

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Financial Statements as of**

**June 30, 2020**

**Together with Independent Auditor's Report and Reports**

**Required by the Uniform Guidance and *Government***

***Auditing Standards***

**Bonadio & Co., LLP**  
**Certified Public Accountants**

# LAFAYETTE CENTRAL SCHOOL DISTRICT

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June 30, 2020

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**INDEPENDENT AUDITOR'S REPORT**

October 8, 2020

To the Board of Education  
LaFayette Central School District:

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

**Other Matters***Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining Balance Sheet and Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Non-major Governmental Funds; the Schedule of Change from Original Budget to Revised Budget and the Real Property Tax Limit - General Fund; Schedule of Project Expenditures - Capital Projects Fund; and the Schedule of Net Investment in Capital Assets are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The Combining Balance Sheet and Combining Statement of Revenue, Expenditures, and Changes in Fund Balance and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Balance Sheet and Combining Statement of Revenue, Expenditures, and Changes in Fund Balance and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Change from Original Budget to Revised Budget and the Real Property Tax Limit - General Fund; Schedule of Project Expenditures - Capital Projects Fund; and the Schedule of Net Investment in Capital Assets have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

*Bonadio & Co., LLP*

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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The following is a discussion and analysis of the LaFayette Central School District's (the District) financial performance for the fiscal year ended June 30, 2020. The section is a summary of the 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 District's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

- The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of standards set by the Governmental Accounting Standards Board (GASB). The School District's OPEB liability at June 30, 2019 totaled \$32,871,290. The changes during the fiscal year included service cost of \$1,133,808, interest cost of \$1,175,835, differences between expected and actual experience \$164,646, changes in assumptions and other inputs of \$9,149,993 and benefit payments of \$(1,019,824). The accumulated OPEB liabilities at June 30, 2020 totaled \$43,475,748.
- The Statement of Net Position reflects a total net position (deficit) of \$(8,506,161) at June 30, 2020. This compares to the prior year net position (deficit) of \$(5,978,177) which is a net deficit decrease of \$2.5 million. The decrease is primarily related to annual other postemployment benefit (OPEB) costs. Other increases relate to BOCES expenses totaling \$1 million and an underbudgeted BAN payment of \$.6 million.
- Capital assets, net of accumulated depreciation during 2019-2020 amounted to approximately \$34.7 million. This is an increase over the prior year of \$4.3 million and is primarily due to increases in construction in progress and furniture, equipment and vehicles.
- General revenue, which includes State aid, and property taxes, accounted for \$22,445,726 of all revenue. Overall, general revenues increased \$1 million due to other minor increases in several different categories. Program specific revenue in the form of Charges for Services, Operating Grants and Contributions and Capital Grants and Contributions accounted for \$4,606,850 of total revenue.
- Total expenses in the government-wide financial statements totaled \$29,580,560 and \$24,972,518 in 2020 and 2019, respectively, which totalled an overall increase in expense of \$4.6 million.
- As of the close of the fiscal year, The District's governmental funds reported combined fund balances (deficit) of \$5,913,430 and \$5,557,565 in 2020 and 2019, respectively, a increase of \$355,865 from 2019 to 2020.

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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- The 2019-2020 school year was an unusual one with the advent of COVID-19 and the related school closures in March. The District implemented remote learning immediately upon schools being closed. As expected, additional expenses were incurred to ensure all students had an equal opportunity for remote learning. With COVID-19 continuing through the 2020-2021 school year, it is expected more expenses for personal protective equipment (PPE) will be experienced. While there is CARES act funding available, it is limited and is being used exclusively for professional development for our teaching staff. All of the PPE and other COVID expenses will be submitted to FEMA for reimbursement, however, it is unknown whether any of these claims will actually be funded.
- Additionally, NYS is currently in the middle of a financial crisis. They have warned school districts that up to 20% of state aid could be cut from the school district's expected state aid. This will have a devastating effect on schools and their ability to properly educate students. Some payments have had 20% withheld with no guarantee that it will be paid in the future. With the uncertainty surrounding state aid, districts will be having to plan for drastic cuts to their programs and staffing in the 2020-2021 school year and beyond.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis (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 District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are Governmental fund financial statements that focus on individual activities of the District, reporting the operation in more detail than the District-wide statements.
  - The Governmental fund statements tell how basic services, such as instruction and support functions, were financed in the short-term, as well as what remains for future spending.
  - Fiduciary fund statements provide information about financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison to the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.



**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)  
June 30, 2020**

**Table A-1** Organization of the District’s Annual Financial Report

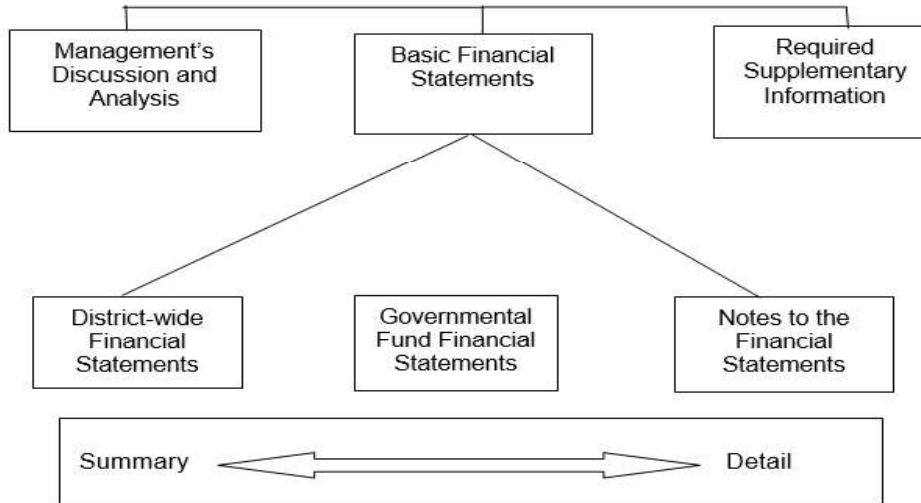


Table A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

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

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

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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#### District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenue 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 District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional nonfinancial factors, such as changes in the property tax base and the condition of buildings and other facilities, should be considered.

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

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

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
  - Net investment in capital assets.
  - Restricted net position includes resources with constraints placed on use by external sources or imposed by law.
  - Unrestricted net position is net position that does not meet any of the above restrictions.

#### FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out of the District and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund 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 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 fund statements explain the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General fund, Special Aid fund, School Lunch fund, Debt Service fund and the Capital Projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The 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 District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

### Financial Analysis of the District as a Whole

Our analysis below focuses on the net position (Table A-3) and the change in net position (Table A-4) of the District-wide governmental activities.

**Table A-3** Condensed Statements of Net Position - Governmental Activities (in thousands)

	Fiscal Year 2020	Fiscal Year 2019	Percent Change
Current assets	13,785	10,921	26.22%
Non-current assets	<u>36,230</u>	<u>31,470</u>	<u>15.13%</u>
Total Assets	50,015	42,391	17.99%
Deferred outflow	<u>14,800</u>	<u>6,568</u>	<u>125.34%</u>
Current liabilities	7,726	5,390	43.35%
Long-term liabilities	<u>62,232</u>	<u>46,567</u>	<u>33.64%</u>
Total liabilities	69,959	51,957	34.65%
Deferred inflow	3,363	2,980	12.84%
Net Position:			
Net investment in capital assets	18,825	17,841	5.51%
Restricted	5,709	5,709	-0.01%
Unrestricted (Deficit)	<u>(33,039)</u>	<u>(29,528)</u>	<u>11.89%</u>
Total net position	<u>(8,506)</u>	<u>(5,978)</u>	<u>42.29%</u>

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)**

**June 30, 2020**

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In Table A-3, total assets at June 30, 2020 were approximately \$7.6 million higher than at June 30, 2019. Current assets increase approximately \$2.8 million, due to a decrease in cash of approximately \$2.3 million and increase in the amount receivable for ONS tuition, operations and maintenance of approximately \$4.5 million.

Deferred outflows/inflows mostly account for the GASB No. 68, recording of pensions and GASB 75, other post employment benefits.

Total liabilities increased by approximately \$18 million due primarily to the increase in the OPEB liability.

**Table A-4** Changes in Net Position from Operating Results - Governmental Activities (in thousands)

	Fiscal Year 2020	Fiscal Year 2019	Percent Change
Revenue:			
Charges for services	3,073	3,276	-6.20%
Operating and capital grants	1,534	1,141	34.45%
General revenue:			
Real property taxes	5,353	5,163	3.68%
Nonproperty taxes	824	871	-5.44%
State and Federal sources	15,766	14,896	5.84%
Use of money and property	82	63	30.74%
Other	<u>421</u>	<u>398</u>	<u>5.70%</u>
Total Revenue	<u><u>27,053</u></u>	<u><u>25,808</u></u>	<u><u>4.82%</u></u>
Expenses			
General support	5,608	3,870	44.91%
Instruction	20,919	18,402	13.68%
Pupil transportation	1,542	1,552	-0.63%
Interest	494	546	-9.61%
School lunch program	<u>1,017</u>	<u>603</u>	<u>68.72%</u>
Total expenses	<u><u>29,581</u></u>	<u><u>24,973</u></u>	<u><u>18.45%</u></u>
Increase in net position	<u><u>(2,528)</u></u>	<u><u>835</u></u>	<u><u>-402.75%</u></u>

**Changes in Net Position**

The District’s total fiscal year 2020 revenues totaled \$27.1 million. (See Table A-4). Property taxes (including other tax items) and state and federal sources formula aid accounted for most of the District’s revenue which represents an increase of \$1.1 million. (See Table A-5). The remainder came from fees charged for services, operating and capital grants, use of money and property, and other miscellaneous sources.

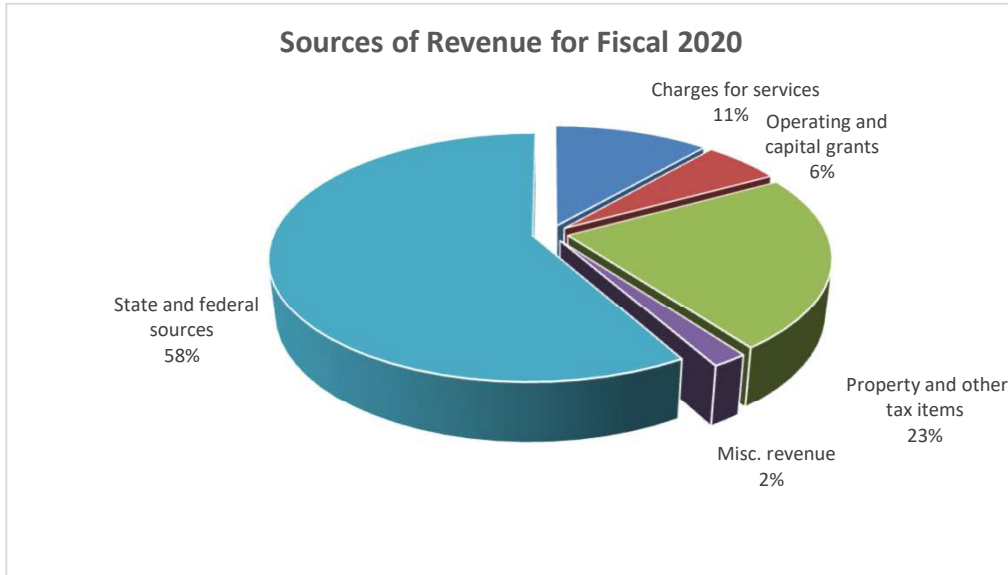
**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)  
June 30, 2020**

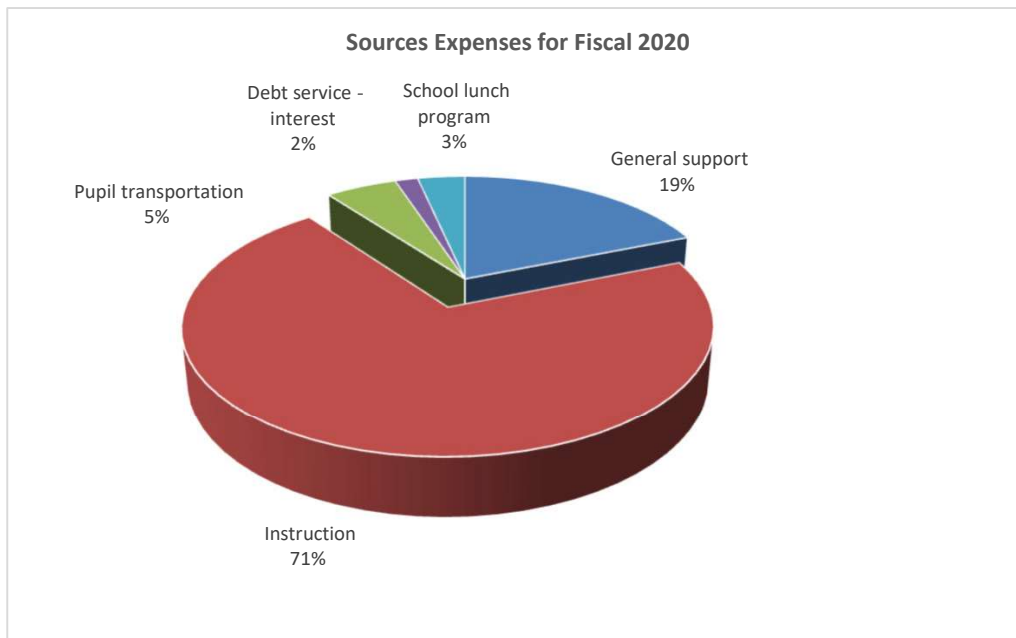
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The total cost of all programs and services totaled \$29.6 million for fiscal year 2020 which is an increase over 2019 of \$4.6 million. These expenses are predominately related to general instruction, which account for 71% of District expenses. (See Table A-6). The District’s general support activities accounted for 19% of total costs.

**Table A-5 Sources of Revenue for Fiscal Year 2020**



**Table A-6 Expenses for Fiscal Year 2020**



**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Management’s Discussion and Analysis (Unaudited)**

**June 30, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**Financial Analysis of the District’s Funds**

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

At June 30, 2020, the District, in its governmental funds, reported combined fund balances of \$5.9 million, an increase of \$.3 million over the prior year.

**General Fund Budgetary Highlights**

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

**Table A-7 Results vs. Budget (in thousands)**

	Original Budget	Final Budget	Actual	Encumbrances	Variance Positive/ (Negative)
<b>Revenue:</b>					
Local sources	\$ 9,056	\$ 9,056	\$ 9,566	\$ -	\$ (510)
State and federal sources	15,848	15,848	15,621	-	227
Total	<u>24,904</u>	<u>24,904</u>	<u>25,187</u>	<u>-</u>	<u>(283)</u>
<b>Expenditures:</b>					
General support	3,050	3,074	2,516	22	536
Instruction	13,624	13,753	13,211	52	490
Community Services	2	2	0	-	2
Employee benefits	6,093	6,093	5,485	-	608
Transportation	1,025	1,034	868	15	151
Debt service	1,920	1,920	3,014	-	(1,094)
Other financing sources (uses)	(261)	(261)	163	-	(424)
Total	<u>25,454</u>	<u>25,616</u>	<u>25,257</u>	<u>89</u>	<u>270</u>
Revenue over (under) expense	<u>\$ (550)</u>	<u>\$ (712)</u>	<u>\$ (71)</u>	<u>\$ (89)</u>	<u>\$ (553)</u>

The General fund is the only fund for which a budget is legally adopted, and includes the Onondaga Nation School budget. For the purposes of the above analysis the budget columns do not include appropriated fund balance.

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

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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- Instruction expenditures including special education was approximately \$490 thousand less than budgeted. The District has prepared its budgets in a way to support health and safety as well as the needs of the students. The District prepares for additional staffing based on programs in case there is a need for a long term sub or additional staffing for student needs.
- Employee benefits was approximately \$608 thousand less than budgeted. The District plans budgetarily in the case of additional employee benefit needs for current staff or additional staffing.
- Debt service was approximately \$1.1 million more than budgeted. This was the result of a BAN pay-off payment made using building aid funds. Native American building aid funds are paid by applying the aid received to the BAN thereby reducing the overall project debt.

#### Capital Assets

As of June 30, 2020, the District had invested in a broad range of capital assets. Building and improvements decreased approximately \$1.0 million due to depreciation expense and disposals, however, construction in progress increased by \$4.5 million. Overall net capital assets increased by \$4.3 million. Construction in progress is related to two capital projects that are in the closeout stage. Next year, these additions will be reflected in building and improvements.

**Table A-8** Capital Assets (net of depreciation)

Category:	Fiscal Year	Fiscal Year	Percent
	2020	2019	Change
Land	\$ 156,400	\$ 156,400	0.00%
Construction in progress	6,164,744	1,626,955	278.91%
Site improvements	-	-	0.00%
Building and improvements	26,611,997	27,634,802	-3.70%
Furniture, equipment and vehicles	<u>1,783,367</u>	<u>1,006,115</u>	<u>77.25%</u>
Total	<u>\$ 34,716,508</u>	<u>\$ 30,424,272</u>	<u>14.11%</u>

#### Long-Term Debt

At year-end, the District had \$15.9 million in general obligation bonds outstanding and \$46.3 million in other long term liabilities. General obligation bonds increased by \$3.3 million due to the bonding of a new capital project. The remaining increase of \$12.4 million relates primarily to other post employment benefit obligations (OPEB) and ERS net pension liability changes. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Management's Discussion and Analysis (Unaudited)  
June 30, 2020**

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**Table A-9** Outstanding Long-Term Debt

	Fiscal Year 2020	Fiscal Year 2019	Percent Change
Category:			
General obligation bonds	\$ 15,892	\$ 12,583	26.30%
Net pension liability - ERS	2,107	524	302.09%
Compensated absences	758	589	28.67%
Other postemployment benefit obligation			
	<u>43,476</u>	<u>32,871</u>	<u>32.26%</u>
	<u>\$ 62,232</u>	<u>\$ 46,567</u>	<u>33.64%</u>

**FACTORS BEARING ON THE FUTURE OF THE DISTRICT**

At the time these financial statements were prepared and audited, the District was not aware of any extraordinary circumstances or factors that would significantly impact the District's financial position in the future.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the District and to demonstrate the District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact: LaFayette Central School District 5955 Route 20 West, LaFayette, New York 13084.



## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Statement of Net Position June 30, 2020

#### ASSETS and DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:	
Cash and cash equivalents	\$ 2,906,972
Cash and cash equivalents - restricted	160,994
Accounts receivable	46,159
Due from Federal and State governments	10,660,194
Due from other governments	235
Inventory	<u>10,124</u>
Total current assets	<u>13,784,678</u>
NON-CURRENT ASSETS:	
Net pension asset - TRS	1,513,909
Capital assets, net	<u>34,716,508</u>
Total noncurrent assets	<u>36,230,417</u>
Total assets	<u>50,015,095</u>
DEFERRED OUTFLOWS OF RESOURCES	
Other postemployment benefits related	8,475,222
Pension related - TRS	4,898,136
Pension related - ERS	<u>1,426,804</u>
Total deferred outflows of resources	<u>14,800,162</u>

#### LIABILITIES and DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:	
Accounts payable	1,558,949
Accrued liabilities	65,608
Due to fiduciary fund	21,889
Unearned revenue	29,753
Revenue anticipation note payable	5,000,000
Due to Teachers' Retirement System	958,274
Due to Employees' Retirement System	<u>91,979</u>
Total current liabilities	<u>7,726,452</u>
LONG-TERM LIABILITIES:	
Due and payable within one year - Bonds payable	<u>1,285,000</u>
Due and payable after one year - Net pension liability - ERS	2,106,941
Other postemployment benefits	43,475,748
Compensated absences	757,871
Bonds payable, net of bond premium	<u>14,606,833</u>
Total long-term liabilities due and payable after one year	<u>60,947,393</u>
Total long-term liabilities	<u>62,232,393</u>
Total liabilities	<u>69,958,845</u>
DEFERRED INFLOWS OF RESOURCES	
Other postemployment benefits related	1,041,252
Pension related - TRS	2,275,748
Pension related - ERS	<u>45,573</u>
Total deferred inflows of resources	<u>3,362,573</u>
NET POSITION	
Net investment in capital assets	18,824,675
Restricted	5,708,561
Unrestricted	<u>(33,039,397)</u>
Total net position	<u>\$ (8,506,161)</u>

The accompanying notes are an integral part of these financial statements.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

	Program Revenue				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>FUNCTIONS/PROGRAMS:</b>					
General governmental support	\$ 5,608,002	\$ -	\$ -	\$ -	\$ (5,608,002)
Instruction	20,919,356	2,989,017	1,140,091	72,506	(16,717,742)
Pupil transportation	1,542,285	-	-	-	(1,542,285)
Community service	45	-	-	-	(45)
Interest	493,506	-	-	-	(493,506)
School lunch program	1,017,366	83,782	321,454	-	(612,130)
Total functions/programs	<u>\$ 29,580,560</u>	<u>\$ 3,072,799</u>	<u>\$ 1,461,545</u>	<u>\$ 72,506</u>	<u>(24,973,710)</u>
<b>GENERAL REVENUE:</b>					
Real property taxes					5,353,233
Other tax items					823,596
Use of money and property					82,366
Sale of property and compensation for loss					19,031
Miscellaneous					401,662
State and federal sources					<u>15,765,838</u>
Total general revenue					<u>22,445,726</u>
CHANGE IN NET POSITION					(2,527,984)
NET POSITION - beginning of year					<u>(5,978,177)</u>
NET POSITION - end of year					<u>\$ (8,506,161)</u>

The accompanying notes are an integral part of these financial statements.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

	General	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,773,929	\$ 129,053	\$ 3,990	\$ 2,906,972
Cash and cash equivalents - restricted	129,201	-	31,793	160,994
Accounts receivable	46,159	-	-	46,159
Due from other funds	2,035,423	1,415	499,514	2,536,352
Due from Federal and State governments	9,466,656	72,506	1,121,032	10,660,194
Due from other governments	-	-	235	235
Inventory	-	-	10,124	10,124
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total assets	<u>\$ 14,451,368</u>	<u>\$ 202,974</u>	<u>\$ 1,666,688</u>	<u>\$ 16,321,030</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 626,812	\$ 863,033	\$ 69,104	\$ 1,558,949
Accrued liabilities	62,870	-	2,738	65,608
Unearned revenue	-	-	29,753	29,753
Due to other funds	440,649	561,884	1,555,708	2,558,241
Due to Teachers' Retirement System	958,274	-	-	958,274
Due to Employees' Retirement System	82,594	-	9,385	91,979
Revenue anticipation note payable	5,000,000	-	-	5,000,000
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total Liabilities	<u>7,171,199</u>	<u>1,424,917</u>	<u>1,666,688</u>	<u>10,262,804</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue	144,796	-	-	144,796
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>144,796</u>	<u>-</u>	<u>-</u>	<u>144,796</u>
<b>FUND BALANCES:</b>				
Nonspendable -				
Inventory	-	-	10,124	10,124
Restricted for -				
Property loss reserve	350,000	-	-	350,000
Retirement contributions reserve	927,109	-	-	927,109
Employee benefit and accrued liability reserve	497,582	-	-	497,582
Unemployment insurance reserve	25,349	-	-	25,349
Repair reserve	2,273,900	-	-	2,273,900
Liability reserve	501,380	-	-	501,380
Debt service reserve	1,133,241	-	-	1,133,241
Assigned to -				
Appropriated for subsequent years' expenditures	550,000	-	-	550,000
Encumbrances	88,807	-	-	88,807
Unassigned	788,005	(1,221,943)	(10,124)	(444,062)
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
TOTAL FUND BALANCES	<u>7,135,373</u>	<u>(1,221,943)</u>	<u>-</u>	<u>5,913,430</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 14,451,368</u>	<u>\$ 202,974</u>	<u>\$ 1,666,688</u>	<u>\$ 16,321,030</u>

The accompanying notes are integral to these statements.

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Reconciliation of the Balance Sheet and Statement of Net Position

June 30, 2020

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Amounts reported for governmental activities in the statement of net position are different from amounts reported in the balance sheet because:

Fund balance - total Governmental funds	\$ 5,913,430
The TRS net pension asset is long-term in nature and, therefore, not reported in the funds.	1,513,909
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	34,716,508
Deferred outflows of resources not reported in the governmental funds Balance Sheet but included in the Statement of Net Position are as follows:	
Deferred outflows - TRS	4,898,136
Deferred outflows - ERS	1,426,804
Deferred outflows - OPEB	8,475,222
Deferred inflows of resources not reported in the governmental funds Balance Sheet but recorded in the Statement of Net Position are as follows:	
Deferred inflows - OPEB	(1,041,252)
Deferred inflows - TRS	(2,275,748)
Deferred inflows - ERS	(45,573)
Net pension obligations are not due and payable in the current period and; therefore, are not reported in the funds.	
Net pension liability - ERS	(2,106,941)
Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds.	144,796
Long-term liabilities, including bonds payable, are not due and payable in the current period and; therefore, are not reported in the funds:	
Bonds payable, net of bond premium	(15,891,833)
Other postemployment benefits	(43,475,748)
Compensated absences	<u>(757,871)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (8,506,161)</u>

The accompanying notes are an integral part of these financial statements.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Statement of Revenue, Expenditures, and Change in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2020**

	General	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
<b>REVENUE:</b>				
Real property taxes	\$ 5,353,233	\$ -	\$ -	\$ 5,353,233
Other tax items	823,596	-	-	823,596
Charges for services	2,989,017	-	-	2,989,017
Use of money and property	66,171	-	16,195	82,366
Sale of property and compensation for loss	30,241	-	-	30,241
Miscellaneous	303,243	-	98,419	401,662
Federal and state sources	15,621,042	72,506	1,461,545	17,155,093
Sales	-	-	83,782	83,782
<b>Total revenue</b>	<b>25,186,543</b>	<b>72,506</b>	<b>1,659,941</b>	<b>26,918,990</b>
<b>EXPENDITURES:</b>				
General support	2,516,010	111,759	59,682	2,687,451
Instruction	13,210,994	50,982	1,082,271	14,344,247
Pupil transportation	867,641	-	8,092	875,733
Employee benefits	5,485,022	-	108,489	5,593,511
Community service	45	-	-	45
Cost of sales	-	-	477,788	477,788
Capital outlays	-	5,372,175	-	5,372,175
Debt service -				
Principal	2,335,091	-	-	2,335,091
Interest	679,000	-	-	679,000
<b>Total expenditures</b>	<b>25,093,803</b>	<b>5,534,916</b>	<b>1,736,322</b>	<b>32,365,041</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>92,740</b>	<b>(5,462,410)</b>	<b>(76,381)</b>	<b>(5,446,051)</b>
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Premium on obligations	-	801,825	-	801,825
Proceeds from issuance of debt	-	4,015,000	-	4,015,000
BANs redeemed from appropriations	-	985,091	-	985,091
Transfers in	22,889	93,724	95,479	212,092
Transfers (out)	(186,300)	(6,694)	(19,098)	(212,092)
<b>Total other financing sources (uses)</b>	<b>(163,411)</b>	<b>5,888,946</b>	<b>76,381</b>	<b>5,801,916</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(70,671)</b>	<b>426,536</b>	<b>-</b>	<b>355,865</b>
<b>FUND BALANCES - beginning of year</b>	<b>7,206,044</b>	<b>(1,648,479)</b>	<b>-</b>	<b>5,557,565</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 7,135,373</b>	<b>\$ (1,221,943)</b>	<b>\$ -</b>	<b>\$ 5,913,430</b>

The accompanying notes are an integral part of these financial statements.

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balance to the Statement of Activities

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

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Amounts reported for governmental activities in the Statement of Net Activities are different from amounts reported in the Statement of Revenue, Expenditures, and Change in Fund Balances because:

Net changes in fund balance - total governmental funds	\$ 355,865
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	
Capital asset additions	5,391,090
Loss on disposition of capital assets	(11,210)
Depreciation expense	(1,087,644)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	144,796
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as reductions of liabilities in the statement of net position.	1,350,000
In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities:	
Bond proceeds	(4,015,000)
Bond premium	(769,619)
Amortization of premium on serial bonds not reported in the funds.	125,855
ERS pension (expense)/income resulting from the change in the pension related (liabilities)/assets and deferred outflows and inflows of resources, that are long-term in nature and therefore not reported in the funds.	
Net pension liability/asset	(1,583,262)
Deferred outflows of resources	1,018,743
Deferred inflows of resources	139,988
TRS pension (expense)/income resulting from the change in the pension related (liabilities)/assets and deferred outflows and inflows of resources, that are long-term in nature and therefore not reported in the funds.	
Net pension liability/asset	468,214
Deferred outflows of resources	(700,610)
Deferred inflows of resources	(701,495)
Other postemployment benefits (expense)/income resulting from the change in the pension related (liabilities)/assets and deferred outflows and inflows of resources, that are long-term in nature and therefore not reported in the funds.	
Other postemployment benefits liability	(10,604,458)
Deferred outflows of resources	7,913,798
Deferred inflows of resources	178,903
Certain expenses in the statement of activities do not require the use of current resources and are; therefore, not reported as expenditures in the governmental funds:	
Change in accrued liabilities	27,433
Change in compensated absences	(169,371)
Change in net position - governmental activities	<u>\$ (2,527,984)</u>

The accompanying notes are an integral part of these financial statements.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

	Private Purpose Trusts	Agency
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash and cash equivalents - restricted	\$ 74,885	\$ 265,366
Due from other funds	<u>2,679</u>	<u>84,916</u>
 Total assets	 <u><u>77,564</u></u>	 <u><u>350,282</u></u>
<b>LIABILITIES:</b>		
Extraclassroom activity balances	-	91,535
Due to other funds	700	65,006
Other liabilities	<u>-</u>	<u>193,741</u>
 Total liabilities	 <u><u>\$ 700</u></u>	 <u><u>\$ 350,282</u></u>
<b>NET POSITION:</b>		
Restricted for scholarships	<u>76,864</u>	
 Total net position	 <u>76,864</u>	
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 77,564</u></u>	

The accompanying notes are an integral part of these financial statements.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Statement of Change in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended June 30, 2020**

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ADDITIONS:	
Gifts and contributions	\$ 1,007
Investment earnings	<u>350</u>
Total additions	<u>1,357</u>
DEDUCTIONS:	
Scholarships and awards	<u>3,250</u>
CHANGE IN NET POSITION	(1,893)
NET POSITION - beginning of year	<u>78,757</u>
NET POSITION - end of year	<u>\$ 76,864</u>

The accompanying notes are an integral part of these financial statements.



# LAFAYETTE CENTRAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2020

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### 1. NATURE OF OPERATIONS

LaFayette Central School District (the District) provides free K-12 public education to students living within its geographic borders.

#### **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 (BOE) consisting of 7 members. The President of the Board serves as 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 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 financial reporting entity includes the Onondaga Nation School. The Onondaga Nation School is funded by Native American aid.

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. A component unit is included in the District's reporting entity if it is both fiscally dependent on the District and there is a potential for the component unit to provide specific financial benefits to or impose specific financial burdens on the District. Based on the application of these criteria there are no component units included in the District's financial statements.

Net position is reported as restricted when constraints placed on its use are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net position of the District is restricted as a result of externally imposed conditions and include amounts restricted for debt service.

#### **Extraclassroom Activity Funds**

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

#### **Joint Venture**

The District is a component school district in the Onondaga-Cortland-Madison (OCM) Board of Cooperative Education Services (BOCES). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares 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.

# LAFAYETTE CENTRAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2020

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BOCES are organized under §1950 of the New York State Education Law. A BOCES board is considered a corporate body. Members of a BOCES board are nominated and elected by their component member boards in accordance with provisions of §1950 of the 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.

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

During the year, the District was billed \$3,523,993 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$834,153.

Financial statements for the BOCES are available from the BOCES administrative office.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of 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.

Certain significant accounting principles and policies utilized by the District are described below:

### **Basis of Presentation**

The District's financial statements consist of district-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund level financial statements which provide more detailed information.

### **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 revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements June 30, 2020

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The statement of activities presents a comparison between direct expenses and program 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.

#### **Fund Financial 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

**General Fund** - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

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

The District reports the following non-major governmental funds:

**Special Aid Fund** - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, and are legally restricted to expenditures for specific purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

**Debt Service Fund** - This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

**School Lunch Fund** - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

#### **Fiduciary Funds**

These funds are used to account for fiduciary activities. 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.

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements June 30, 2020

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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 are used to fund 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.
- 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 solely as an agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

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

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

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 sixty days after the end of the fiscal year.

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

#### **Cash and Cash Equivalents**

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 the 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.

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements June 30, 2020

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#### **Restricted Cash**

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

#### **Accounts Receivable**

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

#### **Due from Federal and State Governments**

Due from federal and state governments relates to receivables due from New York State and/or the Federal government, and 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.

#### **Property Taxes**

Real property taxes are levied annually by the BOE no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1 to October 31. Taxes not collected by October 31 are turned over to the County who assumes all responsibility for collection. Uncollected real property taxes are subsequently enforced by the County(ies) in which the District is located. The County(ies) pay an amount representing uncollected real property taxes transmitted to the County(ies) for enforcement to the District no later than the following April 1.

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

#### **Inventory**

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

#### **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 expenditures 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.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Notes to Basic Financial Statements  
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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 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

**Capital Assets**

In the District-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold is used to report capital assets and the range of estimated useful lives by type of assets is as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 1,000	SL	25 - 50 years
Site improvements	\$ 1,000	SL	20 years
Furniture, equipment and vehicles	\$ 1,000	SL	5 - 20 years

**Vested Employee Benefits**

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

The liability 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 fund statements only the amount of matured liabilities is accrued within the General fund based upon expendable and available financial resources. These amounts are recognized as expenditures on a pay-as-you-go basis.

**Other Benefits**

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

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements June 30, 2020

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In addition to providing the pension benefits described, the District provided postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the District and its employee groups. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. (If applicable "The cost of providing post-retirement benefits is shared between the District and the retired employee.") The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

#### **Deferred Outflows and Inflows of Resources**

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

#### **Unearned Revenue**

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

#### **Short Term Debt**

The District may issue Revenue Anticipation Notes (RANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

#### **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 fund financial statements only to the extent that they are due for payment in the current year.

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.

# LAFAYETTE CENTRAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2020

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### **Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net position is 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.

### **District-wide Statements - Equity Classifications**

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 or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - reports all 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.

### **Governmental Fund Financial Statements - Equity classifications**

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

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

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

#### Reserve for Debt Service

According to General Municipal Law §6-l, the 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 the sale. Also, earnings on project monies invested together with unused proceeds are reported here. The reserve is

#### Repair

Repair reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, that are of a type not recurring annually. The BOE, 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.



## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements June 30, 2020

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#### Employee Benefit Accrued Liability Reserve

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

#### Liability Reserve

According to General Municipal 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 this reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater.

#### Retirement Contribution Reserve

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the General Fund under restricted fund balance. Of this reserve at June 30, 2020, \$199,685 is reserved under the TRS Reserve Sub Fund.

#### Unemployment Insurance Reserve

This reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the District 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 the tax (contribution) basis, excess resources in the fund may be transferred to any other reserve fund. The reserve is accounted for in the General Fund under restricted fund balance.

#### Property Loss Reserve

Property loss reserve (Education Law §1709(8)c) is used to pay for property losses incurred. Separate funds for property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. The reserve are accounted for in the General Fund.

#### Encumbrances

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

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the BOE. The District has no committed fund balances as of June 30, 2020.

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements June 30, 2020

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Assigned fund balance - Includes amounts that are constrained by the 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 represent purchase commitments made by the District's purchasing agent through their authorization of a purchase order prior to year-end. The District assignment is based on the functional level of expenditures.

Unassigned fund balance - Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. Unassigned fund balance will also include any negative fund balances of all funds other than General Fund.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the District can retain to no more than 4% of the 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's budget and encumbrances are also excluded from the 4% limitation.

#### **Order of Fund Balance Spending Policy**

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 balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as 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.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported revenue 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, long-term pension liabilities, long-term post employment liabilities, potential contingent liabilities and useful lives of long-lived assets.

### **3. 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 governmental fund 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.

# LAFAYETTE CENTRAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2020

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

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

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

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

- **Long Term Revenue and Expense Differences**  
Long-term revenue differences arise because governmental funds report revenue only when it is considered "available," whereas the statement of activities reports revenue when earned. Differences in long-term 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 from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.
- **Long Term Debt Transaction Differences**  
Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.
- **Pension Differences**  
Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.
- **OPEB Differences**  
OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

## **4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

### **Budgets**

The District administration prepares a proposed budget for approval by the Board Of Education for the General Fund.

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements June 30, 2020

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The voters of the District approved the proposed appropriation budget.

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 BOE 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 restriction, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations during the year.

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

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2020.

Budgets are established and used for individual capital project funds 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.

#### **Encumbrances**

Encumbrance accounting is used for budgetary 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 assignments 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.

#### **Fund Balance Deficit**

The Capital Projects had a deficit fund balance of (\$1,221,943) at June 30, 2020. This will be funded when the District obtains permanent financing for its current construction projects.

#### **Fund Balance**

Portions of the fund balances are restricted and are not available for current expenditures or expenses, as reported in the governmental funds balance sheet.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Notes to Basic Financial Statements  
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**5. 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 of \$3,493,157 were covered by federal depository insurance of \$534,194 at year-end, with the remaining amount fully collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

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 \$160,994 within the governmental funds and \$340,251 in the fiduciary funds.

**6. CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets that are not depreciated:					
Land	\$ 156,400	\$ -	\$ -	\$ -	\$ 156,400
Construction in process	<u>1,626,955</u>	<u>5,147,302</u>	<u>609,513</u>	<u>-</u>	<u>6,164,744</u>
Total nondepreciable cost	<u>1,783,355</u>	<u>5,147,302</u>	<u>609,513</u>	<u>-</u>	<u>6,321,144</u>
Capital assets that are depreciated:					
Site improvements	1,221,856	-	-	-	1,221,856
Buildings and improvements	40,517,241	-	-	-	40,517,241
Furniture, equipment and vehicles	<u>3,967,716</u>	<u>853,301</u>	<u>337,617</u>	<u>-</u>	<u>4,483,400</u>
Total depreciable assets	<u>45,706,813</u>	<u>853,301</u>	<u>337,617</u>	<u>-</u>	<u>46,222,497</u>
Less accumulated depreciation:					
Site improvements	1,221,856	-	-	-	1,221,856
Buildings and improvements	12,882,439	784,915	-	237,890	13,905,244
Furniture, equipment and vehicles	<u>2,961,601</u>	<u>302,729</u>	<u>326,407</u>	<u>(237,890)</u>	<u>2,700,033</u>
Total accumulated depreciation	<u>17,065,896</u>	<u>1,087,644</u>	<u>326,407</u>	<u>-</u>	<u>17,827,133</u>
Total depreciable cost - net	<u>28,640,917</u>	<u>(234,343)</u>	<u>11,210</u>	<u>-</u>	<u>28,395,364</u>
Total capital assets, net	<u>\$ 30,424,272</u>	<u>\$ 4,912,959</u>	<u>\$ 620,723</u>	<u>\$ -</u>	<u>\$ 34,716,508</u>

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Notes to Basic Financial Statements  
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Depreciation expense for the year ended June 30, 2020, was allocated to specific functions as follows:

General support	\$ 796,134
Instruction	29,021
Pupil transportation	234,900
School lunch	27,589
Total depreciation	<u>\$ 1,087,644</u>

**7. SHORT-TERM DEBT**

Transactions in short-term debt for the year are summarized below:

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Converted to Bond</u>	<u>Ending Balance</u>
RAN	6/19/2020	2.50%	\$ 3,500,000	\$ -	\$ 3,500,000	\$ -	\$ -
BAN	6/26/2020	2.00%	-	5,400,000	1,610,000	3,790,000	-
RAN	6/18/2021	1.25%	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>
Total			<u>\$ 3,500,000</u>	<u>\$ 10,400,000</u>	<u>\$ 5,110,000</u>	<u>\$ 3,790,000</u>	<u>\$ 5,000,000</u>

Interest cost for short-term debt for the year ended June 30, 2020 was composed of:

Interest paid	\$ 178,814
Less premium received on BAN	<u>(32,206)</u>
Total	<u>\$ 146,608</u>

**8. INTERFUND BALANCES AND ACTIVITY**

	<u>Interfund</u>		<u>Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General	\$ 2,035,423	\$ 440,649	\$ 22,889	\$ 186,300
Special Aid	8,296	972,658	7,951	-
School Lunch	185,369	245,408	84,625	-
Capital Projects	1,415	561,884	93,724	6,694
Debt Service	305,849	337,642	2,903	19,098
Fiduciary	87,595	65,706	-	-
Total	<u>\$ 2,623,947</u>	<u>\$ 2,623,947</u>	<u>\$ 212,092</u>	<u>\$ 212,092</u>

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.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

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Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.

**9. LONG-TERM OBLIGATIONS**

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

	<u>Beginning Balance</u>	<u>Additions {a}</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds:					
Serial bonds	\$ 11,180,000	\$ 4,015,000	\$ 1,350,000	\$ 13,845,000	\$ 1,285,000
Premium on Serial Bonds	<u>1,403,069</u>	<u>769,619</u>	<u>125,855</u>	<u>2,046,833</u>	<u>-</u>
 Bonds Payable, net of premium	 <u>\$ 12,583,069</u>	 <u>\$ 4,784,619</u>	 <u>\$ 1,475,855</u>	 <u>\$ 15,891,833</u>	 <u>\$ 1,285,000</u>
Other liabilities:					
Compensated absences	<u>\$ 588,500</u>	<u>\$ 169,371</u>	<u>\$ -</u>	<u>\$ 757,871</u>	<u>\$ -</u>

{a} Additions and deletions to compensated absences are shown net because it is impractical to determine these amounts separately.

Interest on all debt for the year was composed of:

Interest paid	\$ 500,186
Less: Interest accrued in the prior year	(27,433)
Plus: Interest accrued in the current year	-
Less: Amortization of debt premiums	<u>(125,855)</u>
Total interest expense	<u>\$ 346,898</u>

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

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Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>6/30/20 Balance</u>
2011 SB - "Series A" Construction	2011	2025	3.00-5.00%	\$ 1,660,000
Refunding of 2005 Serial Bonds	2015	2025	2.00-4.50%	510,000
2016 Serial Bonds Buses	2016	2021	1.50-1.875%	65,000
2016 Serial Bonds Buses	2016	2021	2.25-2.50%	95,000
2017 DASNY	2016	2031	2.00-5.00%	7,125,000
2017 Serial Bonds Buses	2017	2022	2.25-2.375%	150,000
2018 Serial Bonds Buses	2018	2024	3.00-3.50%	225,000
2019 Serial Bonds Buses	2019	2025	1.77%	225,000
2020A DASNY	2020	2035	5.00%	<u>3,790,000</u>
Total bond issue				<u>\$ 13,845,000</u>

The following is a summary of the maturity of long-term indebtedness as of June 30, 2020:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	1,285,000	578,245	1,863,245
2022	1,335,000	603,142	1,938,142
2023	1,330,000	559,657	1,889,657
2024	1,345,000	525,551	1,870,551
2025	1,340,000	483,623	1,823,623
2026-2030	4,790,000	2,010,250	6,800,250
2031-2035	<u>2,420,000</u>	<u>1,645,750</u>	<u>4,065,750</u>
Totals	<u>\$ 13,845,000</u>	<u>\$ 6,406,218</u>	<u>\$ 20,251,218</u>



**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

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**10. PENSION PLANS**

***New York State Employees' Retirement System***

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 the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The 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, and the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer may be found at [www.osc.state.ny.us/retire/about\\_us/financial\\_statements\\_index.php](http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The system is noncontributory except for employees who joined the System after July 27th, 1976, who contribute 3.0% percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier 6 vary based on a sliding salary scale. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>
2020	\$ 328,439
2019	\$ 316,335
2018	\$ 308,582

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

At June 30, 2020 the District reported a net pension liability of \$2,106,941 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2020 the District's proportionate share was .0079566% percent, which was an increase of .0005655% from its proportionate share measured at March 31, 2019.

For the year ended June 30, 2020, the District recognized pension expense of \$749,866. At June 30, 2020, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 124,002	\$ -
Changes of assumptions	42,424	36,632
Net difference between projected and actual earnings on pension plan investments	1,080,121	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	88,278	8,941
Contributions subsequent to the measurement date	91,979	-
Total	<u>\$ 1,426,804</u>	<u>\$ 45,573</u>

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

Plan's Year Ended March 31:

2021	\$ 230,090
2022	325,004
2023	409,703
2024	<u>324,455</u>
	<u>\$ 1,289,252</u>

The District recognized \$91,979 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2020 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

**Actuarial Assumptions**

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

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	4.2%
Projected COLAs	1.3%
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2018
Investment Rate of Return	6.8% compounded annually, net of investment expenses

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The previous actuarial valuation as of April 1, 2018 used a long-term expected rate of 7.0%.

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

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-term expected real rate of return in %</u>
Domestic Equity	36.0	4.05
International Equity	14.0	6.15
Private Equity	10.0	6.75
Real Estate	10.0	4.95
Absolute Return Strategies (1)	2.0	3.25
Opportunistic Portfolio	3.0	4.65
Real Asset	3.0	5.95
Bonds& Mortgages	17.0	0.75
Cash	1.0	0.00
Inflation-Indexed Bonds	<u>4.0</u>	0.50
	<u>100%</u>	

The real rate of return is net of the long-term inflation assumption of 2.5%

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

**Discount Rate**

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

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

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

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

	1% Lower <u>5.8%</u>	Current Discount <u>6.8%</u>	1% Higher <u>7.8%</u>
Proportionate Share of Net Pension liability (asset)	\$ <u>3,866,833</u>	\$ <u>2,106,941</u>	\$ <u>486,074</u>

**Pension Plan Fiduciary Net Position (000’s)**

The components of the collective net pension liability of the participating employers as of March 31, 2020, were as follows:

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

***New York State Teachers’ Retirement System***

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer, defined-benefit 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 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 and/or the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer, which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

The New York State Teachers’ Retirement Board administers NYSTRS. NYSTRS provides 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

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**Contributions**

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

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

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

	<u>TRS</u>
2020	\$ 1,032,958
2019	\$ 923,125
2018	\$ 1,019,271

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

At June 30, 2020, the District reported net pension asset of \$1,513,909 for its proportionate share of the NYSTRS net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2018. The District's proportion of the net pension asset was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019 the District's proportionate share was 0.058272%, which was an increase of 0.000443% from its proportionate share measured at June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,831,613. At June 30 2020 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,025,937	\$ 112,577
Changes of assumptions	2,859,976	697,343
Net difference between projected and actual earnings on pension plan investments	-	1,214,077
Changes in proportion	53,949	251,751
Contributions subsequent to the measurement date	958,274	-
Total	\$ 4,898,136	\$ 2,275,748

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

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The District recognized \$958,274 as a deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date of June 30, 2019 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

Plan's Year Ended June 30:	
2020	\$ 644,319
2021	2,864
2022	641,836
2023	410,757
2024	22,004
Thereafter	<u>(57,666)</u>
	<u>\$ 1,664,114</u>

**Actuarial Assumptions**

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

Actuarial Cost Method	Entry Normal Age
Inflation	2.20%
Projected Salary Increases	Rates of increase differ based on service.

They have been calculated based upon recent NYSTRS member experience.

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

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

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

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

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the measurement date of June 30, 2019 are summarized in the following table:

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

**Discount Rate**

The discount rate used to measure the total pension liability as of June 30, 2019 was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Lower 6.10%	Current Discount 7.10%	1% Higher 8.10%
Proportionate Share of Net Pension Liability (asset)	<u>\$ 6,833,625</u>	<u>\$ (1,513,909)</u>	<u>\$ (8,516,547)</u>

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

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**Pension Plan Fiduciary Net Position**

The components of the current year net pension liability (asset) of the participating school district employers at June 30, 2019, were as follows:

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

**11. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The District provides certain other postemployment benefits (predominately health insurance and life insurance) for retired employees of the District in accordance with the provisions of various employment contracts. The District administers the Other Postemployment Benefits Plan (OPEB Plan) as a single-employer defined benefit Other Postemployment Benefit Plan (OPEB). The Plan provides for continuation of medical insurance benefit for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. Employees are eligible for retirement when they reach the age of 55 years and have 10 years of service with the District. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

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.

**Employees Covered by Benefit Terms**

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	109
Active employees	<u>184</u>
Total participants	293

**Total OPEB Liability**

The District's total OPEB liability of \$43,475,748 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2018.



**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

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**Actuarial Assumptions and Other Inputs**

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

Inflation	2.20 percent per year
Payroll growth	Varies by years of service and retirement system
Discount Rate	3.51% as of June 30, 2019 and 2.21% as of June 30, 2020
Healthcare Cost Trend Rates	
Medical	5.40 percent for 2019 decreasing to an ultimate rate of 3.84 percent by 2075
Dental/Vision	4.25 percent for 2019 decreasing by .25 percent annually to an ultimate rate of 3.00 percent
Cost Method	Entry Age Normal Level % of Salary

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Pub-2010 Headcount-Weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2019

**Changes in the Total OPEB Liability**

Balance at June 30, 2019	<u>\$ 32,871,290</u>
Changes for the Year-	
Service cost	1,133,808
Interest	1,175,835
Difference between expected and actual experience	164,646
Changes in assumptions or other inputs	9,149,993
Benefit Payments	<u>(1,019,824)</u>
Net changes	<u>10,604,458</u>
Balance at June 30, 2020	<u>\$ 43,475,748</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% in 2019 to 2.21% in 2020.

**Sensitivity of 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 (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

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

	1% Decrease	Current Discount	1% Increase
	<u>1.21%</u>	<u>2.21%</u>	<u>3.21%</u>
Total OPEB Liability	<u>\$ 52,983,994</u>	<u>\$ 43,475,748</u>	<u>\$ 36,176,536</u>

**Sensitivity of 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 healthcare cost trend rates that are 1 percentage point lower (4.40%) or 1 percentage point higher (6.40%) than the current healthcare cost trend rate:

	Healthcare		
	Decrease	Current Cost Trend	Increase
	<u>4.40%</u>	<u>5.40%</u>	<u>6.40%</u>
Total OPEB Liability	<u>\$ 35,284,436</u>	<u>\$ 43,475,748</u>	<u>\$ 54,681,811</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 \$3,531,581. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 525,113	\$ -
Changes of assumptions or other inputs	<u>7,950,109</u>	<u>1,041,252</u>
Total	<u>\$ 8,475,222</u>	<u>\$ 1,041,252</u>

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

<u>Fiscal Year Ending June 30:</u>	<u>Amount</u>
2021	\$ 1,221,938
2022	1,221,938
2023	1,221,938
2024	1,221,938
2025	1,221,938
Thereafter	<u>1,324,280</u>
	<u>\$ 7,433,970</u>

# LAFAYETTE CENTRAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2020

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### 12. RISK MANAGEMENT

#### General

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

#### Worker's Compensation

The School District participates in a Workers' Compensation Consortium for its employees. Benefits are provided through self funding by the individual participants through the purchase of insurance and through the purchase of "stop-loss" coverage. A member may withdraw from the Plan by submitting a notice of withdrawal by May 1 preceding the school year of withdrawal. Upon withdrawal, the Board will determine amounts owed by the member or amounts that may be due to the withdrawing member. The District funds its portion of the program through the General Fund and premiums to the Workers' Compensation Consortium totaled \$120,162 for the year ended June 30, 2020.

#### Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established an unemployment reserve to pay these claims. Claim and judgement expenditures of the program were zero for the 2019-2020 fiscal year. The balance of the reserve at June 30, 2020 is \$25,349 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2020, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

#### Health Insurance

The District participates in the Onondaga-Cortland-Madison Health Consortium consisting of 24 other governmental entities for their health insurance coverage, as well as, in the Onondaga-Cortland-Madison Workers' Compensation Consortium consisting of Onondaga-Cortland-Madison BOCES and various other school districts for its workers' compensation insurance coverage. The School District participates in a non-risk retained public entity risk pool for its employee health insurance coverage. A member of the Health Consortium may withdraw from the plan by submitting a notice of withdrawal by May 1 preceding the school year of withdrawal. Upon withdrawal, the Board will determine amounts owed by the member or amounts that may be due to the withdrawing member. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. Premiums paid to the health consortium totaled \$3,587,842 for the year ended June 30, 2020.

### 13. CONTINGENCIES AND COMMITMENTS

#### Litigation

There is no litigation pending against the District as of the balance sheet date.

# LAFAYETTE CENTRAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2020

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### Grants

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 audits, the District's administration believes disallowances, if any, will be immaterial.

### 14. SUBSEQUENT EVENTS

The United States is presently in the midst of a national healthy emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are not entirely known at this time, but it has the potential to result in a significant economic impact.

In August 2020, the New York State Department of Education notified school districts that the Division of Budget began withholding 20 percent of local aid payments in June, and that all or a portion of these withholds may be converted to permanent reductions. As a result, at June 30, 2020 20% of the total receivables recorded in the amount of \$723,982 in the General Fund have been recorded as a deferred inflow of \$144,796.

On July 23, 2020 the District issued a Bond Anticipation Note for \$3,100,000 with an interest rate of 1.50%.

On August 14, 2020 the District issued a Bond Anticipation Note for \$3,500,000 with an interest rate of 1.50%.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

LAFAYETTE CENTRAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)

For The Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Budgetary Actual
<b>REVENUE</b>					
Real property taxes	\$ 6,145,312	\$ 6,145,312	\$ 5,353,233	\$ -	\$ (792,079)
Other tax items	33,000	33,000	823,596	-	790,596
Charges for services	2,693,527	2,693,527	2,989,017	-	295,490
Use of money and property	2,500	2,500	66,171	-	63,671
Sale of property and compensation for loss	7,000	7,000	30,241	-	23,241
Miscellaneous	174,500	174,500	303,243	-	128,743
State and federal sources	15,847,704	15,847,704	15,621,042	-	(226,662)
<b>Total revenue</b>	<b>24,903,543</b>	<b>24,903,543</b>	<b>25,186,543</b>	<b>-</b>	<b>283,000</b>
<b>EXPENDITURES</b>					
<b>GENERAL SUPPORT:</b>					
Board of education	32,668	36,008	33,673	-	2,335
Central administration	214,227	211,366	196,369	-	14,997
Finance	375,097	373,905	348,456	-	25,449
Staff	133,577	134,727	104,352	-	30,375
Central services	2,115,967	2,138,658	1,678,138	21,775	438,745
Special items	178,891	178,891	155,022	-	23,869
<b>Total general support</b>	<b>3,050,427</b>	<b>3,073,555</b>	<b>2,516,010</b>	<b>21,775</b>	<b>535,770</b>
<b>INSTRUCTION:</b>					
Instruction, administration, and improvement	930,621	935,098	860,967	-	74,131
Teaching - regular school	7,394,128	7,499,226	7,094,958	37,856	366,412
Programs for special needs children	2,926,192	2,886,847	2,804,786	-	82,061
Teaching - special school	73,971	88,971	100,747	-	(11,776)
Instructional media	1,076,608	1,106,108	1,354,196	13,716	(261,804)
Pupil services	1,222,153	1,236,393	995,340	-	241,053
<b>Total instruction</b>	<b>13,623,673</b>	<b>13,752,643</b>	<b>13,210,994</b>	<b>51,572</b>	<b>490,077</b>
Pupil transportation	1,024,565	1,034,465	867,641	15,460	151,364
Community services	2,208	2,208	45	-	2,163
Employee benefits	6,093,256	6,093,255	5,485,022	-	608,233
Debt service -					
Principal	1,350,000	1,350,000	2,335,091	-	(985,091)
Interest	570,490	570,490	679,000	-	(108,510)
<b>Total expenditures</b>	<b>25,714,619</b>	<b>25,876,616</b>	<b>25,093,803</b>	<b>88,807</b>	<b>694,006</b>
Excess (deficiency) of revenue over expenditures	(811,076)	(973,073)	92,740	(88,807)	977,006
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	421,076	421,076	22,889	-	(398,187)
Transfers out	(160,000)	(160,000)	(186,300)	-	(26,300)
<b>Total other financing sources</b>	<b>261,076</b>	<b>261,076</b>	<b>(163,411)</b>	<b>-</b>	<b>(424,487)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (550,000)</b>	<b>\$ (711,997)</b>	<b>(70,671)</b>	<b>\$ (88,807)</b>	<b>\$ 552,519</b>
FUND BALANCE - beginning of year			7,206,044		
FUND BALANCE - end of year			<u>\$ 7,135,373</u>		

Notes to Required Supplementary Information - Schedule of Revenue, Expenditure, and Changes in Fund Balance - Budget and Actual - General Fund.

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget. The Budget is 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.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Required Supplementary Information  
Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)  
For The Year Ended June 30, 2020**

	Last 10 Fiscal Years									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total OPEB Liability										
Service cost	\$ 1,133,808	\$ 764,170	\$ 799,421							
Interest	1,175,835	1,216,975	1,115,531							
Changes of benefit terms	-	-	-							
Changes in assumptions or other inputs	9,149,993	137,902	(1,577,961)							
Differences between expected and actual experience	164,646	493,700	-							
Benefit payments	(1,019,824)	(839,363)	(798,310)							
<b>Total change in total OPEB liability</b>	<b>10,604,458</b>	<b>1,773,384</b>	<b>(461,319)</b>							
<b>Total OPEB liability - beginning</b>	<b>32,871,290</b>	<b>31,097,906</b>	<b>31,559,225</b>							
<b>Total OPEB liability - ending</b>	<b>\$ 43,475,748</b>	<b>\$ 32,871,290</b>	<b>\$ 31,097,906</b>							
<b>Covered-employee payroll</b>	<b>12,761,528</b>	<b>10,311,562</b>	<b>11,285,086</b>							
<b>Total OPEB liability as a percentage of covered - employee payroll</b>	<b>340.68%</b>	<b>318.78%</b>	<b>275.57%</b>							

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

**Notes to schedule:**

**Changes of assumptions.** Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount	2.21%	3.51%	3.87%
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Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

**Plan assets.** No assets are accumulated in a trust that meets all of the criteria of GASB No. 75, paragraph 4, to pay benefits.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Required Supplementary Information  
Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)  
For The Year Ended June 30, 2020**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of the net pension liability (asset)	0.007957%	0.007391%	0.007031%	0.007437%	0.007152%	0.007635%	0.007635%			
Proportionate share of the net pension liability (asset)	2,107	524	227	699	1,148	258	345			
Covered-employee payroll	2,293	2,165	2,048	2,056	2,503	1,971	1,825			
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	91.89%	24.18%	11.08%	34.00%	45.86%	13.09%	18.90%			
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%	97.20%			

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of the net pension liability (asset)	0.058272%	0.057829%	0.054881%	0.053122%	0.053522%	0.056079%	0.054747%			
Proportionate share of the net pension liability (asset)	(1,514)	(1,046)	(417)	5,690	5,559	6,247	360			
Covered-employee payroll	10,064	10,308	10,066	8,697	8,663	8,040	8,284			
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-15.04%	-10.14%	-4.14%	65.42%	64.17%	77.70%	4.35%			
Plan fiduciary net position as a percentage of the total pension liability	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%			

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.



**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Required Supplementary Information  
Schedule of Contributions - Pension Plans (Unaudited)  
For the Year Ended June 30, 2020**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	328	316	309	310	348	385	335	395	362	315
Contributions in relation to the contractually required contribution	328	316	309	310	348	385	335	395	362	315
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	\$ 2,293	\$ 2,165	\$ 2,048	\$ 2,056	\$ 2,503	\$ 1,971	\$ 1,825	\$ 1,898	\$ 1,985	\$ 1,946
Contributions as a percentage of covered-employee payroll	14.31%	14.60%	15.09%	15.08%	13.90%	19.53%	18.36%	20.81%	18.24%	16.19%

<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	1,032	923	1,019	1,087	1,149	1,409	1,346	949	896	758
Contributions in relation to the contractually required contribution	1,032	923	1,019	1,087	1,149	1,409	1,346	949	896	758
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	\$ 10,064	\$ 10,308	\$ 10,066	\$ 8,697	\$ 8,663	\$ 8,040	\$ 8,284	\$ 8,019	\$ 8,065	\$ 8,790
Contributions as a percentage of covered-employee payroll	10.25%	8.95%	10.12%	12.50%	13.26%	17.52%	16.25%	11.83%	11.11%	8.62%

## **SUPPLEMENTARY INFORMATION**

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Supplementary Information**

**Combining Balance Sheet - Non-Major Governmental Funds**

**June 30, 2020**

	Special Aid	Debt Service	School Lunch	Total Non-Major Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 3,990	\$ 3,990
Cash and cash equivalents - restricted	-	31,793	-	31,793
Due from other funds	8,296	305,849	185,369	499,514
Due from Federal and State governments	1,048,526	-	72,506	1,121,032
Due from other governments	-	-	235	235
Inventory	-	-	10,124	10,124
	<u>-</u>	<u>-</u>	<u>10,124</u>	<u>10,124</u>
<b>TOTAL ASSETS</b>	<u><u>1,056,822</u></u>	<u><u>337,642</u></u>	<u><u>272,224</u></u>	<u><u>1,666,688</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	62,533	-	6,571	69,104
Accrued liabilities	-	-	2,738	2,738
Unearned revenue	21,631	-	8,122	29,753
Due to other funds	972,658	337,642	245,408	1,555,708
Due to Employees' Retirement System	-	-	9,385	9,385
	<u>-</u>	<u>-</u>	<u>9,385</u>	<u>9,385</u>
<b>TOTAL LIABILITIES</b>	<u><u>1,056,822</u></u>	<u><u>337,642</u></u>	<u><u>272,224</u></u>	<u><u>1,666,688</u></u>
<b>FUND BALANCES:</b>				
Nonspendable -				
Inventory	-	-	10,124	10,124
Unassigned	-	-	(10,124)	(10,124)
	<u>-</u>	<u>-</u>	<u>(10,124)</u>	<u>(10,124)</u>
<b>TOTAL FUND BALANCE</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,056,822</u></u>	<u><u>\$ 337,642</u></u>	<u><u>\$ 272,224</u></u>	<u><u>\$ 1,666,688</u></u>

The accompanying notes are an integral part of these financial statements.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Supplementary Information**

**Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Non-Major Governmental**

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

	Special Aid	Debt Service	School Lunch	Total Non-Major Governmental Funds
<b>REVENUE:</b>				
Use of money and property	\$ -	\$ 16,195	\$ -	\$ 16,195
Miscellaneous	2,003	-	96,416	98,419
Federal and state sources	1,140,091	-	321,454	1,461,545
Sales	-	-	83,782	83,782
	<u>-</u>	<u>-</u>	<u>83,782</u>	<u>83,782</u>
 Total revenue	 <u>1,142,094</u>	 <u>16,195</u>	 <u>501,652</u>	 <u>1,659,941</u>
<b>EXPENDITURES:</b>				
General support	59,682	-	-	59,682
Instruction	1,082,271	-	-	1,082,271
Pupil transportation	8,092	-	-	8,092
Employee benefits	-	-	108,489	108,489
Cost of sales	-	-	477,788	477,788
	<u>-</u>	<u>-</u>	<u>477,788</u>	<u>477,788</u>
 Total expenditures	 <u>1,150,045</u>	 <u>-</u>	 <u>586,277</u>	 <u>1,736,322</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	 <u>(7,951)</u>	 <u>16,195</u>	 <u>(84,625)</u>	 <u>(76,381)</u>
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Transfers in	7,951	2,903	84,625	95,479
Transfers (out)	-	(19,098)	-	(19,098)
	<u>-</u>	<u>(19,098)</u>	<u>-</u>	<u>(19,098)</u>
 Total other financing sources (uses)	 <u>7,951</u>	 <u>(16,195)</u>	 <u>84,625</u>	 <u>76,381</u>
 CHANGE IN FUND BALANCE	 -	 -	 -	 -
 FUND BALANCES - beginning of year	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUND BALANCES - end of year	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**OTHER INFORMATION  
(UNAUDITED)**

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Other Information  
 Schedule of Change from Original Budget to Revised Budget  
 and the Real Property Tax Limit - General Fund (Unaudited)  
 For the Year Ended June 30, 2020**

**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget		\$ 19,467,132
Add: Prior year's encumbrances		173,514
Add: Onondaga Nation School Budget		<u>6,247,490</u>
Original budget		25,888,136
Budget revision		<u>148,480</u>
Final budget		<u><u>\$ 26,036,616</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2020-21 voter-approved expenditure budget	\$ 20,324,251	
Maximum allowed (4% of 2020-21 budget)		\$ 812,970
General Fund Balance Subject to Section 1318 of Real Property Tax Law :		
Unrestricted fund balance		
Committed fund balance	-	
Assigned fund balance	638,807	
Unassigned fund balance	<u>788,005</u>	
Total unrestricted fund balance	<u>1,426,812</u>	
Less:		
Appropriated fund balance	550,000	
Encumbrances included in assigned fund balance	<u>88,807</u>	
Total adjustments	<u><u>\$ 638,807</u></u>	
General Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$ 788,005</u></u>
Actual percentage		3.88%

LAFAYETTE CENTRAL SCHOOL DISTRICT

Other Information  
 Schedule of Project Expenditures - Capital Projects Fund (Unaudited)  
 For the Year Ended June 30, 2020

Project Title	Original Appropriation	Revised Appropriation	Prior Years' Expenditures	Current Year Expenditures	Total Expenditures	Unexpended Balance	Proceeds of Obligations	Federal and State Sources	Local Sources	Total Financing	Residual Equity Transfer	Fund Balance Deficit as of 6/30/2020
2019 Buses	225,000	224,872	-	224,872	224,872	-	225,000	-	-	225,000	128	-
Smart Schools Bond Act	556,670	556,670	425,552	50,982	476,534	80,136	-	476,534	-	476,534	-	-
2017 District Renovations Ref	5,432,950	5,432,950	1,424,062	3,812,493	5,236,555	196,395	3,790,000	-	985,091	4,775,091	-	461,464
2018 District Renovations Ref	3,100,070	3,100,070	202,893	1,224,752	1,427,645	1,672,425	-	-	-	-	-	1,427,645
2019-20 Capital Outlay	100,000	93,724	-	93,724	93,724	-	-	-	93,724	93,724	-	-
2020 District Renovations Ref	15,000	15,000	-	15,000	15,000	-	-	-	-	-	-	15,000
2020-21 Capital Outlay	100,000	100,000	-	1,333	1,333	98,667	-	-	-	-	-	1,333
2019-20 General Fund Transfer	-	-	-	-	-	-	-	-	-	-	6,566	6,566
2017 District Renovations - Premium/Issuance Costs	-	-	-	111,760	111,760	(111,760)	801,825	-	-	801,825	-	(690,065)
	<u>\$ 9,529,690</u>	<u>\$ 9,523,286</u>	<u>\$ 2,052,507</u>	<u>\$ 5,534,916</u>	<u>\$ 7,587,423</u>	<u>\$ 1,935,863</u>	<u>\$ 4,816,825</u>	<u>\$ 476,534</u>	<u>\$ 1,078,815</u>	<u>\$ 6,372,174</u>	<u>\$ 6,694</u>	<u>\$ 1,221,943</u>

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Other Information**

**Schedule of Net Investment in Capital Assets (Unaudited)**

**June 30, 2020**

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Capital assets, net	\$ 34,716,508
Deduct:	
Premiums on bonds payable	(2,046,833)
Bonds payable	<u>(13,845,000)</u>
Net investment in capital assets	<u>\$ 18,824,675</u>



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

October 8, 2020

To the Board of Education of the  
LaFayette Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the LaFayette Central School District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control 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. We did identify a deficiency in internal control that we consider to be a material weakness, as described in the accompanying schedule of findings and questioned costs, as item 2020-001.

**Compliance and Other Matters**

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

**District's Response to Findings**

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

**Purpose of this Report**

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

Bonadio & Co., LLP

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

October 8, 2020

To the Board of Education and Superintendent of  
Lafayette Central School District

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

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### **Report on Internal Control over Compliance**

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

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

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

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

Bonadio & Co., LLP

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Pass-Through New York State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 47,230
National School Lunch Program	10.555	N/A	152,555
Summer Food Service Lunch Program for Children	10.559	N/A	<u>109,620</u>
Total Child Nutrition Cluster			<u>309,405</u>
Total U.S. Department of Agriculture			<u>309,405</u>
<u>U.S. Department of Education</u>			
Pass-Through New York State Department of Education			
Special Education Cluster			
IDEA, Part B - 611	84.027	0032-20-0647	230,093
IDEA, Part B - 619	84.173	0033-20-0029	<u>10,232</u>
Total Special Education Cluster			<u>240,325</u>
Pass-Through New York State Department of Education			
ESEA Title 1 Grant	84.010	0021-19-2125	100,328
Title I School Improvement	84.010	0011-18-2094	30,117
Title I School Improvement	84.010	0011-19-2094	70,469
Title I School Improvement	84.010	0011-20-2094	<u>171,356</u>
Subtotal CFDA Number 84.010			<u>372,270</u>
Title II PT A	84.367	0147-20-2125	<u>22,679</u>
Total U.S. Department of Education			<u>635,274</u>
<u>Department of Health and Human Services</u>			
Medicaid Cluster			
Medical Assistance Program	93.778	N/A	<u>55,993</u>
Total Medicaid Cluster			<u>55,993</u>
Total Department of Health and Human Services			<u>55,993</u>
Total expenditures of federal awards			<u>\$ 1,000,672</u>

The accompanying notes are an integral part of these statements.

## LAFAYETTE CENTRAL SCHOOL DISTRICT

### Notes to Schedule of Expenditures of Federal Awards

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs administered by Lafayette Central School District, an entity as defined in Note 1 to the District's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the SEFA. The information in the SEFA is presented in accordance with Title 2 of U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards is presented in accordance with generally accepted accounting principles in the United States and the amounts presented are derived from the District's general ledger. Federal expenditures are recorded when an allowable cost is incurred under the applicable program and is due and payable.

#### 3. INDIRECT COSTS

Indirect costs are not included in the reported expenditures as they are not included in the federal funding for each program. The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### 4. MATCHING COSTS

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

#### 5. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed a "non-monetary" program. During the year ended June 30, 2020, the District received food commodities, the fair value of which amounted to \$30,477, which is included in the Schedule as National School Lunch Program (Division of Donated Foods, CFDA#10.555) and was considered in the District's single audit.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
For the year ended June 30, 2020**

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**Part I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued on whether the District's financial statements are prepared in accordance with GAAP (governmental activities, each major fund, aggregate remaining fund information):

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes

No

Significant deficiencies identified?

Yes

None reported

Noncompliance material to financial statements noted?

Yes

None reported

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

Yes

No

Significant deficiencies identified?

Yes

None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR Section 200.516(a)?

Yes

No

The dollar threshold to distinguish Types A/B programs was \$750,000.

The major federal programs of the District for the year ended June 30, 2020 were as follows:

Child Nutrition Cluster

- School Breakfast Program (10.553)
- National School Lunch Program (10.555)
- Summer Food Service Program for Children (10.559)

Title I Grants to Local Educational Agencies (84.010)

The District was not considered a low-risk auditee for the year ended June 30, 2020.

**LAFAYETTE CENTRAL SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
For the year ended June 30, 2020**

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**Part II - Findings and Questioned Costs Relating to Financial Statements**

**Reference Number: 2020-001**

**Criteria:**

The District is required to report all transactions within the District's accounting system in the proper fund, in the proper period, and in accordance with generally accepted accounting principles.

**Cause/Condition:**

The general fund made a payment on a bond anticipation note (BAN) during the fiscal year through interfund loan activity with the capital projects fund and did not reflect the expenditure in the general fund or the ban redeemed from appropriations in the capital projects fund.

Accounts payable and the related expenditures in the capital projects fund were not complete and did not include all of the transactions related to June 30, 2020 that were paid subsequent to year end.

**Effect:**

Material audit adjustments were proposed in the following funds as a result of our audit that are summarized below and communicated separately in our required communications letter:

General Fund

Debit debt service expenditures	\$ 1,017,297	
Debit interfund loan receivable	\$ 59,594	
Credit interfund loan receivable		\$ 1,076,891

Capital Projects Fund

Debit interfund loan receivable	\$ 1,076,891	
Credit interfund loan receivable		\$ 59,594
Credit BAN redeemed from appropriations		\$ 985,091
Credit premium on BAN		\$ 32,206
Debit expenditures	\$ 364,388	
Credit accounts payable		\$ 364,388

**Recommendation:**

Financial information for all funds of the District should be monitored and reviewed on a timely basis. The financial closing process should be formally documented and reviewed.



## LAFAYETTE CENTRAL SCHOOL DISTRICT

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**Response:**

A bond anticipation note was missed being recorded in the general fund and capital projects fund. We were provided with a summary of entries relating to this debt payment by our fiscal advisors. It was not realized that part of the entry was not addressed in their summary. This entry related to a debt payoff with Native American building aid. Native American building aid works very differently than regular building aid. We will plan to hold quarterly meetings with our Fiscal Advisors to review our debt service schedules to ensure all entries to be made are known and verified prior to year-end. Additionally, we will work on providing additional training for all business office staff related to Native American aids. At the same time, a summary of transactions related to Native American building aid will be created as a guide to follow. Additionally, the School Business Manager will review all debt entries to ensure they are complete and accurate.

Accounts payable and the related expenditures in the capital projects fund were not all recorded in 2019-2020 as they should be. This is primarily due to a change in staffing right at year-end. We will create written guidance regarding the accounts payable year end process. All business office staff will attend NYSASBO training and we will meet prior to year-end to ensure everyone understands their role with year-end and the importance of accruals. Year-end written guidance will be created for review. Additionally, at year end, the School Business Manager will review the expected accruals to ensure they flow through to the correct accounts.

#### **Part III - Findings and Questioned Costs Relating to Federal Awards**

No current year findings