

SCIO CENTRAL SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2020

SCIO CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 15
BASIC FINANCIAL STATEMENTS:	
District-wide Financial Statements:	
Statement of Net Position.....	16 - 17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	19 - 20
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Equity - Governmental Funds	22 - 23
Reconciliation of Governmental Funds Revenues, Expenditures and Changes in Fund Equity to the Statement of Activities.....	24
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position.....	26

SCIO CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS (CONT.)

	<u>Page No.</u>
BASIC FINANCIAL STATEMENTS (CONT.)	
Notes to the Financial Statements	27 - 59
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues Compared to Budget - General Fund	60
Schedule of Expenditures, Other Uses and Encumbrances Compared to Budget - General Fund Statement of Net Position	61
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund.....	62
Schedule of Project Expenditures - Capital Projects Fund	63
Net Investment in Capital Assets.....	64
Schedule of District’s Proportionate Share of the Net Pension Liability (Asset).....	65
Schedule of District’s Contributions.....	66
Schedule of Funding Progress – Other Post Employment Benefits Plan	67
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>	68 - 69

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

BUFFALO
36 Niagara Street
Tonawanda, NY 14150
P: (716) 694-0336

COOPERSTOWN
55-57 Grove Street
Cooperstown, NY 13326
P: (607) 282-4161

ONEONTA
189 Main Street, Suite 302
Oneonta, NY 13820
P: (607) 432-3462

PERRY
199 S. Main Street, PO Box 1
Perry, NY 14530
P: (585) 237-3887

ROCHESTER
150 State Street, Suite 301 A
Rochester, NY 14614
P: (585) 410-6733

VICTOR
6536 Anthony Drive, Suite B
Victor, NY 14564
P: (585) 410-6733

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Scio Central School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows 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 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. 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 Scio Central School District's basic financial statements. The accompanying supplementary information, as outlined in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020 on our consideration of the Scio Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Scio Central School District's internal control over financial reporting and compliance.

Allied CPAs, P.C.

Tonawanda, New York
October 8, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

SCIO CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2020. The 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 government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's total Net Position at the close of this fiscal year was \$4,045,706.

Total Net Position decreased from \$5,409,953 due to a change in net position of \$1,361,108.

The District's total combined fund balance at the close of this fiscal year was (\$2,375,502). Fund balance is negative because of an outstanding BAN in the Capital Projects Fund.

Total combined fund balance decreased from (\$283,661) due to a deficiency of revenues over expenditures of (\$2,091,841.)

Total long-term debt at year-end was \$4,764,371 at June 30 2020, a decrease of \$28,854 from the prior year.

SCIO CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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.

The following figure summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of the Management Discussion & Analysis highlights the structure and contents of each of the statements.

SCIO CENTRAL SCHOOL DISTRICT

**Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Major Features of the District-Wide and Fund Financial Statements

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	•Statement of net position •Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

SCIO CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

District-Wide Statements

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

The two district-wide statements report the School District's net position and how it has changed. Net position – the difference between the School District's assets and liabilities – 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 is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School District's overall health, you need to consider additional non-financial factors such as changes in the 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.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

SCIO CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

Fund Financial Statements (cont.)

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

SCIO CENTRAL SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Condensed Statement of Net Position

	Governmental Activities and Total School District		Percentage
	Beginning	Ending	Change
Current and other assets	\$ 3,100,432	\$ 4,173,967	34.63%
Capital assets	<u>9,122,719</u>	<u>9,575,976</u>	<u>4.97%</u>
Total assets	<u><u>12,223,151</u></u>	<u><u>13,749,943</u></u>	<u><u>12.49%</u></u>
Deferred outflows of resources	<u>1,617,714</u>	<u>1,892,475</u>	<u>16.98%</u>
Total deferred outflows	<u><u>1,617,714</u></u>	<u><u>1,892,475</u></u>	<u><u>16.98%</u></u>
Long-term debt outstanding	4,793,225	4,764,371	-0.60%
Other liabilities	<u>3,062,639</u>	<u>6,112,669</u>	<u>99.59%</u>
Total liabilities	<u><u>7,855,864</u></u>	<u><u>10,877,040</u></u>	<u><u>38.46%</u></u>
Deferred inflows of resources	<u>575,048</u>	<u>719,672</u>	<u>25.15%</u>
Total deferred inflows	<u><u>575,048</u></u>	<u><u>719,672</u></u>	<u><u>25.15%</u></u>
Net Position:			
Net investment in capital assets	3,045,061	1,052,486	-65.44%
Restricted	754,454	781,790	3.62%
Unrestricted	<u>1,610,438</u>	<u>2,211,430</u>	<u>37.32%</u>
Total Net Position	<u>\$ 5,409,953</u>	<u>\$ 4,045,706</u>	<u>-25.22%</u>

SCIO CENTRAL SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Changes in Net Position from Operating Results

	Governmental Activities and Total School District		Percentage
	Beginning	Ending	Change
Revenues:			
Program revenues:			
Charges for services	\$ 77,694	\$ 57,916	-25.46%
Operating grants and contributions	662,428	672,655	1.54%
General revenues:			
Property taxes and tax items	2,104,193	2,145,726	1.97%
State and federal sources	7,251,413	7,823,899	7.89%
Other	<u>355,807</u>	<u>362,684</u>	<u>1.93%</u>
Total revenues	<u>10,451,535</u>	<u>11,062,880</u>	<u>5.85%</u>
Expenses:			
General support	1,946,051	4,147,997	113.15%
Instruction	6,614,668	6,970,229	5.38%
Pupil transportation	741,138	746,471	0.72%
Community	1,439	-	-100.00%
Debt service - interest	190,792	297,310	55.83%
School lunch expenditures	<u>251,207</u>	<u>265,120</u>	<u>5.54%</u>
Total expenses	<u>9,745,295</u>	<u>12,427,127</u>	<u>27.52%</u>
Changes in Net Position	706,240	(1,364,247)	-293.17%
Net Position at beginning of year	<u>4,703,713</u>	<u>5,409,953</u>	<u>-42.32%</u>
Net Position at end of year	<u>\$ 5,409,953</u>	<u>\$ 4,045,706</u>	<u>-25.22%</u>

SCIO CENTRAL SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

	Governmental Funds					Total
	General	Special Aid	School Lunch	Capital	Debt Service	
Fund Balance at June 30, 2018	<u>\$ 1,643,880</u>	<u>\$ -</u>	<u>\$ (49,416)</u>	<u>\$ (163,487)</u>	<u>\$ 186,526</u>	<u>\$ 1,617,503</u>
Revenues	9,777,014	374,892	282,259	1,336	1,607	10,437,108
Expenditures	(9,571,995)	(374,892)	(273,665)	(2,221,025)	-	(12,441,577)
Other financing sources (uses)	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>113,878</u>	<u>14,427</u>	<u>103,305</u>
Fund Balance at June 30, 2019	<u>\$ 1,823,899</u>	<u>\$ -</u>	<u>\$ (40,822)</u>	<u>\$ (2,269,298)</u>	<u>\$ 202,560</u>	<u>\$ (283,661)</u>
Revenues	10,373,293	333,644	324,761	746	2,048	11,034,492
Expenditures	(9,771,651)	(333,644)	(289,074)	(3,039,091)	-	(13,433,460)
Other financing sources (uses)	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>278,739</u>	<u>(31,612)</u>	<u>307,127</u>
Fund Balance at June 30, 2020	<u>\$ 2,485,541</u>	<u>\$ -</u>	<u>\$ (5,135)</u>	<u>\$ (5,028,904)</u>	<u>\$ 172,996</u>	<u>\$ (2,375,502)</u>

SCIO CENTRAL SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

General Fund Budgetary Highlights

The following information is presented to assist in comparing the original budget and the final modified budget and how actual results compared with these budgeted amounts.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Real property tax	\$ 1,622,080	\$ 1,622,080	\$ 1,673,654
Real property tax items	521,000	521,000	472,072
Charges for services	25,500	25,500	43,818
Use of money and property	76,000	76,000	95,940
Sale of property	900	900	68
Miscellaneous	517,152	517,152	231,499
State sources	7,928,647	7,928,647	7,812,965
Federal sources	<u>27,000</u>	<u>27,000</u>	<u>43,277</u>
Total revenues	<u>10,718,279</u>	<u>10,718,279</u>	<u>10,373,293</u>
Other sources:			
Operating transfers in	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
Total revenues and other sources	<u>\$ 10,778,279</u>	<u>\$ 10,778,279</u>	<u>\$ 10,433,293</u>
Expenditures and other uses:			
General support	\$ 1,480,745	\$ 1,617,524	\$ 1,506,601
Instruction	5,459,501	5,375,158	4,813,436
Pupil transportation	585,354	535,518	457,909
Community service	1,000	-	-
Employee benefits	1,963,800	1,961,337	1,701,773
Debt service	<u>1,291,070</u>	<u>1,291,933</u>	<u>1,291,932</u>
Total expenditures	<u>10,781,470</u>	<u>10,781,470</u>	<u>9,771,651</u>
Total expenditures	<u>\$ 10,781,470</u>	<u>\$ 10,781,470</u>	<u>\$ 9,771,651</u>

SCIO CENTRAL SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets includes land, buildings, equipment and infrastructure, including such things as parking lots and curbing.

The following table lists the capital assets:

<u>Asset</u>	Balance at 6/30/2019	Additions	Deletions	Balance at 6/30/2020
Land	\$ 1,376	-	-	\$ 1,376
Buildings	13,252,633	-	-	13,252,633
Building improvements	1,386,288	-	-	1,386,288
Equipment and vehicles	2,542,551	139,660	(313,178)	2,369,033
Work in progress	2,107,147	825,634	-	2,932,781
Total	<u>\$ 19,289,995</u>	<u>\$ 965,294</u>	<u>\$ (313,178)</u>	<u>\$ 19,942,111</u>
<u>Depreciation</u>	Balance at 6/30/2019	Additions	Deletions	Balance at 6/30/2020
Buildings	\$ 7,093,908	\$ 341,756	\$ -	7,435,664
Building improvements	1,174,412	40,039	-	1,214,451
Equipment and vehicles	1,898,956	130,242	(313,178)	1,716,020
Total	<u>\$ 10,167,276</u>	<u>\$ 512,037</u>	<u>\$ (313,178)</u>	<u>\$ 10,366,135</u>

SCIO CENTRAL SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Outstanding Long-Term Debt

	Total School District	
	6/30/2019	6/30/2020
Serial bonds	\$ 3,677,658	\$ 2,964,219
Compensated absences	250,119	255,878
OPEB	619,799	642,554
Net pension liability	245,649	901,720
Total	\$ 4,793,225	\$ 4,764,371

Constitutional Debt Limit

The constitutional debt limit for the district is contained in Section 104.00 of the Local Finance Law. The limit is 10% of the full value on the most recent tax roll. The debt limit for the district is \$9,397,910 of which 61.01% is exercised.

Bond Rating

The District's Moody's bond rating is Baa1 and their S&P rating is A.

SCIO CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

Uncertainties regarding Aid from New York State may adversely affect the District's programs and financial position.

The 2% tax cap may adversely affect the District's programs and financial position.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Scio Central School District, Scio, New York.

BASIC FINANCIAL STATEMENTS

SCIO CENTRAL SCHOOL DISTRICT

Statement of Net Position
June 30, 2020

ASSETS AND DEFERRED OUTFLOWS

Assets

Unrestricted cash	\$ 3,010,498
State and Federal aid receivable	574,593
Other receivables	15,057
Due from fiduciary funds	113,739
Inventories	16,996
Capital assets, net of depreciation	9,575,976
Net pension asset - proportionate share	443,084
Total assets	<u>13,749,943</u>

Deferred outflows of resources

Pensions	1,797,085
OPEB	95,390
Total deferred outflows of resources	<u>1,892,475</u>

Total assets and deferred outflows of resources \$ 15,642,418

The accompanying notes are an integral part of the basic financial statements.

SCIO CENTRAL SCHOOL DISTRICT

Statement of Net Position
June 30, 2020

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Liabilities

Current liabilities

Accounts payable	\$ 32,451
Accrued liabilities	132,829
Accrued interest on obligations	9,581
Due to fiduciary funds	21,882
Due to other governments	13,630

Noncurrent liabilities due within one year

Bonds payable	468,243
Bond anticipation notes payable	5,559,271
Due to Employees' retirement system	41,905
Due to Teachers' retirement system	301,120

Noncurrent liabilities due after one year

Bonds payable	2,495,976
Compensated absences	255,878
Accrued post-employment benefit obligation	642,554
Net pension liability - proportionate share	901,720

Total liabilities 10,877,040

Deferred inflows of resources

Deferred revenues	3,297
Pensions	628,917
OPEB	87,458
Total deferred inflow of resources	<u>719,672</u>

Net Position

Net investment in capital assets	1,052,486
Restricted	781,790
Unrestricted	<u>2,211,430</u>
Total Net Position	<u>4,045,706</u>

Total liabilities and Net Position \$ 15,642,418

The accompanying notes are an integral part of the basic financial statements.

SCIO CENTRAL SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2020**

	<u>Program Revenue</u>		Net (Expense)
	<u>Expenses</u>	<u>Charges for</u>	Revenue and
		<u>Services</u>	Changes in
		<u>Operating</u>	Net Position
		<u>Grants</u>	
Functions and programs:			
General support	\$ (4,147,997)	\$ -	\$ (4,147,997)
Instruction	(6,970,229)	8,642	(6,595,607)
Pupil transportation	(746,471)	35,176	(711,295)
Debt service	(297,310)	-	(297,310)
Expenditures - School Lunch	(265,120)	14,098	55,653
Total functions and programs	<u>\$ (12,427,127)</u>	<u>\$ 57,916</u>	<u>\$ (11,696,556)</u>
General Revenues:			
Real property tax			1,673,654
Real property tax items			472,072
Use of money and property			98,748
Sale of property			68
Miscellaneous			235,480
Premium on obligation			28,388
State sources			7,780,622
Federal sources			43,277
Total general revenues			<u>10,332,309</u>
Change in Net Position			(1,364,247)
Total Net Position at beginning of year			<u>5,409,953</u>
Total Net Position at end of year			<u>\$ 4,045,706</u>

The accompanying notes are an integral part of the basic financial statements.

SCIO CENTRAL SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
June 30, 2020**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:						
Unrestricted cash	\$ 2,252,114	\$ 6,068	\$ 9,339	\$ 543,364	\$ 199,613	\$ 3,010,498
State and federal aid receivable	307,670	230,279	36,644	-	-	574,593
Other receivables	15,057	-	-	-	-	15,057
Due from other funds	1,186,998	163,639	86,813	415,639	201,722	2,054,811
Inventories	-	-	16,996	-	-	16,996
Total assets	\$ 3,761,839	\$ 399,986	\$ 149,792	\$ 959,003	\$ 401,335	\$ 5,671,955

The accompanying notes are an integral part of the basic financial statements.

SCIO CENTRAL SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
June 30, 2020**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Liabilities:						
Accounts payable	\$ 32,451	\$ -	\$ -	\$ -	\$ -	\$ 32,451
Accrued liabilities	129,638	-	3,191	-	-	132,829
Due to other funds	757,711	397,986	150,282	428,636	228,339	1,962,954
Due to other governments	13,473	-	157	-	-	13,630
Bond anticipation notes payable	-	-	-	5,559,271	-	5,559,271
Due to employees' retirement system	41,905	-	-	-	-	41,905
Due to teachers' retirement system	301,120	-	-	-	-	301,120
Total liabilities	<u>1,276,298</u>	<u>397,986</u>	<u>153,630</u>	<u>5,987,907</u>	<u>228,339</u>	<u>8,044,160</u>
Deferred inflows of resources:						
Deferred revenues	<u>-</u>	<u>2,000</u>	<u>1,297</u>	<u>-</u>	<u>-</u>	<u>3,297</u>
Fund balances:						
Non-spendable	-	-	16,996	-	-	16,996
Restricted	608,794	-	-	-	172,996	781,790
Assigned	674,697	-	14,343	-	-	689,040
Unassigned	1,202,050	-	(36,474)	(5,028,904)	-	(3,863,328)
Total fund balances	<u>2,485,541</u>	<u>-</u>	<u>(5,135)</u>	<u>(5,028,904)</u>	<u>172,996</u>	<u>(2,375,502)</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 3,761,839</u>	<u>\$ 399,986</u>	<u>\$ 149,792</u>	<u>\$ 959,003</u>	<u>\$ 401,335</u>	<u>\$ 5,671,955</u>

The accompanying notes are an integral part of the basic financial statements.

SCIO CENTRAL SCHOOL DISTRICT

**Reconciliation of Governmental Funds – Balance Sheet
to the Statement of Net Position
For the Year Ended June 30, 2020**

Fund Balances - Total Governmental Funds	\$ (2,375,502)
Amounts reported for Governmental Activities in the Statement of Net Position are:	
Capital assets, net of accumulated depreciation, use in Governmental Activities are not current financial resources and are not reported in the funds.	9,575,976
The District's proportionate share of the Teacher and Employee Retirement System's net pension liability (asset) are not reported in the funds.	
TRS net pension asset	443,084
ERS net pension liability	(901,720)
Deferred outflows of resources, including OPEB and pensions, represent a consumption of net position that applies to future periods and is not reported in the funds. Deferred inflows of resources, including OPEB and pensions, represent an acquisition of net position that applies to future periods and is not reported in the funds.	
ERS and TRS deferred outflows of resources - pensions	1,797,085
OPEB deferred outflows of resources	95,390
ERS and TRS deferred inflows of resources - pensions	(628,917)
OPEB deferred inflows of resources	(87,458)
Long term liabilities are not due and payable in the current period and are not reported in the funds.	
Bonds payable	(2,964,219)
Compensated absences	(255,878)
Other post employment benefits liability	(642,554)
Interest is accrued on outstanding balances of debt obligations.	
Accrued interest on obligations	(9,581)
Net Position of Governmental Activities	<u><u>\$ 4,045,706</u></u>

The accompanying notes are an integral part of the basic financial statements.

SCIO CENTRAL SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Equity
For the Year Ended June 30, 2020**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:						
Real property tax	\$ 1,673,654	\$ -	\$ -	\$ -	\$ -	\$ 1,673,654
Real property tax items	472,072	-	-	-	-	472,072
Charges for services	43,818	-	-	-	-	43,818
Use of money and property	95,940	7	7	746	2,048	98,748
Sale of property	68	-	-	-	-	68
Miscellaneous	231,499	-	3,981	-	-	235,480
State sources	7,812,965	101,277	15,064	-	-	7,929,306
Federal sources	43,277	232,360	291,611	-	-	567,248
Sales - food service	-	-	14,098	-	-	14,098
Total revenues	<u>\$ 10,373,293</u>	<u>\$ 333,644</u>	<u>\$ 324,761</u>	<u>\$ 746</u>	<u>\$ 2,048</u>	<u>\$ 11,034,492</u>

The accompanying notes are an integral part of the basic financial statements.

SCIO CENTRAL SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Equity
For the Year Ended June 30, 2020**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Expenditures:						
General support	\$ 1,506,601	\$ -	\$ -	\$ 2,932,781	\$ -	\$ 4,439,382
Instruction	4,813,436	281,267	-	-	-	5,094,703
Pupil transportation	457,909	2,158	-	106,310	-	566,377
Employee benefits	1,701,773	50,219	23,954	-	-	1,775,946
Debt service - principal	992,179	-	-	-	-	992,179
Debt service - interest	299,753	-	-	-	-	299,753
Cost of sales	-	-	265,120	-	-	265,120
Total expenditures	<u>9,771,651</u>	<u>333,644</u>	<u>289,074</u>	<u>3,039,091</u>	<u>-</u>	<u>13,433,460</u>
Excess (deficiency) of revenues over expenditures	<u>601,642</u>	<u>-</u>	<u>35,687</u>	<u>(3,038,345)</u>	<u>2,048</u>	<u>(2,398,968)</u>
Other sources and (uses):						
Proceeds from bond issuance	-	-	-	106,310	-	106,310
Premium on obligation	-	-	-	-	28,388	28,388
BANs redeemed from appropriation	-	-	-	172,429	-	172,429
Operating transfers in	60,000	-	-	-	-	60,000
Operating transfers out	-	-	-	-	(60,000)	(60,000)
Total other sources and (uses)	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>278,739</u>	<u>(31,612)</u>	<u>307,127</u>
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	<u>661,642</u>	<u>-</u>	<u>35,687</u>	<u>(2,759,606)</u>	<u>(29,564)</u>	<u>(2,091,841)</u>
Fund equity at beginning of year	<u>1,823,899</u>	<u>-</u>	<u>(40,822)</u>	<u>(2,269,298)</u>	<u>202,560</u>	<u>(283,661)</u>
Fund equity at end of year	<u>\$ 2,485,541</u>	<u>\$ -</u>	<u>\$ (5,135)</u>	<u>\$ (5,028,904)</u>	<u>\$ 172,996</u>	<u>\$ (2,375,502)</u>

The accompanying notes are an integral part of the basic financial statements.

SCIO CENTRAL SCHOOL DISTRICT

**Reconciliation of Governmental Fund Revenues, Expenditures, and
Change in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2020**

Net change in fund balances - Total governmental funds	\$ (2,091,841)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital outlay expenditures for capital assets are recorded in governmental funds as expenditures. Such expenditures are not recorded in the Statement of Activities because they are recorded as capital assets.	965,294
Depreciation is recorded on the Statement of Activities but not in the governmental funds.	(512,037)
Repayment of debt 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 debt repayments made.	713,439
Net accrued interest for bonds not reported in the government funds.	2,443
Changes in accrued compensated absences reported in the Statement of Activities do not provide for or require the use of current financial resources and are not reported as expenditures in the governmental funds.	(5,759)
Changes in the proportionate share of the net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and are not reported as expenditures in the governmental funds:	
Employees' retirement system liability	(656,071)
Teachers' retirement system asset	109,606
The Statement of Activities shows the actual and projected long term expenditures for postemployment benefits are reported, whereas, on the governmental funds only the actual expenditures are recorded.	(22,755)
Deferred outflows and deferred inflows are not reported in the governmental funds:	
Change in deferred outflows of employees retirement system	409,533
Change in deferred outflows of teacher retirement system	(230,162)
Change in deferred outflows of other post-employment benefits	95,390
Change in deferred inflows of employees retirement system	61,789
Change in deferred inflows of teacher retirement system	(175,173)
Change in deferred inflows of other post-employment benefits	(27,943)
Change in net position of governmental activities	<u>\$ (1,364,247)</u>

The accompanying notes are an integral part of the basic financial statements.

SCIO CENTRAL SCHOOL DISTRICT

**Statement of Fiduciary Net Position
June 30, 2020**

	Private Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Unrestricted cash	\$ 35,394	\$ 99,928
Restricted cash	-	43,966
Due from other funds	<u>6,546</u>	<u>15,336</u>
Total assets	<u>\$ 41,940</u>	<u>\$ 159,230</u>
Liabilities:		
Extraclassroom activity balances	\$ -	\$ 43,966
Due to other funds	8,000	105,739
Other liabilities	<u>-</u>	<u>9,525</u>
Total liabilities	<u>8,000</u>	<u>159,230</u>
Net position:		
Held in trust for:		
Endowment scholarships	<u>33,940</u>	<u>-</u>
Total liabilities and net position	<u>\$ 41,940</u>	<u>\$ 159,230</u>

The accompanying notes are an integral part of the basic financial statements.

SCIO CENTRAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	Private Purpose Trust Fund
Additions:	
Contributions	\$ 1,944
Use of money	<u>24</u>
Total additions	<u>1,968</u>
Deductions:	
Scholarship expenses	<u>3,214</u>
Total subtractions	<u>3,214</u>
Change in Net Position	(1,246)
Net position at beginning of year	<u>35,186</u>
Net position at end of year	<u><u>\$ 33,940</u></u>

The accompanying notes are an integral part of the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies

The financial statements of the Scio Central School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are described below:

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, no entities are included in the District’s reporting entity.

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

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

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

Joint Venture (Cont.)

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

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

During the year, the District was billed \$2,388,941 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,042,232. Financial statements for BOCES are available from the BOCES administrative office.

Basis of Presentation:

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

The Statement of Activities presents a comparison between program expenses and revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue includes charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

Basis of Presentation (Cont.)

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

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions except those required to be accounted for in another fund.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State Grants, that are legally restricted to expenditures for specified purposes, school lunch operations, or 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.

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Debt Service Fund: This fund is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

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

Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

Basis of Presentation (Cont.)

Fiduciary Funds (Cont.)

Agency Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extra-classroom 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. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 365 days after the end of the fiscal year, except for real property taxes which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

Property Taxes - Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on August 15. Taxes are collected during the period September 1 to November 1.

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

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

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

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

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

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

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

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

Cash (and Cash Equivalents) - The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the District's investment policies. Resources must be deposited in 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 Districts.

Investments - Investments are stated at Fair Value.

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

Inventories - 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 that approximates market. Purchases of inventorial items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements
June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

Capital Assets - Capital assets are reported at actual cost for acquisitions or at historical costs, based on appraisals conducted by independent third-party professionals. 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 statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,500	Straight-line	30-40 years
Equipment and vehicles	1,500	Straight-line	5-20 years

Vested Employee Benefits:

Compensated absences - Compensated absences consist of unpaid accumulated annual sick leave and vacation 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.

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

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

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

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

Vested Employee Benefits (Cont.)

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

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

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

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

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

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

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

Equity Classifications:

District-wide Statements - In the district-wide statements there are three classes of net position:

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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

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

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

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes inventory in the School Lunch Fund of \$16,996.

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

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

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

Equity Classifications (Cont.)

Liability Claims and Property Loss Reserve - According to Education Law §1709(8)(c)) this reserve must be used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and may not in total exceed 3% of the total annual budget. This reserve is accounted for in the General Fund.

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

Reserve for Debt Service - According to General Municipal Law §6-1, the mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the General and Debt Service Funds.

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

Reserve for Tax Certiorari - According to Education Law §3651.1-a, this reserve must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari 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.

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements
June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

Equity Classifications (Cont.)

Retirement Contribution Reserve - According to General Municipal Law §6-r this reserve must be used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.

Restricted fund balance includes the following:

General Fund:	
Employee benefit liability	\$ 178,804
Repairs	169,639
Liability claims and property loss	70,800
Bus reserve	66,977
TRS reserve	56,900
Retirement contributions	33,495
Unemployment insurance	22,005
Debt	8,516
Equipment reserve	<u>1,658</u>
Total General Fund	<u>608,794</u>
Debt Service Fund:	
Fund balance	<u>172,996</u>
Total Debt Service Fund	<u>172,996</u>
Total Restricted Funds	<u><u>\$ 781,790</u></u>

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

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements
June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

Equity Classifications (Cont.)

Assigned - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund.

Encumbrances - Encumbrances accounting, under which purchase orders, contracts and other commitments of expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds and Capital Projects Funds. This assignment represents the amount of outstanding encumbrances at the end of the fiscal year to be potentially expended in the subsequent year.

Assigned Fund Balance includes the following:

General Fund:	
Designated for subsequent years' expenditures	\$ 606,054
Encumbrances	<u>68,643</u>
Total General Fund	<u>674,697</u>
School Lunch Fund:	
Encumbrances	<u>14,343</u>
Total School Lunch Fund	<u>14,343</u>
Total Assigned Funds	<u>\$ 689,040</u>

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

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

Order of Use of Fund Balance - The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

New Accounting Standards – The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable.

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflow of resources represents an acquisition of net position that applies to a future period(s) and so will not qualify for reporting in this category. First, arises only under modified accrual basis of accounting and is reported as unavailable revenue – property taxed. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems.

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

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

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer 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 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 State 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, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. 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 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 Constitution provides that membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The district also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System 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.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements
June 30, 2020

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

Contributions

The systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first 10 years of membership, and employees who joined on or after January 1, 2010 contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, Contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>NYSERS</u>	<u>NYSTRS</u>
2020	\$ 130,627	\$ 302,322
2019	136,808	352,315
2018	155,294	371,954

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

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

SCIO CENTRAL SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2020**

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

For the year ended June 30, 2020, the districted recognized a pension expense of \$309,766 for ERS and \$573,127 for TRS. At June 30, 2020, the district's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 53,070	\$ 300,267	\$ -	\$ 32,949
Changes of Assumptions	18,156	837,045	15,678	204,095
Net difference between projected and actual earnings on pension plan investments	462,266	-	-	355,331
Changes in proportion and differences between District contributions and proportionate share of contributions	4,496	139,048	13,114	7,750
District's contributions subsequent to the measurement date	(1,296)	(15,967)	-	-
Total	\$ 536,692	\$ 1,260,393	\$ 28,792	\$ 600,125

SCIO CENTRAL SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2020**

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>ERS</u>	<u>TRS</u>
2020		\$ 225,635
2021	\$ 85,489	37,897
2022	126,074	224,909
2023	164,533	151,720
2024	133,101	34,586
Thereafter	-	1,487

ACTUARIAL ASSUMPTIONS

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below. The actuarial valuations used the following actuarial assumptions:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Actuarial Valuation date	April 1, 2019	June 30, 2018
Interest Rate	6.80%	7.10%
Salary scale	3.80%	1.90% - 4.72%
Decrement Tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	System's experience	System's Experience
Inflation Rate	2.50%	2.25%

SCIO CENTRAL SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2020**

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

ACTUARIAL ASSUMPTIONS (cont.)

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. The previous actuarial valuation as of April 1, 2018 used the Society of Actuaries’ Scale MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System’s experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

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 are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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 weighing the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. The previous actuarial valuation as of April 1, 2018 used a long-term expected rate of return of 7.0%. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS	TRS
Measurement date	March 31, 2020	June 30, 2019
Asset Type:		
Domestic Equity	4.05%	6.3%
International Equity	6.15%	7.8%
Real Estate	4.95%	4.6%
Domestic fixed income securities	-	1.3%
Global fixed income securities	-	0.9%
Bonds and Mortgages	0.075%	2.9%
Short-term	-	0.3%

SCIO CENTRAL SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2020**

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

DISCOUNT RATE

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

SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO THE DISCOUNT RATE

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.8% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension asset (liability), would be if it were calculated using a discount rate that is 1-percentage point lower (5.80% for ERS and 6.10% for TRS) or 1-percentage point higher (7.80% for ERS and 8.10% for TRS), than the current rate:

	1% Decrease	Current Assumption	1% Increase
ERS	<u>5.80%</u>	<u>6.80%</u>	<u>7.80%</u>
Employer's proportionate share of the net pension liability (asset)	<u>\$ 1,654,911</u>	<u>\$ 901,720</u>	<u>\$ 208,028</u>
	1% Decrease	Current Assumption	1% Increase
TRS	<u>6.10%</u>	<u>7.10%</u>	<u>8.10%</u>
Employer's proportionate share of the net pension liability (asset)	<u>\$ 2,000,036</u>	<u>\$ (443,084)</u>	<u>\$ (2,492,586)</u>

SCIO CENTRAL SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2020**

Note 1 - Summary of Certain Significant Accounting Policies (Cont.)

PENSION PLAN FIDUCIARY NET POSITION

The components of the current-year pension asset / (liability) of the employers, as of the respective valuation dates, were as follows:

	<u>ERS</u>	<u>TRS</u>	<u>TOTAL</u>
Valuation Date	April 1, 2019	June 30, 2018	
Employers' total pension liability (asset)	901,720	(443,084)	458,636
Plan Net Position	-	-	-
Employers' net position liability (asset)	901,720	(443,084)	458,636
Ration of plan net position to the Employers' total pension liability (asset)	100%	100%	100%

PAYABLES TO THE PENSION PLAN

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions, as of June 30, 2020, amounted to \$41,905.

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 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 \$301,120.

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 2 - Explanation of Certain Differences between Governmental Fund Statements and District-wide Statements

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

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities - Total fund balances of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities - Differences between the Funds Statements of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

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

Capital Related Differences - Capital related differences include the difference between proceeds for the sale of capital assets reported on funds statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the funds statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-term Debt Transaction Differences - Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 3 - Stewardship, Compliance, and Accountability

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

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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

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

Certain Special Revenue Funds have not been included in the comparison because they do not have legally authorized (appropriated) budgets.

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

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements
June 30, 2020

Note 3 - Stewardship, Compliance, and Accountability (Cont.)

Deficit Fund Balance - The Capital Projects Fund has a deficit fund balance at June 30, 2020. This will be funded through future Capital Reserve transfers. The School Lunch Fund also has a deficit fund balance. This is due to past and current expenditures exceeding revenues from local sources.

Note 4 - Cash and Cash Equivalents

Cash - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Collateralized with securities held by the pledging financial institution, or its trust department or agent in the District's name:	<u>\$ 2,730,219</u>
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Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$43,966 in the fiduciary funds which represents amounts held for the District's student activities.

SCIO CENTRAL SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2020**

Note 5 - Receivables

Receivables at year-end for individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>			<u>Total</u>
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	
State and Federal aid receivable	\$ 307,670	\$ 230,279	\$ 36,644	\$ 574,593
Other receivables	15,057	-	-	15,057
Total	<u>\$ 322,727</u>	<u>\$ 230,279</u>	<u>\$ 36,644</u>	<u>\$ 589,650</u>

District management has deemed the amounts to be fully collectible.

SCIO CENTRAL SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2020**

Note 6 - Capital Assets

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Capital Assets that are not depreciated				
Land	\$ 1,376	-	-	\$ 1,376
Capital Assets that are depreciated				
Buildings	\$ 13,252,633	\$ -	\$ -	\$ 13,252,633
Building improvements	1,386,288	-	-	1,386,288
Vehicles	1,130,447	120,810	(296,031)	955,226
Equipment	1,412,104	18,850	(17,147)	1,413,807
Work in Progress	2,107,147	825,634	-	2,932,781
Total Historical Cost	19,289,995	965,294	(313,178)	19,942,111
Less Accumulated Depreciation				
Buildings	7,093,908	341,756	-	7,435,664
Building improvements	1,174,412	40,039	-	1,214,451
Vehicles	786,051	96,254	(296,031)	586,274
Equipment	1,112,905	33,988	(17,147)	1,129,746
Total Accumulated Depreciation	10,167,276	512,037	(313,178)	10,366,135
Total Depreciable Historical Cost, Net	\$ 9,122,719	\$ 453,257	\$ -	\$ 9,575,976

Depreciation expense charged to governmental functions as follows:

Instruction	\$ 348,185
Pupil Transportation	163,852
Total depreciation	\$ 512,037

SCIO CENTRAL SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2020**

Note 7 - Short-term Debt

The District had BANs outstanding totaling \$5,559,271 as of June 30, 2020.

Note 8 - Long-term Debt

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

	<u>Balance at</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2020</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Government Activities:					
Bonds payable	\$ 3,677,658	\$ 106,310	\$ (819,749)	\$ 2,964,219	\$ 468,243
Compensated absences	250,119	5,759	-	255,878	-
OPEB	619,799	22,755	-	642,554	-
Net pension liability	245,649	656,071	-	901,720	-
Total Long-Term Liabilities	<u>\$ 4,793,225</u>	<u>\$ 790,895</u>	<u>\$ (819,749)</u>	<u>\$ 4,764,371</u>	<u>\$ 468,243</u>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

Existing serial, statutory, and refinancing bond obligations are as follows:

<u>Description</u>	<u>Issue</u> <u>Date</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u>
Serial bonds	12/08	12/22	3.50 - 4.50%	665,000
Serial bonds	6/17	6/32	5.0%	2,050,000
Statutory installment bond	11/15	11/20	2.75%	15,404
Statutory installment bond	8/17	8/22	3.00%	56,403
Statutory installment bond	8/19	8/23	3.50%	71,102
Statutory installment bond	9/19	9/24	2.70%	106,310
				<u>\$ 2,964,219</u>

SCIO CENTRAL SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2020**

Note 8 - Long-term Debt (Cont.)

The following is a summary of debt service requirements:

Fiscal Year Ended	Principal	Interest	Total
June 30,			
2021	\$ 468,243	\$ 130,606	\$ 598,849
2022	472,838	111,497	584,335
2023	347,838	93,431	441,269
2024	199,038	82,520	281,558
2025	186,262	73,324	259,586
2026 - 2030	960,000	230,750	1,190,750
2031 - 2032	330,000	22,000	352,000
Total	\$ 2,964,219	\$ 744,128	\$ 3,708,347

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

Interest Paid	\$ 299,753
Less: Interest accrued in prior year	(12,024)
Add: Interest accrued in current year	9,581
Total expense	\$ 297,310

SCIO CENTRAL SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2020**

Note 9 - Interfund Transactions – Governmental Funds

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The 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.

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
Fund:				
General Fund	\$ 1,186,998	\$ 757,711	\$ 60,000	\$ -
Special Aid Fund	163,639	397,986	-	-
School Lunch Fund	86,813	150,282	-	-
Capital Projects Fund	415,639	428,636	-	-
Debt Service Fund	201,722	228,339	-	60,000
Total Governmental Funds	2,054,811	1,962,954	60,000	60,000
Fiduciary Funds	21,882	113,739	-	-
Total Fiduciary Funds	21,882	113,739	-	-
Total Governmental and Fiduciary Funds	\$ 2,076,693	\$ 2,076,693	\$ 60,000	\$ 60,000

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements
June 30, 2020

Note 10 - Post-Employment (Health Insurance) Benefits (GASB 75)

General Information about the OPEB Plan

Plan Description – The Districts defined benefit OPEB plan provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided – The District provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Total OPEB Liability

The District’s total OPEB liability of \$642,554 was measured as of July 1, 2019 and was determined by an actuarial valuation as of July 1, 2018.

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

Inflation	2.50%
Salary increases	4.70%
Discount rate	3.51%
Healthcare cost trend rates	7.5% for 2020, decreasing 1.00 percent per year to an ultimate rate of 4.50% for 2026 and later years

The discount rate was selected from a range of indices for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher.

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

SCIO CENTRAL SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2020**

Note 10 - Post-Employment (Health Insurance) Benefits (GASB 75) (Cont.)

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 714,972
<u>Changes for the year:</u>	
Service cost	25,169
Interest	26,710
Changes of benefit terms	(36,193)
Differences between expected and actual experience	
Changes in assumptions or other inputs	12,773
Benefit payments	<u>(100,877)</u>
Net changes	<u>(72,418)</u>
Balance at June 30, 2020	<u>\$ 642,554</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2019 to 3.51 percent in 2020.

Sensitivity to the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51 percent) or 1 percentage point higher (4.51 percent) than the current discount rate:

	<u>1% Decrease (2.51%)</u>	<u>Discount Rate (3.51%)</u>	<u>1% Increase (4.51%)</u>
Total OPEB Liability	\$ 679,333	\$ 642,554	\$ 607,714

SCIO CENTRAL SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2020**

Note 10 - Post-Employment (Health Insurance) Benefits (GASB 75) (Cont.)

Sensitivity to the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current healthcare cost trend rate:

	1% Decrease (6.5% Decreasing to 3.50%)	Healthcare Cost trend rates (7.5% Decreasing to 4.5%)	1% Increase (8.5% Decreasing to 5.5%)
Total OPEB Liability	\$ <u>588,580</u>	\$ <u>642,554</u>	\$ <u>704,759</u>

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$39,782. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 9,271	\$ (57,305)
Changes of assumptions or other inputs	11,176	(30,153)
Contributions subsequent to the measurement period	<u>74,943</u>	<u>-</u>
	\$ <u>95,390</u>	\$ <u>(87,458)</u>

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements
June 30, 2020

Note 10 - Post-Employment (Health Insurance) Benefits (GASB 75) (Cont.)

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2021	\$ (12,097)
2022	(12,097)
2023	(12,097)
2024	(12,097)
2025	(12,097)
Thereafter	(6,525)

Note 11 - Commitments and Contingencies

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

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employee; errors and omissions; natural disaster, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

The District participates in a risk sharing pool, Allegany Cattaraugus Workmen's Compensation, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risk related to Workers' Compensation claims. For the year ended June 30, 2020 the District paid incurred premiums or contribution expenditures totaling \$32,241.

For its employee health and accident insurance coverage, injuries to employees, the District is a participant in the Allegany/Cattaraugus Medical Plan, a public entity risk pool operated for the benefit of 21 individual government units located within the Allegany/Cattaraugus area. The District pays an annual premium to the plan for this medical coverage, which totaled \$1,308,914 for the year ended June 30, 2020. The Allegany/Cattaraugus Medical Plan is considered a self-sustaining risk pool that will provide unlimited coverage for its members per insured event. The Allegany/Cattaraugus Medical Plan obtains coverage for insured events in excess of the \$250,000 limit and the District has essentially transferred all related risk to the pool.

SCIO CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2020

Note 12 – Subsequent Events

The District has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 8, 2020 (the date the financial statements were available to be issued).

Prior to and subsequent to the year ended June 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to operations and the impact of reduced consumer spending. In addition, global markets have seen significant declines. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impacts to the District, there is a reasonable possibility that the impact on the District's financial position and the results of future operations could be material.

REQUIRED SUPPLEMENTARY INFORMATION

SCIO CENTRAL SCHOOL DISTRICT

**Schedule of Revenues – Budget and Actual – General Fund
For the Year Ended June 30, 2020**

Revenues:	Original Budget	Final Budget	Actual	Variance
Local sources:				
Real property taxes	\$ 1,622,080	\$ 1,622,080	\$ 1,673,654	\$ 51,574
Non-property tax items	521,000	521,000	472,072	(48,928)
Charges for services	25,500	25,500	43,818	18,318
Use of money and property	76,000	76,000	95,940	19,940
Sale of property	900	900	68	(832)
Miscellaneous	57,000	57,000	231,499	174,499
State sources:				
Basic formula aid	6,835,865	6,835,865	5,908,401	(927,464)
Lottery aid	-	-	829,989	829,989
BOCES aid	1,061,015	1,061,015	1,042,232	(18,783)
Textbook aid	17,708	17,708	18,000	292
Computer software	11,788	11,788	12,256	468
Library A/V loan program	2,271	2,271	2,087	(184)
Federal sources	27,000	27,000	43,277	16,277
Total revenues	<u>10,258,127</u>	<u>10,258,127</u>	<u>10,373,293</u>	<u>115,166</u>
Other sources:				
Operating transfers in	60,000	60,000	60,000	-
Total other sources	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Total revenues and other sources	10,318,127	10,318,127	<u>\$ 10,433,293</u>	<u>\$ 115,166</u>
Designated Fund Balance	460,152	460,152		
Appropriated Reserves - Prior Year Encumbrances	<u>3,191</u>	<u>3,191</u>		
Total revenues, Appropriated Reserves and Designated Fund Balance	<u>\$ 10,781,470</u>	<u>\$ 10,781,470</u>		

See Independent Auditor's Report.

SCIO CENTRAL SCHOOL DISTRICT

**Schedule of Expenditures and Changes in Fund Balance – Budget and Actual – General Fund
For the Year Ended June 30, 2020**

Expenditures:	Original Budget	Final Budget	Actual	Encumbrances	Variance
General support:					
Board of education	\$ 13,300	\$ 15,778	\$ 15,778	\$ -	\$ -
Central administration	182,587	190,405	190,405	-	-
Finance	162,072	193,759	193,759	-	-
Staff	177,314	189,485	189,595	-	(110)
Central services	826,535	906,420	795,387	54,789	56,244
Special items	118,937	121,677	121,677	-	-
Total general support	<u>1,480,745</u>	<u>1,617,524</u>	<u>1,506,601</u>	<u>54,789</u>	<u>56,134</u>
Instruction:					
Instruction, administration and improvement	270,099	275,069	265,985	-	9,084
Teaching - regular school	2,473,941	2,430,357	2,407,274	11,498	11,585
Programs for children with disabilities	1,450,664	1,381,602	916,899	-	464,703
Occupational education	513,264	511,311	511,004	-	307
Teaching - special schools	7,350	12,260	8,520	-	3,740
Instructional media	339,528	336,993	321,172	-	15,821
Pupil services	404,655	427,566	382,582	2,355	42,629
Total instruction	<u>5,459,501</u>	<u>5,375,158</u>	<u>4,813,436</u>	<u>13,853</u>	<u>547,869</u>
Pupil transportation	585,354	535,518	457,909	-	77,609
Community service	1,000	-	-	-	-
Employee benefits	1,963,800	1,961,337	1,701,773	-	259,564
Debt service:					
Debt service - principal	859,751	992,180	992,179	-	1
Debt service - interest	431,319	299,753	299,753	-	-
Total debt service	<u>1,291,070</u>	<u>1,291,933</u>	<u>1,291,932</u>	<u>-</u>	<u>1</u>
Total expenditures	<u>10,781,470</u>	<u>10,781,470</u>	<u>9,771,651</u>	<u>68,642</u>	<u>941,177</u>
Total expenditures	<u>\$ 10,781,470</u>	<u>\$ 10,781,470</u>	<u>\$ 9,771,651</u>	<u>\$ 68,642</u>	<u>\$ 941,177</u>

See Independent Auditor's Report.

SCIO CENTRAL SCHOOL DISTRICT

**Schedule of Change From Adopted Budget to Final Budget
and the Real Property Tax Limit – General Fund
For the Year Ended June 30, 2020**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 10,778,279
Add:		
Prior year's encumbrances		<u>3,191</u>
Final Budget		<u><u>\$ 10,781,470</u></u>

Section 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter approved expenditure budget		<u>\$ 10,995,335</u>
Maximum allowed (4% of 2020-21 budget)		<u>\$ 439,813</u>

General Fund Balance Subject to Section 1318 of Real Property Tax Law:

Unrestricted fund balance:

Assigned fund balance	674,697
Unassigned fund balance	<u>1,202,050</u>
Total unrestricted fund balance	<u>1,876,747</u>

Less:

Appropriated fund balance	606,054
Encumbrances (included in committed and assigned fund balance)	<u>68,643</u>
Total adjustments	<u>674,697</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 1,202,050

Actual Percentage 10.93%

SCIO CENTRAL SCHOOL DISTRICT

**Schedule of Project Expenditures – Capital Projects Fund
For the Year Ended June 30, 2020**

Project Title:	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance 6/30/2020	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
Emergency Project	\$ 200,000	\$ 150,000	\$ 140,171	\$ -	\$ 140,171	\$ 9,829	\$ -	\$ -	\$ 150,074	\$ 150,074	\$ 9,903
Buses	106,310	106,310	113,878	106,310	220,188	(113,878)	195,188	-	46,527	241,715	21,527
Renovation Project	2,715,171	2,715,171	2,891,856	-	2,891,856	(176,685)	2,799,063	131,938	103,477	3,034,478	142,622
2019 Capital Project	5,731,700	5,731,700	2,378,473	2,932,781	5,311,254	420,446	172,429	-	-	172,429	(5,138,825)
Contingency	<u>99,100</u>	<u>99,100</u>	<u>64,131</u>	<u>-</u>	<u>64,131</u>	<u>34,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,131)</u>
Total	<u>\$ 8,852,281</u>	<u>\$ 8,802,281</u>	<u>\$5,588,509</u>	<u>\$3,039,091</u>	<u>\$8,627,600</u>	<u>\$ 174,681</u>	<u>\$3,166,680</u>	<u>\$ 131,938</u>	<u>\$ 300,078</u>	<u>\$3,598,696</u>	<u>\$ (5,028,904)</u>

See Independent Auditor's Report.

SCIO CENTRAL SCHOOL DISTRICT

**Net Investment in Capital Assets
For the Year Ended June 30, 2020**

Capital Assets, net		\$ 9,575,976
Deduct:		
BANs payable	(5,559,271)	
Short-term portion of bonds payable	(468,243)	
Long-term portion of bonds payable	<u>(2,495,976)</u>	
Total deductions		<u>(8,523,490)</u>
Net Investment in Capital Assets		<u>\$ 1,052,486</u>

See Independent Auditor's Report.

SCIO CENTRAL SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)

**NYSLRS Pension Plan
For the Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability (asset)	0.020%	0.022%	0.023%
District's proportionate share of the net pension liability (asset)	458,636	(87,829)	(28,471)
District's covered-employee payroll	3,919,620	3,754,069	3,890,319
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.70%	-2.34%	-0.73%

See Independent Auditor's Report.

SCIO CENTRAL SCHOOL DISTRICT

Schedule of the District's Contributions

**NYSLRS Pension Plan
For the Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	432,949	431,198	496,333
Contributions in relation to the contractually required contribution	432,949	431,198	496,333
Contribution deficiency (excess)	-	-	-
District's covered-employee payroll	3,919,620	3,754,069	3,890,318
Contributions as a percentage of covered-employee payroll	11.05%	11.49%	12.76%

See Independent Auditor's Report.

SCIO CENTRAL SCHOOL DISTRICT

**Schedule of Funding Progress of Other Post-Employment Benefits
For the Year Ended June 30, 2020**

Measurement date	June 30, 2020	June 30, 2019
Total OPEB Liability:		
Service cost	\$ 25,169	\$ 28,032
Interest	26,710	26,235
Changes in benefit terms	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(36,193)	12,361
Changes of assumptions or other inputs	12,773	(17,704)
Benefit payments	<u>(100,877)</u>	<u>(84,987)</u>
Net change in total OPEB liability	(72,418)	(36,063)
Total OPEB - beginning	<u>714,972</u>	<u>751,035</u>
Total OPEB - ending	<u><u>\$ 642,554</u></u>	<u><u>\$ 714,972</u></u>
 Covered payroll	 <u><u>\$ 3,731,731</u></u>	 <u><u>\$ 3,640,713</u></u>
 Total OPEB liability as a percentage of covered payroll	 17.22%	 19.64%

See Independent Auditor's Report.



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
Scio Central School District
Scio, New York

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scio Central School District, as of and for the year ended June 30, 2020, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 8, 2020. 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.

Internal Control Over Financial Reporting

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

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

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

BUFFALO
36 Niagara Street
Tonawanda, NY 14150
P: (716) 694-0336

COOPERSTOWN
55-57 Grove Street
Cooperstown, NY 13326
P: (607) 282-4161

ONEONTA
189 Main Street, Suite 302
Oneonta, NY 13820
P: (607) 432-3462

PERRY
199 S. Main Street, PO Box 1
Perry, NY 14530
P: (585) 237-3887

ROCHESTER
150 State Street, Suite 301 A
Rochester, NY 14614
P: (585) 410-6733

VICTOR
6536 Anthony Drive, Suite B
Victor, NY 14564
P: (585) 410-6733

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scio Central School District's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Allied CPAs, P.C.

Tonawanda, New York
October 8, 2020