General Fund showed a slight increase in 2020, from \$1,056,182 to \$1,206,281. Total fund balance in General Fund, including reserves, was \$7,747,841 at June 30, 2020, which reflects an increase of \$968,752 from fund balance of \$6,779,089 at June 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements, and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide financial statements. The Governmental Fund financial statements concentrate on the School District's most significant funds with all other Non-Major Funds listed in total in one column.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year, a Schedule of the School District's Total OPEB Liability and Related Ratios related to the School District's unfunded actuarial liability for postemployment benefits, and Schedules of School District Contributions and the School District's Proportionate Share of the Net Pension Asset/Liability related to the School District's pension obligations.

District-Wide Financial Statements

The District-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide financial statements report the School District's net position and how it has changed. Net Position - the difference between the School District's assets and deferred outflows of resources, and the School District's liabilities and deferred inflows of resources - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one needs to consider additional nonfinancial factors, such as changes in the School District's property tax base and the condition of school buildings and other facilities.

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

Governmental Fund Financial Statements

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

Governmental Funds: Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, additional information following the Governmental Fund financial statements explains the relationship (or differences) between them.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Fiduciary Funds: The School District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Extraclassroom Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Our following analysis focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019 - 2020</i>
<i>Current Assets</i>	\$ 6,664,030	\$ 5,346,405	\$ (1,317,625)
<i>Noncurrent Assets</i>	7,192,256	8,198,331	1,006,075
<i>Capital Assets, Net</i>	53,983,769	53,580,693	(403,076)
<i>Total Assets</i>	67,840,055	67,125,429	(714,626)
<i>Other Postemployment Benefits</i>	1,190,332	5,427,650	4,237,318
<i>Pensions</i>	5,176,513	5,581,729	405,216
<i>Total Deferred Outflows of Resources</i>	6,366,845	11,009,379	4,642,534
<i>Current Liabilities</i>	10,192,895	9,505,828	(687,067)
<i>Noncurrent Liabilities</i>	51,221,076	49,404,601	(1,816,475)
<i>Total Liabilities</i>	61,413,971	58,910,429	(2,503,542)
<i>Other Postemployment Benefits</i>	3,251,168	2,759,450	(491,718)
<i>Pensions</i>	1,359,540	1,708,693	349,153
<i>Total Deferred Inflows of Resources</i>	4,610,708	4,468,143	(142,565)
<i>Net Investment in Capital Assets</i>	28,013,769	29,643,450	1,629,681
<i>Restricted</i>	6,572,687	7,281,462	708,775
<i>Unrestricted</i>	(26,404,235)	(22,168,676)	4,235,559
<i>Total Net Position</i>	\$ 8,182,221	\$ 14,756,236	\$ 6,574,015

The decrease in current assets stems from a decrease in cash, primarily due a decrease in capital fund revenue, combined with increases in amounts due from state and federal aid, and offset by decreases in other receivables. The increase in noncurrent assets is primarily the result of increases in board approved reserves, including the establishment and funding of the reserve for Teachers' Retirement System (TRS) contributions and the increase of net pension asset. The increase in net investment in capital assets is due to additions exceeding depreciation expense in the current year and decreased debt.

The changes in deferred outflows of resources - pensions, and deferred inflows of resources - pensions, is related to changes in the actuarially determined proportionate share of the pension systems plans net pension asset/liability and related deferred outflows and inflows of resources.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

The decrease in current liabilities is primarily due to the decrease in BAN's payable and a decrease in the current portion of long-term debt, and accounts payable.

Some of the unrestricted net deficit has been designated by the Board to meet the future needs of the School District. \$788,011 has been designated to support the 2020-2021 budget and \$434,290 represents encumbrances at year end.

The net effect of the School District's activities resulted in an unrestricted net deficit of \$22,168,676 at June 30, 2020 compared to \$26,404,235 at June 30, 2019. Net position showed an overall increase of \$6,574,015.

Our analysis in *Figure 2* considers the operations of the School District's activities.

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019 - 2020</i>
<i>REVENUES</i>			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 384,473	\$ 204,299	\$ (180,174)
<i>Operating Grants</i>	2,514,397	2,827,709	313,312
<i>Capital Grants</i>	7,748	43,591	35,843
<i>General Revenues:</i>			
<i>Real Property Taxes</i>	8,477,928	8,688,950	211,022
<i>Real Property Tax Items</i>	1,468,190	1,324,943	(143,247)
<i>State Sources</i>	16,636,507	14,698,823	(1,937,684)
<i>Use of Money and Property</i>	79,853	60,837	(19,016)
<i>Other General Revenues</i>	303,777	424,711	120,934
<i>Total Revenues</i>	\$ 29,872,873	\$ 28,273,863	\$ (1,599,010)
<i>PROGRAM EXPENSES</i>			
<i>General Support</i>	\$ 3,687,837	\$ 4,899,986	\$ 1,212,149
<i>Instruction</i>	18,552,430	13,390,477	(5,161,953)
<i>Pupil Transportation</i>	2,242,003	1,934,547	(307,456)
<i>Community Services</i>	72,261	36,993	(35,268)
<i>School Lunch Program</i>	692,945	893,254	200,309
<i>Library Program</i>	198,344	153,500	(44,844)
<i>Interest on Debt</i>	671,653	391,091	(280,562)
<i>Total Expenses</i>	\$ 26,117,473	\$ 21,699,848	\$ (4,417,625)
<i>INCREASE IN NET POSITION</i>	\$ 3,755,400	\$ 6,574,015	\$ 2,818,615

Total revenues for the School District's Governmental Activities decreased by \$1,599,010 or 5.4%. State sources decreased \$1,937,684 due to decreased basic aid. Operating grants increased by \$313,312, representing the increase in state and local grants received during the year. Capital grants increased based on more SMART School State aid for capital projects.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Total expenses of the School District's Governmental Activities decreased \$4,417,625 or 16.9%. The decrease is primarily due to the net effect of GASB Statement No. 75 recognition in comparison to the prior year.

Figures 3 and 4 show the sources of revenue for 2020 and 2019.

Figure 3

Sources of Revenue for 2020

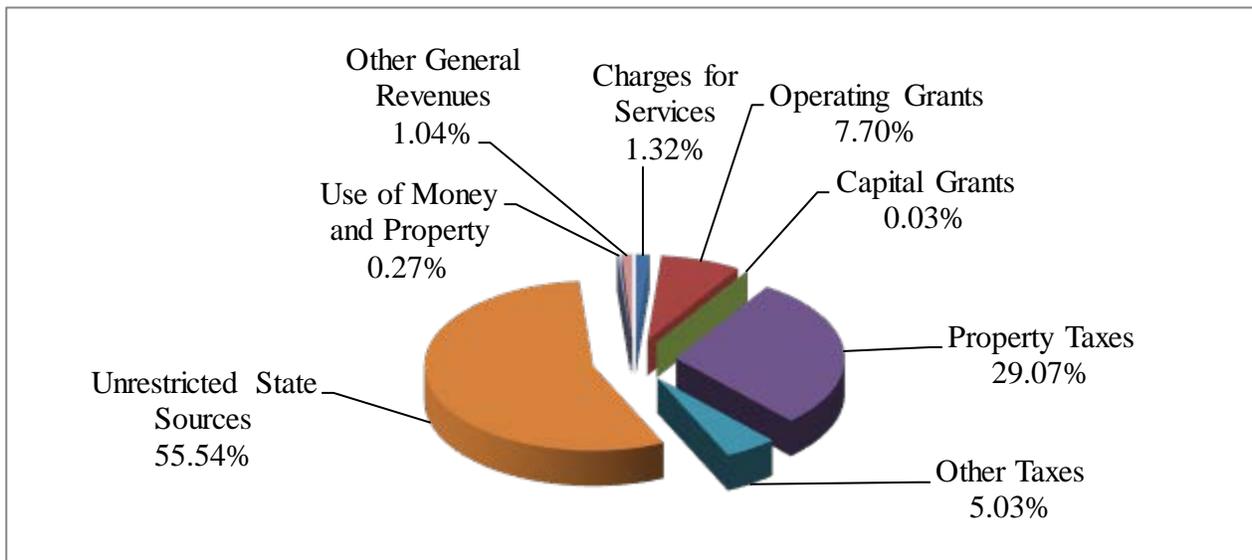
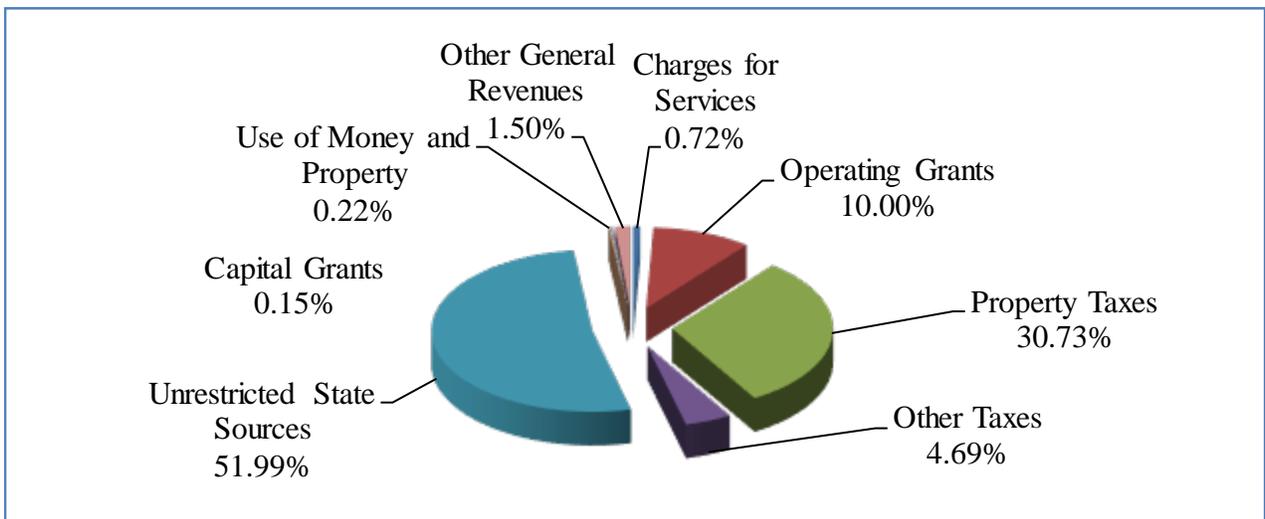


Figure 4

Sources of Revenue for 2019



WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Figures 5 and 6 present the cost for each of the School District's programs for 2020 and 2019.

Figure 5

Cost of Programs for 2020

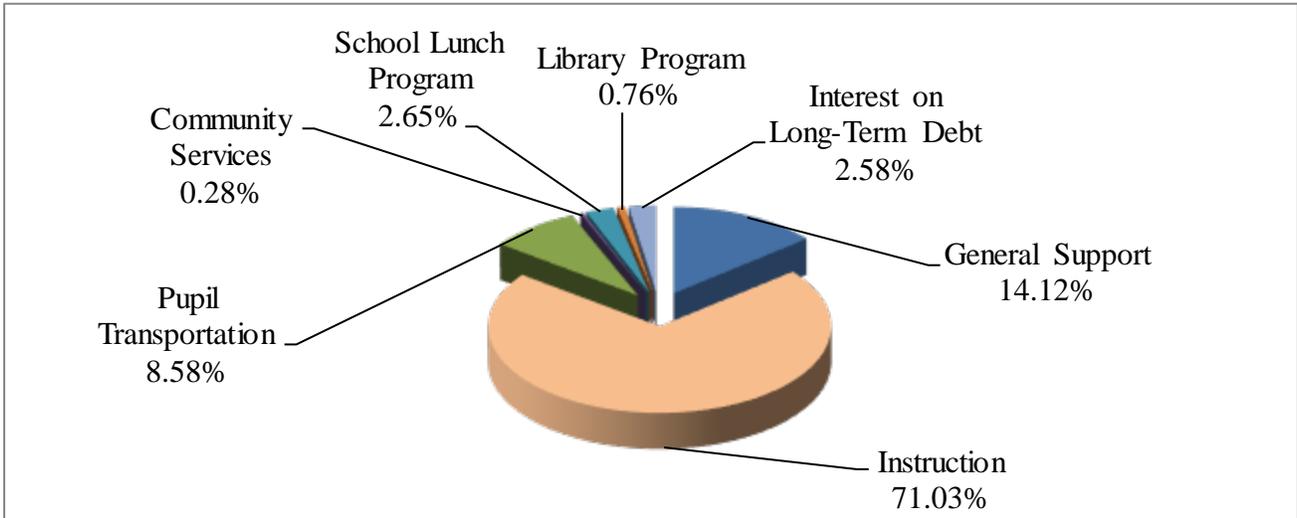
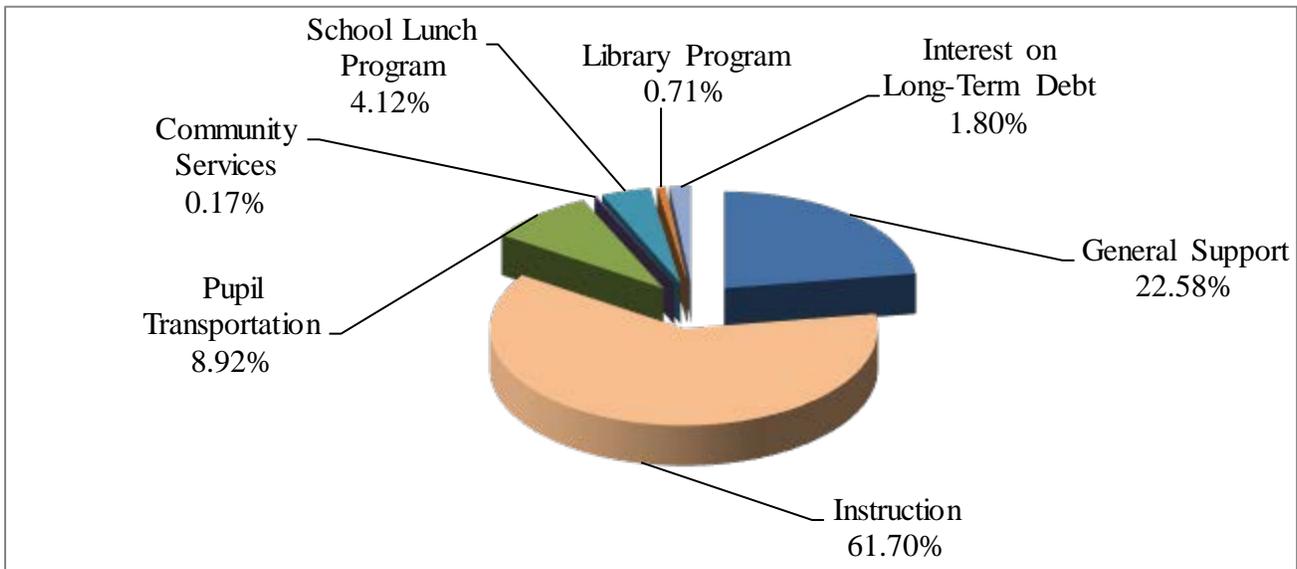


Figure 6

Cost of Programs for 2019



WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the changes in fund balances for the School District's funds for the year. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined fund balance of \$4,654,175, which is below last year's total of \$4,731,343.

Figure 7

Governmental Fund Balances	2019	2020	Total Dollar Change 2019-2020
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 6,779,089	\$ 7,747,841	\$ 968,752
<i>School Lunch Fund</i>	290,308	321,579	31,271
<i>Debt Service Fund</i>	1,636,429	1,718,962	82,533
<i>Capital Projects Fund</i>	(4,052,610)	(5,212,238)	(1,159,628)
<i>Public Library Fund</i>	78,127	78,031	(96)
Total Governmental Funds	\$ 4,731,343	\$ 4,654,175	\$ (77,168)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Education President approves budgetary transfers of \$5,000 or more that revise the School District budget line items. These budget amendments consisted of budget transfers between functions, which did not increase the overall budget for the year ended June 30, 2020.

Revenues and other financing sources were \$331,828 below budgetary estimates. Expenditures and other financing uses were below the revised budget by \$1,955,383.

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and variances for the year ended June 30, 2020.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2020</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real Property Taxes</i>	\$ 9,450,000	\$ 8,547,377	\$ 8,547,378	\$ 1
<i>Real Property Tax Items</i>	470,000	1,366,328	1,324,943	(41,385)
<i>State Sources</i>	15,089,984	15,111,598	14,933,838	(177,760)
<i>Other Revenue</i>	313,000	375,700	715,890	340,190
<i>Other Financing Sources</i>	530,893	452,874		(452,874)
Total Revenues and Other Financing Sources	\$ 25,853,877	\$ 25,853,877	\$ 25,522,049	\$ (331,828)
Appropriated Fund Balances, Reserves and Encumbrances	\$ 1,089,093	\$ 1,089,093		
EXPENDITURES				
<i>General Support</i>	\$ 3,825,074	\$ 4,114,719	\$ 3,766,678	\$ 348,041
<i>Instruction</i>	12,671,788	12,639,895	11,794,979	844,916
<i>Pupil Transportation</i>	1,224,468	1,234,819	1,106,804	128,015
<i>Community Services</i>	1,600	1,600		1,600
<i>Employee Benefits</i>	6,463,367	6,255,509	5,637,820	617,689
<i>Debt Service</i>	2,706,673	2,645,528	2,630,454	15,074
<i>Other Financing Uses</i>	50,000	50,900	50,852	48
Total Expenditures and Other Financing Uses	\$ 26,942,970	\$ 26,942,970	\$ 24,987,587	\$ 1,955,383

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2020, the School District had invested in a broad range of capital assets. This amount represents a net decrease (including additions, disposals, and accumulated depreciation) of \$403,076, or 0.7%, from last year.

Figure 9

<i>Changes in Capital Assets</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019 - 2020</i>
<i>Land</i>	\$ 264,500	\$ 264,500	\$
<i>Construction in Progress</i>	5,450,265	6,854,892	1,404,627
<i>Buildings and Improvements, Net</i>	47,087,286	45,549,336	(1,537,950)
<i>Equipment, Net</i>	1,181,718	911,965	(269,753)
Total	\$ 53,983,769	\$ 53,580,693	\$ (403,076)

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Capital asset activity for the year ended June 30, 2020 included the following:

Construction in Progress	\$ 1,404,627
Equipment	106,096
Total Additions	1,510,723
Less Net Book Value of Disposed Equipment	(106,908)
Less Depreciation Expense	(1,806,891)
Net Change in Capital Assets	\$ (403,076)

The School District incurred expenses associated with a planned \$12.6 million project in accordance with its long-range renovation plan. Construction began during fiscal year 2018.

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, decreased by \$1,990,000 in 2020, as shown in *Figure 10*. This decrease was primarily due to debt payments made during the year. Total indebtedness represented approximately 27.46% of the School District's constitutional debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2019 - 2020</i>
	<i>2019</i>	<i>2020</i>	
<i>Bond Anticipation Notes</i>	\$ 6,900,000	\$ 6,655,000	\$ (245,000)
<i>Serial Bonds</i>	19,070,000	17,325,000	(1,745,000)
<i>Total</i>	\$ 25,970,000	\$ 23,980,000	\$ (1,990,000)

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

The School District's Bond Rating was reviewed by Standard and Poor's within the past year and assigned a rating of A+/Stable.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- The COVID-19 pandemic and ensuing closure has caused a tremendous disruption to public education. The drastic change in instructional delivery, significant upheaval at the Board of Regents and NYSED, and the unstable economic outlook has put enormous pressure on school district programming and staffing decisions. Long-term strategic instructional planning has given way to tactical, survival decision-making that will continue to plague schools well beyond the eventual pandemic resolution. Many of the metrics used for monitoring district progress (NYS 3-8 testing, Regents exams, SATs) were cancelled and/or have been put on hold, leaving districts to fend for themselves when seeking benchmark student achievement information. The District remains true to its core mission of creating an environment of ingenuity, though in a COVID world, it is hard to find bearings.
- The COVID-19 closure, most certainly, has impacted enrollment. The District enrollment is down nearly 10% from projections made 12 months ago. While the community benefitted from State Downtown Revitalization grant resources, those plans have been greatly impacted by the economic closure and statewide financial downturn. It is yet to be seen if original plans will come to fruition that could have impacted student enrollment.
- Because of the sizeable tax base for a rural School District, the School District continues to experience one of the lowest tax rates in the region. The tax base, combined with a county-wide program which is committed to maintaining townships within the District's boundaries at 100% equalization, helps to mitigate the impact for taxpayers. For the fiscal year 2020-2021, taxable assessed valuations increased by \$6.89 million, resulting in an average tax rate of \$10.909 per thousand, an increase of 9 cents from the prior year.
- In 2021, the district will move forward with planned roof replacements. The District is well positioned for future capital improvement projects with \$4.34 million remaining in bond authorization, and \$2.5 million in capital reserve for usage towards the local share. There also exists a healthy Debt Service Fund, which will be used to assist with debt payments in future years.
- The region experienced declining unemployment levels from 2014-2019, falling from 7.3% to 4.8%, respectively. For the 12-month period ending August 2020; however, private sector job counts fell 7.3%, partially as a result of the economic impact of COVID-19. The region is anticipated to benefit long range from new and growing opportunities, that should help drive economic growth. The impact of this remains uncertain in 2020-2021, due to the continued economic impact of COVID-19.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Gregory Kelahan, Superintendent of Schools, or Mrs. Amy Howell Business Manager, at 303 12th Street, Watkins Glen, New York 14891. In addition, the School District has a website (wgcsd.org), where more information about the School District can be found.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

ASSETS

Current Assets

Cash - Unrestricted	\$ 3,756,449
Cash - Restricted	330,681
Receivables:	
State and Federal Governments	1,116,953
Other, Net	108,893
Inventories	33,429
Total Current Assets	5,346,405

Noncurrent Assets

Restricted Cash	6,993,287
Capital Assets, Net:	
Land and Construction in Progress	7,119,392
Depreciable Capital Assets, Net	46,461,301
Net Pension Asset - Proportionate Share	1,205,044
Total Noncurrent Assets	61,779,024

Total Assets	67,125,429
---------------------	-------------------

DEFERRED OUTFLOWS OF RESOURCES

Other Postemployment Benefits	5,427,650
Pensions	5,581,729
Total Deferred Outflows of Resources	11,009,379

LIABILITIES

Current Liabilities

Payables:	
Accounts Payable	62,004
Accrued Liabilities	22,116
Due to Other Governments	21,572
Bond Interest and Matured Bonds	35,478
Bond Anticipation Notes Payable	6,655,000
Due to Teachers' Retirement System	770,026
Due to Employees' Retirement System	87,237
Compensated Absences Payable	37,572
Unearned Revenues	29,823
Current Portion of Long-term Obligations:	
Bonds Payable	1,785,000
Total Current Liabilities	9,505,828

See Notes to Basic Financial Statements

Noncurrent Liabilities	
Bonds Payable	\$ 15,540,000
Other Postemployment Benefits Liabilities	<u>31,594,193</u>
Net Pension Liability - Proportionate Share	<u>2,270,241</u>
Other	<u>167</u>
Total Noncurrent Liabilities	<u>49,404,601</u>
Total Liabilities	<u>58,910,429</u>
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefits	<u>2,759,450</u>
Pensions	<u>1,708,693</u>
Total Deferred Inflows of Resources	<u>4,468,143</u>
NET POSITION	
Net Investment in Capital Assets	<u>29,643,450</u>
Restricted	<u>7,281,462</u>
Unrestricted (Deficit)	<u>(22,168,676)</u>
Total Net Position	<u><u>\$ 14,756,236</u></u>

WATKINS GLEN CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
General Support	\$ 4,899,986	\$	\$	\$	\$ (4,899,986)
Instruction	13,390,477	159,756	2,310,127	43,591	(10,877,003)
Pupil Transportation	1,934,547				(1,934,547)
Community Services	36,993				(36,993)
School Lunch Program	893,254	43,057	494,466		(355,731)
Library Program	153,500	1,486	23,116		(128,898)
Interest on Debt	391,091				(391,091)
Total Functions and Programs	\$ 21,699,848	\$ 204,299	\$ 2,827,709	\$ 43,591	(18,624,249)

GENERAL REVENUES

Real Property Taxes	8,688,950
Real Property Tax Items	1,324,943
Use of Money and Property	60,837
State Sources	14,698,823
Sale of Property and Compensation for Loss	(42,167)
Miscellaneous	466,878

Total General Revenues 25,198,264

Change in Net Position 6,574,015

Total Net Position - Beginning of Year 8,182,221

Total Net Position - End of Year **\$ 14,756,236**

See Notes to Basic Financial Statements

WATKINS GLEN CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 2,228,421	\$ 952	\$ 43,987
Cash - Restricted	5,319,259		239,066
Due From Other Funds	812,089		
Due From State and Federal Governments	323,355	744,765	48,833
Due From Other Governments	268	78,750	
Other Receivables	29,624		251
Inventories			33,429
Total Assets	\$ 8,713,016	\$ 824,467	\$ 365,566
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 57,894	\$	\$
Accrued Liabilities	12,446	2,302	5,051
Due to Other Funds		794,892	17,197
Due to Other Governments			21,572
Bond Anticipation Notes Payable			
Overpayments and Collections in Advance			167
Due to Teachers' Retirement System	770,026		
Due to Employees' Retirement System	87,237		
Compensated Absences Payable	37,572		
Unearned Revenues		27,273	
Total Liabilities	965,175	824,467	43,987
Nonspendable			33,429
Restricted	5,319,259		288,150
Assigned	1,222,301		
Unassigned	1,206,281		
Total Fund Balances	7,747,841	-	321,579
Total Liabilities and Fund Balances	\$ 8,713,016	\$ 824,467	\$ 365,566

See Notes to Basic Financial Statements

<u>Major Funds</u>		<u>Non-Major Fund</u>	
<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
		<u>Public Library Fund</u>	
\$ 82,533	\$ 1,400,005	\$ 49,384	\$ 3,805,282
1,636,404	42,782	37,624	7,275,135
25			812,114
			1,116,953
			79,018
			29,875
			33,429
\$ 1,718,962	\$ 1,442,787	\$ 87,008	\$ 13,151,806
\$	\$	\$ 4,110	\$ 62,004
		2,317	22,116
	25		812,114
			21,572
	6,655,000		6,655,000
			167
			770,026
			87,237
			37,572
		2,550	29,823
-	6,655,025	8,977	8,497,631
			33,429
1,636,429		37,624	7,281,462
		40,407	1,262,708
82,533	(5,212,238)		(3,923,424)
1,718,962	(5,212,238)	78,031	4,654,175
\$ 1,718,962	\$ 1,442,787	\$ 87,008	\$ 13,151,806

WATKINS GLEN CENTRAL SCHOOL DISTRICT

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

Fund Balance - Total Governmental Funds **\$ 4,654,175**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total Historical Cost	\$ 79,395,234	
Less Accumulated Depreciation	<u>(25,814,541)</u>	53,580,693

The School District's proportionate share of the Employee Retirement System's collective net pension asset/liability is not reported in the funds.

TRS Net Pension Asset - Proportionate Share	\$ 1,205,044	
ERS Net Pension Liability - Proportionate Share	<u>(2,270,241)</u>	(1,065,197)

Deferred outflows of resources, including deferred charges on defeased debt, OPEB and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including OPEB and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred Outflows of Resources - OPEB	\$ 5,427,650	
Deferred Inflows of Resources - OPEB	(2,759,450)	
TRS Deferred Inflows of Resources - Pension	(1,654,502)	
ERS Deferred Inflows of Resources - Pension	(54,191)	
TRS Deferred Outflows of Resources - Pension	4,124,322	
ERS Deferred Outflows of Resources - Pension	<u>1,457,407</u>	6,541,236

Long-term liabilities, including bonds payable and other postemployment benefit liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	\$ (17,325,000)	
Other Postemployment Benefit Liabilities	<u>(31,594,193)</u>	(48,919,193)

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Accrued Interest on Long-Term Debt		<u>(35,478)</u>
------------------------------------	--	-----------------

Net Position of Governmental Activities **\$14,756,236**

See Notes to Basic Financial Statements

WATKINS GLEN CENTRAL SCHOOL DISTRICT

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

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
REVENUES			
Real Property Taxes	\$ 8,547,378	\$	\$
Real Property Tax Items	1,324,943		
Charges for Services	72,606		
Use of Money and Property	24,515		274
Sale of Property and Compensation for Loss	64,741		
Miscellaneous	466,878	582,649	7,128
State Sources	14,933,838	668,874	11,203
Medicaid Reimbursement	87,150		
Federal Sources		823,589	448,122
Surplus Food			35,141
Sales - School Lunch			35,929
Total Revenues	25,522,049	2,075,112	537,797
EXPENDITURES			
General Support	3,428,225	12,800	
Instruction	11,717,731	1,103,373	309,607
Pupil Transportation	1,095,775	470,557	
Community Services		31,903	
Employee Benefits	5,630,260	507,331	41,194
Debt Service:			
Principal	1,990,000		
Interest	640,454		
Cost of Sales			155,725
Capital Outlay			
Total Expenditures	24,502,445	2,125,964	506,526
Excess (Deficiency) of Revenues Over Expenditures	1,019,604	(50,852)	31,271
OTHER FINANCING SOURCES AND (USES)			
Operating Transfers In		50,852	
Operating Transfers (Out)	(50,852)		
Premium on Obligations			
BANs Redeemed from Appropriations			
Total Other Sources (Uses)	(50,852)	50,852	-
Net Change in Fund Balances	968,752	-	31,271
Fund Balances - Beginning of Year	6,779,089	-	290,308
Fund Balances - End of Year	\$ 7,747,841	\$ -	\$ 321,579

See Notes to Basic Financial Statements

Major Funds		Non-Major Fund	
Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
		Public Library Fund	
\$	\$	\$ 141,572	\$ 8,688,950
			1,324,943
		1,486	74,092
5,668		30,380	60,837
			64,741
		20,681	1,077,336
	43,591	2,435	15,659,941
			87,150
			1,271,711
			35,141
			35,929
5,668	43,591	196,554	28,380,771
			3,441,025
			13,130,711
			1,566,332
		181,848	213,751
		14,802	6,193,587
			1,990,000
47,748			688,202
			155,725
	1,448,219		1,448,219
47,748	1,448,219	196,650	28,827,552
(42,080)	(1,404,628)	(96)	(446,781)
			50,852
			(50,852)
124,613			124,613
	245,000		245,000
124,613	245,000	-	369,613
82,533	(1,159,628)	(96)	(77,168)
1,636,429	(4,052,610)	78,127	4,731,343
\$ 1,718,962	\$ (5,212,238)	\$ 78,031	\$ 4,654,175

WATKINS GLEN CENTRAL SCHOOL DISTRICT

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

Net Change in Fund Balances - Total Governmental Funds **\$ (77,168)**

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and net disposals.

Capital Outlay	\$ 1,510,723	
Disposal of Capital Assets, Net	(106,908)	
Depreciation Expense	<u>(1,806,891)</u>	(403,076)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. This is the amount interest payable increased from the prior year.

Net Change in Accrued Interest Payable		172,498
--	--	---------

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of principal payments.

Principal Payments		1,745,000
--------------------	--	-----------

Long-term obligations, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore, expenses which result in an (increase) or decrease in these long-term obligations are not reflected in the Governmental Fund financial statements. This is the change in the amount of other postemployment benefits liability reported in the Statement of Activities.

Other Postemployment Benefits Liability		6,415,186
---	--	-----------

Changes in the School District's proportionate share of net pension assets/liabilities have no effect on the current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to pensions do not affect current financial resources and therefore are not reported in the Governmental Funds.

ERS	\$ (451,468)	
TRS	<u>(826,957)</u>	<u>(1,278,425)</u>

Net Change in Net Position of Governmental Activities **\$6,574,015**

See Notes to Basic Financial Statements

WATKINS GLEN CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2020

	Private Purpose Trust Fund	Agency Fund
	<hr/>	<hr/>
ASSETS		
Cash - Unrestricted	\$	\$ 339,323
Investments - Unrestricted		22,125
Investments - Restricted	39,723	
Total Assets	<hr/> 39,723 <hr/>	<hr/> \$ 361,448 <hr/>
 LIABILITIES		
Extraclassroom Activity Balances		\$ 61,878
Other Liabilities		299,570
Total Liabilities	<hr/> - <hr/>	<hr/> \$ 361,448 <hr/>
 NET POSITION		
Restricted for Scholarships	<hr/> \$ 39,723 <hr/>	

See Notes to Basic Financial Statements

WATKINS GLEN CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2020

	Private Purpose Trust Fund
	<hr/>
ADDITIONS	
Gifts and Contributions	\$ 1,133
Investment Earnings	<hr/> 21
Total Additions	<hr/> 1,154
DEDUCTIONS	
Scholarships and Awards	<hr/> 5,035
Change in Net Position	(3,881)
Net Position - Beginning of Year	<hr/> 43,604
Net Position - End of Year	<hr/> \$ 39,723 <hr/>

See Notes to Basic Financial Statements

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 **Summary of Significant Accounting Policies**

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

Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 7 members. The Board is responsible for, and controls all activities related to public school education within the School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended.

- The primary government, which is the School District;
- Organizations for which the primary government is financially accountable; and
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following funds are included in the School District's reporting entity:

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management and is not a component unit of the School District. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office located at 12th Street, Watkins Glen, New York 14891.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Public Library Fund

The Watkins Glen Public Library jointly shares the services of the School District Treasurer, and the School District appoints trustees and raises taxes for library purposes. The Public Library Fund is a blended component unit of the School District.

Joint Venture

The School District is one of 21 component school districts in the Greater Southern Tier Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

Separate financial statement of the Greater Southern Tier BOCES may be obtained by contacting the Executive Director of Business, Greater Southern Tier BOCES, 459 Philo Road, Elmira, NY 14903.

Basis of Presentation - District-Wide Financial Statements

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

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Basis of Presentation - District-Wide Financial Statements - Continued

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the School District's programs, including personnel, overall administration and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expenses. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Basis of Presentation - Governmental Fund Financial Statements

The Governmental Fund financial statements provide information about the School District's funds, including Fiduciary Funds. Separate statements for each fund category (Governmental and Fiduciary) are presented. The emphasis of Governmental Fund financial statements is on Major Governmental Funds, each displayed in a separate column.

The School District reports the following Major Governmental Funds:

- **General Fund** - This is the School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Funds** - Accounts for the proceeds of specific revenue sources (other than capital projects) legally restricted to expend for specific purposes.
 - **Special Aid Fund** - Accounts for the proceeds of specific revenue sources, such as federal, state and local grants that are legally restricted to expenditures for specified purposes, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
 - **School Lunch Fund** - Accounts for revenues and expenditures in connection with the School District's food service program.
- **Debt Service Fund** - Accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of Governmental Activities.
- **Capital Projects Fund** - Accounts for the financial resources used for the renovation of the School District educational complexes. The renovations and various other capital projects are accounted for in the Capital Projects Fund.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Presentation - Governmental Fund Financial Statements - Continued

In addition, the School District reports the following Non-Major Governmental Fund:

- **Special Revenue Fund** - Accounts for the proceeds of specific revenue sources (other than capital project) legally restricted to expense for specific purposes.
 - **Public Library Fund** - Accounts for revenues and expenditures in connection with the Watkins Glen Public Library.

Fiduciary Activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.

The School District reports the following Fiduciary Funds:

- **Private-Purpose Trust Fund** - Accounts for scholarship funds awarded to individual students. These activities, and those of the Agency Fund described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- **Agency Fund** - Strictly custodial in nature and does not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

Measurement Focus and Basis of Accounting

The District-wide and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within six months after the end of the fiscal year.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Measurement Focus and Basis of Accounting - Continued

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

Cash and Investments

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

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

Due To/From Other Funds

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the School District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and Governmental Fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Inventories and Prepaid Items - Continued

Nonspendable fund balances for these non-liquid assets (inventories and prepaid items) have been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to the adoption of GASB Statement No. 34. For assets acquired prior to the adoption of GASB Statement No. 34, estimated historical costs, based on appraisal and research of the School District's accounting records, were used. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	50 Years
Land Improvements	5,000	20 Years
Furniture and Equipment	5,000	5-20 Years

The straight-line method, considering salvage value, is used to calculate depreciation expense. A full physical appraisal was performed during the 2015-16 fiscal year.

Vested Employee Benefits - Compensated Absences

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

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

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

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Vested Employee Benefits - Compensated Absences - Continued

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

Other Postemployment Benefits

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

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

The School District follows GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 11 for additional information.

Unearned and Unavailable Revenues

Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

The Governmental Fund financial statements report unavailable revenues, if applicable, when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflow of resources is removed and revenues are recorded.

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

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Equity Classifications - District-Wide Financial Statements

Equity is classified as net position and displayed in three components:

- **Net Investment in Capital Assets** - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- **Unrestricted** - Consists of all other resources that do not meet the definition of "restricted" or "invested in capital assets."

Equity Classifications - Governmental Fund Financial Statements

Fund balances are allocated into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the School District is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Nonspendable** - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowment principal.
- **Restricted** - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.
- **Committed** - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Financial Statements - Continued

- **Assigned** - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned** - Represents the residual classification of the government's General Fund and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% 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 General Municipal Law [GML]) are excluded from the 4% limitation. The 4% limitation is 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.

The Board of Education of the School District has not adopted any resolutions to commit fund balance. By resolution, the Board of Education authorized the Business Manager to assign fund balance. The School District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. Except for the encumbrance reserve, these reserve funds are established through board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary. Reserves currently in use by the School District include the following:

- **Mandatory Debt Service Reserve (GML §6-1)** - Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Legally Adopted Reserves - Continued

- Insurance Reserve (GML §6-n) - Used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.
- Employee Benefit Accrued Liability Reserve (GML §6-p) - Used to reserve funds for the payment of accrued employee benefits 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. This reserve is accounted for in the General Fund.
- Tax Certiorari Reserve (Education Law §3651.1-a) - Used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.
- Workers' Compensation Reserve (GML § 6-j) - Used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses for 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 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or applied to the appropriations of the succeeding fiscal year's budget. This reserve is accounted for in the General Fund.
- Retirement Contribution Reserve (GML §6-r) - Used to reserve funds for the purpose of financing retirement contributions. 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. This reserve is accounted for in the General Fund.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves - Continued

- Repair Reserve (GML §6-d) - Used to pay the cost of repairs to capital improvements or equipment which are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund and Public Library Fund.
- Capital Reserve (Education Law §3651) - Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and became a lien on August 26, 2019. Taxes were collected during the period September 1 to October 31, 2019.

Uncollected real property taxes are subsequently enforced by the Counties of Schuyler and Chemung. An amount representing uncollected real property taxes transmitted to the Counties for enforcement is paid by the counties to the School District no later than the following April 1.

Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Use of Estimates - Continued

Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, other postemployment benefits payable, potential contingent liabilities and useful lives of long-lived assets.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports a deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District also reports deferred outflows of resources related to pensions and OPEB plans in the District-wide Statement of Net Position. The types of deferred outflows of resources related to pensions and OPEB plans are described in Notes 11 and 12, respectively.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District reports items that qualify for reporting in this category. The first arises only under the modified accrual basis of accounting and is reported as unavailable revenue and the other type of deferred inflows of resources is related to pensions and OPEB plans as described in Notes 11 and 12, respectively.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

***Note 1* Summary of Significant Accounting Policies - Continued**

Future Changes in Accounting Standards

GASB has issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance," which delays the implementation dates for several GASB statements as follows:

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ended June 30, 2020, delayed by GASB Statement No. 95 to June 30, 2021. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2022.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," effective for the year ending June 30, 2021, delayed by GASB Statement No. 95 to June 30, 2022.
- GASB has issued Statement No. 92, "Omnibus 2020," effective for the year ending June 30, 2021, delayed by GASB Statement No. 95 to June 30, 2022.

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

***Note 2* Participation in BOCES**

During the year ended June 30, 2020, the School District's share of BOCES income amounted to \$1,277,060. The School District was billed \$4,197,090 for BOCES administration and program costs. Financial statements for Greater Southern Tier BOCES are available from the BOCES administrative office at 459 Philo Road, Elmira, New York 14903.

***Note 3* Cash and Cash Equivalents - Custodial and Concentration of Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 3 Cash and Cash Equivalents - Custodial and Concentration of Credit Risk - Continued
 The School District's aggregate bank balances of \$12,057,397 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted cash of the Governmental Funds at June 30, 2020 consisted of the following:

General Fund Reserves	\$	5,319,259
School Lunch Fund		239,066
Debt Service		1,636,404
Capital Projects Fund - Due to Debt Service		42,782
Library Fund Reserves		<u>37,624</u>
Total	\$	<u>7,275,135</u>

The School District has few investments (primarily donated Scholarship Funds), and chooses to disclose its investments by specifically identifying each. The School District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- 1) Insured or registered, with investments held by the School District or by the School District's agent in the School District's name; or
- 2) Uninsured and unregistered, with investments held by the financial institution's trust department in the School District's name; or
- 3) Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the School District's name.

The School District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The School District does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

	<u>Cost</u>	<u>Carrying Amount Fair Value</u>	<u>Type of Investment</u>	<u>Category</u>
Agency Fund	\$ 22,125	\$ 22,125	Certificate of Deposit	(1)
Private Purpose Trust Fund	\$ 39,723	\$ 39,723	Certificate of Deposit	(1)

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 4 Due From State and Federal Governments

Due from state and federal receivables consisted of the following, which are stated at net realizable value.

Fund	Description	Amount
General	August Excess Cost	\$ 285,696
General	September Excess Cost	37,659
Special Aid	Various Grants	744,765
School Lunch	Meal Reimbursements	48,833
Total		\$ 1,116,953

Note 5 Interfund Balances and Activity

Interfund balances at June 30, 2020, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 812,089	\$	\$	\$ 50,852
Special Aid Fund		794,892	50,852	
School Lunch Fund		17,197		
Capital Projects Fund		25		
Debt Service Fund	25			
Total	\$ 812,114	\$ 812,114	\$ 50,852	\$ 50,852

Interfund receivables and payables, other than between Governmental Activities and Fiduciary Funds, are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to the Capital Projects Fund, as needed, to fund capital projects. Periodically, the School District transfers funds as needed to subsidize the School Lunch Fund.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 6 Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>Ending Balance</u>
Capital Assets that are Not Depreciated:				
Land	\$ 264,500	\$	\$	\$ 264,500
Construction in Progress	5,450,265	1,404,627		6,854,892
Total Nondepreciable Historical Cost	<u>5,714,765</u>	<u>1,404,627</u>	<u>-</u>	<u>7,119,392</u>
Capital Assets that are Depreciated:				
Buildings and Improvements	69,889,864			69,889,864
Furniture and Equipment	2,785,949	106,096	(506,067)	2,385,978
Total Depreciable Historical Cost	<u>72,675,813</u>	<u>106,096</u>	<u>(506,067)</u>	<u>72,275,842</u>
Total Historical Cost	<u>78,390,578</u>	<u>1,510,723</u>	<u>(506,067)</u>	<u>79,395,234</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(22,802,578)	(1,537,950)		(24,340,528)
Furniture and Equipment	(1,604,231)	(268,941)	399,159	(1,474,013)
Total Accumulated Depreciation	<u>(24,406,809)</u>	<u>(1,806,891)</u>	<u>399,159</u>	<u>(25,814,541)</u>
Total Historical Cost, Net	<u>\$53,983,769</u>	<u>\$ (296,168)</u>	<u>\$ (106,908)</u>	<u>\$ 53,580,693</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 239,080
Instruction	1,326,184
Pupil Transportations	240,612
School Lunch Program	<u>1,015</u>
Total Depreciation Expense	<u>\$ 1,806,891</u>

Note 7 Short-Term Debt

The School District may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The School District did not issue or redeem any RANs or TANs during the year.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 7 Short-Term Debt - Continued

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

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. Such notes may be classified as long-term when (1) the intention is to refinance the debt on a long-term basis, and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. BAN activity for the year is summarized below:

	Beginning Balance	Issued	Payments	Redeemed	Ending Balance
BANs	\$ 6,900,000	\$ 6,655,000	\$ 245,000	\$ 6,655,000	\$ 6,655,000
Total	\$6,900,000	\$6,655,000	\$ 245,000	\$6,655,000	\$6,655,000
					\$ 254,239
					(124,613)
					\$ 129,626

Note 8 Long-Term Debt

At June 30, 2020, the total outstanding indebtedness of the School District represented 27.46% of its statutory debt limit, exclusive of building aid estimates. Long-term debt is classified as follows:

- **Serial Bonds** - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 8 Long-Term Debt - Continued

The following is a summary of the School District's long-term debt for the year ended June 30, 2020:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2020</u>
Serial Bonds:				
Capital Reconstruction	04/15/2008	04/15/2023	3.125%-3.75%	\$ 795,000
Serial Bond 2017	06/01/2017	06/01/2031	2.00-3.00%	16,530,000
Total				\$17,325,000

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

Interest Paid	\$ 433,963
Less Interest Accrued in the Prior Year	(207,976)
Plus Interest Accrued in the Current Year	35,478
Total	\$ 261,465

Interest paid on Serial Bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Serial Bonds	\$ 19,070,000	\$ -	\$ (1,745,000)	\$ 17,325,000	\$ 1,785,000
Total	\$ 19,070,000	\$ -	\$ (1,745,000)	\$ 17,325,000	\$ 1,785,000

The following is a summary of the maturity of long-term indebtedness:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,785,000	\$ 399,713	\$ 2,184,713
2022	1,825,000	360,038	2,185,038
2023	1,860,000	318,900	2,178,900
2024	1,630,000	277,063	1,907,063
2025	1,660,000	244,463	1,904,463
2026-2030	8,215,000	615,093	8,830,093
2031	350,000	10,500	360,500
Total	\$ 17,325,000	\$ 2,225,770	\$ 19,550,770

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 9 **Compensated Absences**

Represents the value of the earned and unused portion of the liability of compensated absences. This liability is liquidated from the General and School Lunch Funds.

Compensated absences balance and activity are summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated Absences	\$ 32,797	\$ 4,775	\$	\$ 37,572

Changes to compensated absences are reported net, as it is impractical to individually determine the amount of additions and deletions during the fiscal year.

Note 10 **Operating Leases**

The School District leases buses under operating leases under a 5-year lease. Total rental expenditures on such leases for the fiscal year ended June 30, 2020 were \$105,350.

Description	Term of Lease	Rental Expense
5 Buses	2019-2024	\$ 105,350

The maximum future non-cancelable operating lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2021	\$ 105,350
2022	105,350
2023	105,350
2024	105,350

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 11 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS) (System)

The School District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The System 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 (RSSL) of the State of New York. The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System.

However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Employees' Retirement System (ERS) (System)

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple-employer, defined benefit pension plan. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System 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 the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. 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, New York 12244.

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. System member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Contributions

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

	ERS	TRS
2020	\$ 328,427	\$ 822,215
2019	354,764	805,152
2018	326,404	946,202

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

At June 30, 2020, the School District reported the following asset/liability for its proportionate share of the net pension asset/liability for each of the Systems. The net pension asset/liability was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation. The School District's proportionate share of the net pension asset/liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

	ERS	TRS
Actuarial Valuation Date	04/01/2019	06/30/2018
Net Pension Asset/Liability	\$ 26,480,579,097	\$ (2,598,006,772)
School District's Proportionate Share of		
Plan's Total Net Pension Asset/Liability	2,270,241	(1,205,044)
School District's Share of the		
Net Pension Asset/Liability	0.0085732%	0.0463834%

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

For the year ended June 30, 2020, the School District recognized pension expense of \$779,801 for ERS and \$1,542,688 for TRS in the District-wide financial statements. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 133,613	\$ 816,627	\$	\$ 89,609
Changes of Assumptions	45,712	2,276,488	39,471	555,072
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	1,163,836			966,383
Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions	27,009	316,402	14,720	43,438
School District's Contributions Subsequent to the Measurement Date	87,237	714,805		
Total	<u>\$1,457,407</u>	<u>\$ 4,124,322</u>	<u>\$ 54,191</u>	<u>\$ 1,654,502</u>

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension asset/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 Ended	ERS	TRS
2021	\$ 224,226	\$ 597,623
2022	332,768	87,037
2023	423,401	595,647
2024	335,584	409,567
2025		75,562
Thereafter		(10,421)

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2020	June 30, 2019
Actuarial Valuation Date	April 1, 2019	June 30, 2018
Investment Rate of Return	6.8%	7.1%
Salary Increases	4.2%	1.9% - 4.72%
Cost of Living Adjustments	1.3%	1.3%
Inflation Rate	2.5%	2.2%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018, applied on a generational basis.

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. For TRS, the actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

For ERS, 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.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions - Continued

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

Measurement Date	ERS March 31, 2020	TRS June 30, 2019
Asset Type		
Domestic Equities	4.1%	6.3%
International Equities	6.2%	7.8%
Global Equities		7.2%
Real Estate	5.0%	4.6%
Private Equity/Alternative Investments	6.8%	9.9%
Absolute Return Strategies	3.3%	
Opportunistic Portfolio	4.7%	
Real Assets	6.0%	
Cash	0.0%	
Inflation-Indexed Bonds	0.5%	
Domestic Fixed Income Securities		1.3%
Global Fixed Income Securities		0.9%
Private Debt		6.5%
Real Estate Debt		2.9%
High-Yield Fixed Income Securities		3.6%
Mortgages and Bonds	0.8%	
Short-Term		0.3%

Discount Rate

The discount rate used to calculate the total pension asset/liability was 6.8% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on 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 asset/liability.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

The following presents the School District's proportionate share of the net pension asset/liability calculated using the discount rate of 6.8% for ERS and 7.1% for TRS, as well as what the School District's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
ERS			
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 4,166,533	\$ 2,270,241	\$ 523,748
	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
TRS			
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 5,439,441	\$(1,205,044)	\$(6,779,016)

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/liability of the employers as of the respective measurement dates, were as follows:

	Dollars in Thousands	
	ERS	TRS
Measurement Date	March 31, 2020	June 30, 2019
Employers' Total Pension Asset/Liability	\$ 194,596,261	\$ 119,879,474
Plan Net Position	(168,115,682)	(122,477,481)
Employers' Net Pension Asset/Liability	\$ 26,480,579	\$ (2,598,007)
Ratio of Plan Net Position to the Employers' Total Pension Asset/Liability	86.4%	102.2%

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 11 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. 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 estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$87,237.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October, and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$770,026.

Effect on Net Position

Changes in the net pension asset/liability and deferred outflows and inflows of resources for the year ended June 30, 2020 resulted in the following effect on the net position:

	Beginning Balance	Change	Ending Balance
ERS			
Net Pension Liability	\$ 615,233	\$ 1,655,008	\$ 2,270,241
Deferred Outflows of Resources	(404,204)	(1,053,203)	(1,457,407)
Deferred Inflows of Resources	204,528	(150,337)	54,191
Subtotal	415,557	451,468	867,025
TRS			
Net Pension Asset	(884,524)	(320,520)	(1,205,044)
Deferred Outflows of Resources	(4,772,309)	647,987	(4,124,322)
Deferred Inflows of Resources	1,155,012	499,490	1,654,502
Subtotal	(4,501,821)	826,957	(3,674,864)
Total	\$ (4,086,264)	\$ 1,278,425	\$ (2,807,839)

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 12 Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

Plan Description - The School District's defined OPEB plan provides medical benefits to eligible retired employees and their eligible spouses. The benefits provided to employees upon retirement are based on provisions in various contracts that the School District has in place with different classifications of employees. The School District acquires health insurance through a fully insured employee healthcare plan through Excellus Blue Cross Blue Shield. The plan covers medical and pharmaceutical costs. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements, as there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Benefits Provided - The School District provides healthcare benefits for eligible retirees and their spouses. Benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

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

Inactive Employees or Beneficiaries	
Currently Receiving Benefit Payments	154
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	
Active Employees	<u>140</u>
Total	<u>294</u>

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 12 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Total OPEB Liability

The School District's total OPEB liability of \$31,594,193 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Long-Term Bond Rate:	3.13%
Inflation	2.25%
Marital Assumption	50.0%
Participation Rate	90.0%
Healthcare Cost Trend Rates	6.75% for 2020, decreasing to an ultimate rate of 3.7844% for years after 2075

The Fidelity General Obligation 20 Year AA Municipal Bond Index was used to determine the long-term bond rate above.

Mortality rates were based on the Scale MP-2018 (generation mortality) published by the pension mortality study released by the Society of Actuaries.

Termination rates were based on the percentage of employees who will terminate employment at the given age each year, for reasons other than death, or retirement.

Retirement rates are based on tables used by the New York State Teachers' Retirement System and New York State and Local Retirement System.

The actuarial assumptions used in the July 1, 2019 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 12 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ 33,280,343
 Changes for the Year	
Service Cost	1,188,911
Interest Cost	1,226,242
Changes of Benefit Terms	(7,663,441)
Differences Between Expected and Actual Experience	(182,446)
Changes in Assumptions or Other Inputs	4,934,916
Benefit Payments	(1,190,332)
Net Change	(1,686,150)
 Balance at June 30, 2020	 \$ 31,594,193

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 - percentage-point lower (2.13%) or 1-percentage-point higher (4.13%) than the current discount rate:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB Liability	\$ 36,661,554	\$ 31,594,193	\$ 27,520,406

Changes of assumptions and other inputs reflect a change in the healthcare cost trend rate from 7.5% in 2018 to 6.75% in 2020.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 26,827,938	\$ 31,594,193	\$ 38,105,569

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 12 Postemployment Benefits Other Than Pensions (OPEB) - Continued

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$5,196,729.

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 155,616	\$ 155,616
Changes in Assumptions or Other Inputs	4,209,193	2,603,834
Contributions Subsequent to Measurement Date	1,218,457	
Total	\$ 5,427,650	\$ 2,759,450

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the OPEB liability in the year ending June 30, 2021.

School District Contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the OPEB liability in the year ending June 30, 2021.

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

Fiscal Year Ending June 30,	Amount
2021	\$ (51,559)
2022	(51,559)
2023	(51,559)
2024	(148,428)
2025	(587,526)
Thereafter	(559,112)

Effect on Net Position

Changes in the OPEB liability and deferred outflows and inflows of resources for the year ended June 30, 2020 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
OPEB Liability	\$ 33,280,343	\$ (1,686,150)	\$ 31,594,193
Deferred Outflows of Resources	(1,190,332)	(4,237,318)	(5,427,650)
Deferred Inflows of Resources	3,251,168	(491,718)	2,759,450
Total	\$ 35,341,179	\$ (6,415,186)	\$ 28,925,993

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

***Note 13* Commitments and Contingencies**

Risk Financing and Related Insurance

General Information

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

Health Insurance

The School District incurs costs related to a fully insured employee healthcare plan through Excellus Blue Cross Blue Shield. The School District receives premium contributions from covered employees, retirees, and their dependents. The premium contribution is based on type of plan the employee or retiree subscribes to (single, family, employee/spouse, employee/children) multiplied by a negotiated rate per month, such rate being determined by Excellus. Each of the School District's bargaining units have the plan embedded in contracts. The School District and association bargaining units will review proposed rate increases on a regular basis to determine the need to entertain requests for proposals.

During the year ended June 30, 2020, the School District incurred premiums or contribution expenditures totaling \$3,418,473.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 13* Commitments and Contingencies - Continued**

Workers' Compensation

The School District incurs costs related to a workers' compensation plan (Plan) sponsored by BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. School districts joining the Plan must remain members for a minimum of two years; a member may withdraw from the Plan after that time. Plan members include four school districts, with the School District bearing a share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claim liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2020, the School District incurred premiums or claim expenditures totaling \$147,082.

The Plan financial statements may be obtained from the Greater Southern Tier BOCES administration office at 459 Philo Road, Elmira, New York 14903.

Other Items

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

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 14 Fund Balance Detail

At June 30, 2020, nonspendable, restricted, and assigned fund balances in the Governmental Funds was as follows:

	General Fund	School Lunch Fund	Debt Service Fund	Public Library Fund
Nonspendable				
Inventory	\$	\$ 33,429	\$	\$
Total Nonspendable Fund Balance	\$ -	\$ 33,429	\$ -	\$ -
Restricted				
Reserve for ERS Contributions	\$ 833,471	\$	\$	\$
Reserve for TRS Contributions	323,435			
Tax Certiorari Reserve	450,242			
Workers' Compensation Reserve	48,115			
Repair Reserve	141,467			
Employee Benefit Accrued				
Liability Reserve	521,822			
Capital Reserve	3,000,707			37,624
School Lunch		288,150		
Debt Service			1,636,429	
Total Restricted Fund Balance	\$ 5,319,259	\$ 288,150	\$ 1,636,429	\$ 37,624
Assigned				
Appropriated for Next Year's Budget	\$ 788,011	\$	\$	\$
Encumbered for:				
General Support	338,453			
Instruction	77,248			
Pupil Transportation	11,029			
Employee Benefits	7,560			
Public Library				40,407
Total Assigned Fund Balance	\$ 1,222,301	\$ -	\$ -	\$ 40,407

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 15 **Restricted Fund Balances**

General Fund

Portions of fund balance are restricted and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended June 30, 2020 of the General Fund restricted reserves were as follows:

<u>General Fund</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
Tax Certiorari Reserve	\$ 150,097	\$ 300,000	\$ 145	\$	\$ 450,242
Insurance Reserve	447,919		387	(448,306)	-
Workers' Compensation Reserve	48,091		24		48,115
Reserve for ERS Contributions	532,973	300,000	498		833,471
Reserve for TRS Contributions	164,037	159,000	398		323,435
Capital Reserve	2,495,882	500,000	4,825		3,000,707
Repair Reserve	141,337		130		141,467
Employee Benefit Accrued Liability Reserve	653,478		783	(132,439)	521,822
Total	<u>\$ 4,633,814</u>	<u>\$ 1,259,000</u>	<u>\$ 7,190</u>	<u>\$ (580,745)</u>	<u>\$ 5,319,259</u>

Note 16 **Tax Abatements**

For the year ended June 30, 2020, property in the School District was subject to property tax abatements negotiated by the Schuyler County Industrial Development Agency (SCIDA).

SCIDA enters into payments in lieu of taxes (PILOT) agreements with businesses within Schuyler County under New York State General Municipal Law 858. Economic development agreements entered into by SCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which SCIDA administers as a temporary reduction in the assessed value of the property involved. The abatement agreements generally stipulate a percentage reduction of property taxes, but sometimes stipulate a dollar value reduction in lieu of a percentage reduction.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 16 Tax Abatements - Continued

Information relevant to disclosure of the program for the year ended June 30, 2020 is as follows:

	Taxable Assessed	School Tax Rates	Tax Value	PILOT Received	Taxes Abated
Water Works	\$1,890,000	10.82146	\$ 20,453	\$ 8,819	\$ 11,634
WG Apartments	2,900,000	10.82149	31,382	18,776	12,606
Watkins Brewery Holdings	1,677,500	10.82146	18,153	3,634	14,519
Cargill	7,325,000	10.82149	79,267	79,267	-
Empire Pipeline	26,831,869	10.82149	290,361	114,127	176,234
US Salt	6,247,000	10.82146	67,602	89,324	(21,722)
Seneca Market	13,141,000	10.82149	142,205	68,775	73,430
FL Railway	1,716,927	10.82146	18,580	20,358	<u>(1,778)</u>
Total Abated Taxes					<u><u>\$ 264,923</u></u>

Note 17 Uncertainty

In March 2020, the COVID-19 coronavirus outbreak was declared a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies on the area in which the School District operates. The School District completed the school year in an online learning format is beginning the 2020-2021 academic year in a partially online format. While it is unknown how long these conditions will last and what the complete financial effect will be, the School District expects disruptions to businesses and residents and potential effects to state government funding, which could negatively impact operating results in future period.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-U.S. GAAP) GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real Property Taxes	\$ 9,450,000	\$ 8,547,377	\$ 8,547,378	\$ 1
Real Property Tax Items	470,000	1,366,328	1,324,943	(41,385)
Charges for Services	30,000	31,450	72,606	41,156
Use of Money and Property	23,000	23,000	24,515	1,515
Sale of Property and Compensation for Loss	25,000	54,400	64,741	10,341
Miscellaneous	195,000	226,850	466,878	240,028
Total Local Sources	10,193,000	10,249,405	10,501,061	251,656
State Sources	15,089,984	15,111,598	14,933,838	(177,760)
Medicaid Reimbursement	40,000	40,000	87,150	47,150
Total Revenues	25,322,984	25,401,003	25,522,049	121,046
OTHER FINANCING SOURCES				
Operating Transfers In	530,893	452,874	-	(452,874)
Total Revenues and Other Financing Sources	25,853,877	25,853,877	\$25,522,049	\$ (331,828)
Appropriated Fund Balance	625,000	625,000		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	464,093	464,093		
Total Revenues, Appropriated Fund Balance and Designated Fund Balance	\$26,942,970	\$26,942,970		

See Notes to Required Supplementary Information

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-U.S. GAAP) GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
EXPENDITURES			
General Support			
Board of Education	\$ 29,650	\$ 31,850	\$ 21,490
Central Administration	224,848	237,848	230,646
Finance	289,273	327,213	314,968
Staff	58,948	53,948	46,239
Central Services	2,612,660	2,851,775	2,248,118
Special Items	609,695	612,085	566,764
Total General Support	<u>3,825,074</u>	<u>4,114,719</u>	<u>3,428,225</u>
Instruction			
Instruction, Administration, and Improvement	964,713	1,074,178	964,184
Teaching - Regular School	6,738,221	6,602,003	6,173,536
Programs for Children with Handicapping Conditions	2,773,252	2,399,980	2,246,489
Occupational Education	318,070	251,200	239,036
Instructional Media	836,359	1,240,466	1,220,649
Pupil Services	1,041,173	1,072,068	873,837
Total Instruction	<u>12,671,788</u>	<u>12,639,895</u>	<u>11,717,731</u>
Pupil Transportation	1,224,468	1,234,819	1,095,775
Community Services	1,600	1,600	
Employee Benefits	6,463,367	6,255,509	5,630,260
Debt Service			
Principal	2,183,513	2,183,513	1,990,000
Interest	523,160	462,015	640,454
Total Debt Service	<u>2,706,673</u>	<u>2,645,528</u>	<u>2,630,454</u>
Total Expenditures	<u>26,892,970</u>	<u>26,892,070</u>	<u>24,502,445</u>
OTHER FINANCING USES			
Operating Transfers Out	50,000	50,900	50,852
Total Expenditures and Other Financing Uses	<u>\$ 26,942,970</u>	<u>\$ 26,942,970</u>	<u>24,553,297</u>
Net Change in Fund Balance			968,752
Fund Balance - Beginning of Year			<u>6,779,089</u>
Fund Balance - End of Year			<u>\$ 7,747,841</u>

See Notes to Required Supplementary Information

<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 600	\$ 9,760
	7,202
3,350	8,895
	7,709
334,503	269,154
	45,321
338,453	348,041
	109,994
17,816	410,651
30,430	123,061
	12,164
2,769	17,048
26,233	171,998
77,248	844,916
11,029	128,015
	1,600
7,560	617,689
	193,513
	(178,439)
-	15,074
434,290	1,955,335
	48
\$ 434,290	\$ 1,955,383

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	2020	2019	2018
Contractually Required Contribution	\$ 328,427	\$ 354,764	\$ 326,404
Contributions in Relation to the Contractually Required Contribution	(328,427)	(354,764)	(326,404)
Contribution Deficiency (Excess)	-	-	-
School District's Covered Employee Payroll	2,499,964	2,545,466	2,425,386
Contributions as a Percentage of Covered Employee Payroll	13.1%	13.9%	13.5%

** Information Not Readily Available*

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	2020	2019	2018
Contractually Required Contribution	\$ 714,804	\$ 822,215	\$ 805,152
Contributions in Relation to the Contractually Required Contribution	(714,804)	(822,215)	(805,152)
Contribution Deficiency (Excess)	-	-	-
School District's Covered Employee Payroll	8,031,506	7,742,137	8,215,837
Contributions as a Percentage of Covered Employee Payroll	8.9%	10.6%	9.8%

** Information Not Readily Available*

See Notes to Required Supplementary Information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 322,056	\$ 362,779	\$ 372,091	\$ 415,649	\$ 341,700	\$ 348,006	\$ 187,268
<u>(322,056)</u>	<u>(362,779)</u>	<u>(372,091)</u>	<u>(415,649)</u>	<u>(341,700)</u>	<u>(348,006)</u>	<u>(187,268)</u>
-	-	-	-	-	-	-
2,139,032	2,195,916	2,233,840	2,196,696	*	*	*
15.1%	16.5%	16.7%	18.9%	N/A	N/A	N/A

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 946,202	\$ 971,028	\$ 1,424,217	\$ 1,204,926	\$ 859,359	\$ 879,627	\$ 889,843
<u>(946,202)</u>	<u>(971,028)</u>	<u>(1,424,217)</u>	<u>(1,204,926)</u>	<u>(859,359)</u>	<u>(879,627)</u>	<u>(889,843)</u>
-	-	-	-	-	-	-
8,073,396	7,322,986	8,124,455	7,414,929	7,258,100	7,917,435	10,323,005
11.7%	13.3%	17.5%	16.3%	11.8%	11.1%	8.6%

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2020	2019	2018
School District's Proportion of the Net Pension Asset/Liability	0.0085732%	0.0086832%	0.0084070%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 2,270,241	\$ 615,233	\$ 271,331
School District's Covered Employee Payroll During the Measurement Period	2,475,777	2,509,347	2,376,646
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Employee Payroll	91.7%	24.5%	11.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	86.4%	96.3%	98.2%

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2020	2019	2018
School District's Proportion of the Net Pension Asset/Liability	0.046383%	0.048916%	0.049771%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ (1,205,044)	\$ (884,524)	\$ (378,309)
School District's Covered Employee Payroll During the Measurement Period	8,031,506	7,742,137	8,073,396
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Employee Payroll	15.0%	11.4%	4.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	102.5%	101.5%	100.7%

See Notes to Required Supplementary Information

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0080797%	0.0081982%	0.0077880%
\$ 759,183	\$ 1,315,836	\$ 263,098
2,271,269	2,142,637	2,188,018
33.4%	61.4%	12.0%
94.7%	90.7%	97.9%

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.052168%	0.052755%	0.050197%
\$ 558,745	\$(5,479,546)	\$(5,591,671)
7,322,986	8,124,455	7,414,929
7.6%	67.4%	75.4%
99.0%	110.5%	111.5%

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	2020	2019	2018
Service Cost	\$ 1,188,911	\$ 1,171,222	\$ 1,366,267
Interest Cost	1,226,242	1,187,361	1,039,966
Changes of Benefit Terms	(7,663,441)	196,897	
Differences Between Expected and Actual Experience	(182,446)		
Changes in Assumptions or Other Inputs	4,934,916	(936,301)	(3,472,046)
Benefit Payments	(1,190,332)	(1,040,874)	(962,287)
	(1,686,150)	578,305	(2,028,100)
Total OPEB Liability - Beginning	33,280,343	32,702,038	34,730,138
Total OPEB Liability - Ending	\$ 31,594,193	\$ 33,280,343	\$ 32,702,038
Covered Employee Payroll	\$ 10,971,467	\$ 10,826,810	\$ 11,429,699
Total OPEB Liability as a Percentage of Covered Payroll	287.97%	307.39%	286.11%

* Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed as it becomes available.

See Notes to Required Supplementary Information

2017	2016	2015	2014	2013	2012	2011
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
*	*	*	*	*	*	*
*	*	*	*	*	*	*
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$34,730,138	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Note 1 Budgetary Procedures and Budgetary Accounting

The School District administration prepares a proposed budget for approval by the Board of Education (Board) for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund. The General Fund is the only fund with a legally adopted budget.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Adopted Budget	\$ 26,478,877
Prior Year Encumbrances	<u>464,093</u>
Final Budget	<u>\$ 26,942,970</u>

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

Annual legal budgets are not adopted for the Special Revenue Funds (Special Aid and School Lunch). Budgetary controls for the Special Aid Fund are established in accordance with the applicable grant agreements. Special Aid Grants may also cover a period other than the School District's fiscal year. Budgetary controls for School Lunch Fund are established internally.

Note 2 Reconciliation of the General Fund Budget Basis to U.S. GAAP

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the U.S. GAAP basis to the budget basis, as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

Note 3 Schedule of Changes in the School District's Total OPEB Liability and Related Ratios

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

2020 - 3.13%
2019 - 3.62%

Note 4 Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability

The Schedule of the School District's Proportionate Share of the Net Pension Asset/Liability, required supplementary information, presents five years of information. These schedule will present ten years of information as it becomes available from the pension plans.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2019 actuarial valuation.

Changes of Assumptions

There were changes in economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation. The salary scale for both plans used in the April 1, 2018 actuarial valuation were increased by 10%. The interest rate assumption was reduced to 6.8% and mortality improvement assumption was to Societies of Actuaries' Scale MP-2018 for the April 1, 2019 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2019 actuarial valuation determines the employer rates for contributions payable in fiscal year 2020. The following actuarial methods and assumptions were used:

Actuarial Cost Method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset Valuation Period	Five-year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary Scale	4.2% in ERS, indexed by service.
Investment Rate of Return	6.8% compounded annually, net of investment expenses, including inflation.
Cost of Living Adjustments	1.3% annually.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability - Continued

NYSTRS

Changes in Benefit Terms

Effective with the 2019 actuarial valuation, an increase in the New York State Governor's salary limit from \$179,000 to \$200,000 per annum went into effect, impacting Tier 6 members. The Governor's salary limit may ultimately increase to \$250,000, phased in over the next two years.

Changes of Assumptions

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions were revised and adopted by the Retirement Board on October 29, 2015 and first used in the 2016 determination of the Total Pension Liability.

The System's long-term rate of return assumption for purposes of the NPL is 7.10%, effective with the 2019 actuarial valuation. For the 2018 and 2017 actuarial valuations, the System's long-term rate of return assumption was 7.25%. For the 2016 actuarial valuation, the System's long-term rate of return assumption was 7.5%. Prior to the 2016 actuarial valuation, the System's long-term rate of return was 8.0%.

The System's assumed annual inflation rate is 2.2%, effective with the 2019 actuarial valuation. For the 2018 and 2017 actuarial valuations, the System's annual inflation assumption was 2.25%. For the 2016 actuarial valuation, the System's annual inflation assumption was 2.5%. Prior to the 2016 actuarial valuation, the System's annual inflation assumption was 3.0%.

Effective with the 2019 actuarial valuation, COLAs are projected to increase at a rate of 1.30% annually. Effective with the 2015 actuarial valuation, COLAs were projected to increase at a rate of 1.50% annually. Prior to the 2015 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually.

Effective with the 2019 actuarial valuation, the assumed scale for mortality improvement is changed from MP2014 and MP2018.

Effective with the 2019 actuarial valuation, there is a change in the actuarial valuation software that resulted in a slight change in the determination of Entry Age Normal Total Pension Liability and Service Cost.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability - Continued

NYSTRS – Continued

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of School Districts' Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School Districts' Contributions.

Actuarial Cost Method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.										
Asset Valuation Method	Five-year phased in deferred recognition of each year's net investment income/loss in excess of (or less than) the assumed valuation rate of interest at a rate of 20.0% per year, until fully recognized after five years.										
Inflation	2.25%										
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.										
	<table><thead><tr><th><u>Service</u></th><th><u>Rate</u></th></tr></thead><tbody><tr><td>5</td><td>4.72%</td></tr><tr><td>15</td><td>3.46%</td></tr><tr><td>25</td><td>2.37%</td></tr><tr><td>35</td><td>1.90%</td></tr></tbody></table>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Investment Rate of Return	7.1% compounded annually, net of investment expenses, including inflation.										
Projected Cost of Living Adjustments	1.3% compounded annually.										

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2020

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	<u>\$ 26,478,877</u>
Prior Year's Encumbrances	<u>464,093</u>
Original Budget	<u>26,942,970</u>
Final Budget	<u><u>\$ 26,942,970</u></u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next Year's Budget is a Voter Approved Budget	<u><u>\$ 26,478,877</u></u>
Maximum Allowed (4% of the 2020-2021 Budget)	<u><u>\$ 1,059,155</u></u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 1,222,301
Unassigned Fund Balance	<u>1,206,281</u>
Total Unrestricted Fund Balance	<u><u>2,428,582</u></u>
Less:	
Appropriated Fund Balance	\$ 788,011
Encumbrances Included in Committed and Assigned Fund Balance	<u>434,290</u>
Total Adjustments	<u><u>1,222,301</u></u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law	<u><u>\$ 1,206,281</u></u>
Actual Percentage	4.56%

WATKINS GLEN CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Revised Budget	Expenditures		Total
			Prior Years	Current Year	
<u>2018 Capital Project</u>	<u>\$ 12,640,000</u>	<u>\$ 12,640,000</u>	<u>\$ 5,452,616</u>	<u>\$ 1,404,627</u>	<u>\$ 6,857,243</u>
<u>SMART Project</u>	<u>200,000</u>	<u>260,000</u>	<u>156,059</u>	<u>43,592</u>	<u>199,651</u>
<u>BANS</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>-</u>
Total	<u>\$ 12,840,000</u>	<u>\$ 12,900,000</u>	<u>\$ 5,608,675</u>	<u>\$ 1,448,219</u>	<u>\$ 7,056,894</u>

Unexpended Balance	Methods of Financing			Fund Balance June 30, 2020	
	Proceeds of Obligations	State Aid	Local Sources		Total
<u>\$ 5,782,757</u>	<u>\$ 6,900,000</u>	<u>\$</u>	<u>\$ 1,400,005</u>	<u>\$ 8,300,005</u>	<u>\$ 1,442,762</u>
<u>60,349</u>		<u>199,651</u>		<u>199,651</u>	<u>-</u>
	<u>(6,655,000)</u>			<u>(6,655,000)</u>	<u>(6,655,000)</u>
<u>\$ 5,843,106</u>	<u>\$ 245,000</u>	<u>\$ 199,651</u>	<u>\$ 1,400,005</u>	<u>\$ 1,844,656</u>	<u>\$ (5,212,238)</u>

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets, Net	\$ 53,580,693
Add	
Unspent Debt	<u>42,757</u>
Deduct	
Bond Anticipation Notes	<u>(6,655,000)</u>
Short-term Portion of Bonds Payable	<u>(1,785,000)</u>
Long-term Portion of Bonds Payable	<u>(15,540,000)</u>
Net Investment in Capital Assets	<u>\$ 29,643,450</u>

**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***

Board of Education
Watkins Glen Central School District
Watkins Glen, 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 Watkins Glen Central School District (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 7, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School District’s Response to the Finding

Watkins Glen Central School District’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District’s response was not subjected to the auditing procedures applied in the audit of the financial statement 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 School District’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 7, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Board of Education
Watkins Glen Central School District
Watkins Glen, New York

Report on Compliance for Each Major Federal Program

We have audited Watkins Glen Central School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2020. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District, complied, in all material respects, with the 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 School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for 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 School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 7, 2020

WATKINS GLEN CENTRAL SCHOOL DISTRICT

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

<u>Federal Grantor/Pass - Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Pass- Through Grantor #</u>	<u>Pass- Through to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Education				
Passed Through Odessa Montour Central School District				
Twenty-First Century Community Learning Centers	84.287	0187202805	\$	\$ 130,953
Passed Through NYS Department of Education				
Title I Grants to Local Educational Agencies	84.010	0021202805		270,003
Supporting Effective Instruction State Grants	84.367	0147202805		45,082
Student Support and Academic Enrichment	84.424A	0204202805		13,789
Special Education Cluster:				
Special Education-Grants to States (IDEA, Part B)	84.027	0032200846		279,296
Special Education-Preschool Grants (IDEA Preschool)	84.173	0033200846		12,801
Total Special Education Cluster			-	292,097
Total U.S. Department of Education			-	751,924
U.S. Department of Health and Human Services				
Passed Through Schuyler County				
Title IV - Drug-Free Communities Support Program	93.276	Direct		58,865
Total U.S. Department of Health and Human Services			-	58,865
U.S. Department of Agriculture				
Passed Through NYS Department of Education				
Child Nutrition Cluster:				
National School Lunch Program	10.555	(1)		205,663
School Breakfast Program	10.553	(1)		55,106
Summer Food Service Program for Children	10.559	(1)		22,060
COVID-19 - Summer Food	10.559	(1)	71,591	200,434
Total Child Nutrition Cluster			71,591	483,263
National School Lunch Equipment Grant	10.579	0005200052		12,800
Total U.S. Department of Agriculture			71,591	496,063
Total Expenditures of Federal Awards			\$ 71,591	\$ 1,306,852

(1) Unknown

See Notes to Schedule of Expenditures of Federal Awards

WATKINS GLEN CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2020

Note 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the School District, an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the 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). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 Indirect Costs

Indirect costs are included in the reported expenditures to the extent they are included in the Federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 Matching Costs

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

Note 5 Non-Monetary Federal Program

The School 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 School District received \$34,141 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 Subrecipients

During 2020, the School District provided funds to subrecipients in the school nutrition program related to the operational changes resulting from COVID-19.

Note 7 Other Disclosures

No insurance is carried specifically to cover equipment purchased with Federal Funds. Any equipment purchased with Federal Funds has only a nominal value, and is covered by the School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

WATKINS GLEN CENTRAL SCHOOL DISTRICT

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

Section I Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

Type of Auditors' report issued on compliance for major programs Unmodified

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

Identification of major programs

CFDA Numbers
10.553, 10.555, 10.559

Name of Federal Program or Cluster
Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified as low risk? X yes no

WATKINS GLEN CENTRAL SCHOOL DISTRICT

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

Section II Financial Statement Findings

2020-001 Fund Balance Limitation

Condition:

At June 30, 2020, unassigned fund balance in the General Fund was \$147,126 in excess of the allowable limit.

Criteria:

The School District is allowed, under New York State Real Property Tax Law (§1318), to retain up to 4% of the succeeding year's budget in unassigned fund balance.

Cause:

Appropriations exceeded final expenditures and encumbrances by \$1,986,413, primarily due to lower than planned instructional costs.

Effect:

The School District is not in compliance with New York State Real Property Tax Law (§1318).

Recommendation:

We recommend the School District closely monitor the 2020-2021 budget closely and make adjustments as necessary. If this situation arises in the future, we recommend management consider transferring excess funds to appropriate reserves prior to year end or prior to adoption of the subsequent year's tax levy.

Response:

The School District feels it is prudent to take the most conservative approach possible entering the 2020/21 school year due to ongoing uncertainty and potential of holdbacks and/or cuts of state aid. This approach includes spending freezes, as well as a carryover of fund balance in excess of the allowable limit. It is not clear at this time whether state aid holdbacks will become permanent cuts, but if they do become permanent, or if they are elevated to the 20% level that has been discussed, the impact would be devastating on the School District. In addition to the uncertainty surrounding state aid, the School District is also incurring many additional costs related to COVID-19 and intends to offset such costs with unassigned fund balance as needed. Additionally, the School District continues to feel pressure associated from increases in uncontrollable costs such as health insurance premiums, pension obligations, and special education requirements. It is critical during these highly volatile and uncertain times that a healthy fund balance be sustained to protect the quality educational programing that the School District has provided for so long.

Section III - Federal Award Findings and Questioned Costs

None