

**KENMORE-TOWN OF TONAWANDA
UNION FREE SCHOOL DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Kenmore-Town of Tonawanda Union Free School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Kenmore-Town of Tonawanda Union Free School District (the District) as of and for the year ended June 30, 2021, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 2 to the financial statements, the District adopted GASB Statement No. 84, *Fiduciary Activities*, in 2021. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the 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 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary 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 accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2021 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.


October 4, 2021

Management's Discussion and Analysis (unaudited)

June 30, 2021

Introduction

Management's Discussion and Analysis (MD&A) of Kenmore-Town of Tonawanda Union Free School District (the District) provides an overview of the District's financial activities and performance for the year ended June 30, 2021. The information contained in the MD&A should be considered in conjunction with the information presented as part of the District's financial statements that follow. This MD&A, the financial statements, and notes thereto are essential to obtaining a full understanding of the District's financial position and results of operations. The District's financial statements have the following components: (1) government-wide financial statements; (2) governmental fund financial statements; (3) reconciliations between the government-wide and governmental fund financial statements; (4) fiduciary fund statements; (5) notes to the financial statements; and (6) supplementary information.

In 2021, the District adopted GASB Statement No. 84, *Fiduciary Activities*. This statement redefines activities considered to be fiduciary, and as a result, payroll and employee third party withholdings are now recorded in the general fund and scholarship activity is now reflected in a miscellaneous special revenue fund. In addition, fiduciary liabilities are only recognized when an event has occurred that compels the District to disburse fiduciary resources.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference reported as net position. The statement of activities presents information showing how the District's net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the District as a whole. All of the activities of the District are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Fiduciary funds are used to report fiduciary activities, which may include pension and other postemployment benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The District's custodial fund includes extraclassroom activity funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide, governmental fund, and fiduciary fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles and the New York State Education Department.

| Condensed Statement of Net Position | 2021 | 2020 | Change | |
|--|----------------------|----------------|-----------------|----------|
| | | | \$ | % |
| Current and other assets | \$ 76,005,000 | \$ 82,107,000 | \$ (6,102,000) | (7.4%) |
| Capital assets | 146,337,000 | 144,411,000 | 1,926,000 | 1.3% |
| Total assets | 222,342,000 | 226,518,000 | (4,176,000) | (1.8%) |
| Deferred outflows of resources | 53,773,000 | 46,272,000 | 7,501,000 | 16.2% |
| Long-term liabilities | 138,424,000 | 120,715,000 | 17,709,000 | 14.7% |
| Other liabilities | 25,480,000 | 22,045,000 | 3,435,000 | 15.6% |
| Total liabilities | 163,904,000 | 142,760,000 | 21,144,000 | 14.8% |
| Deferred inflows of resources | 24,898,000 | 15,648,000 | 9,250,000 | 59.1% |
| Net position | | | | |
| Net investment in capital assets | 80,742,000 | 71,687,000 | 9,055,000 | 12.6% |
| Restricted | 31,632,000 | 32,448,000 | (816,000) | (2.5%) |
| Unrestricted | (25,061,000) | 10,247,000 | (35,308,000) | (344.6%) |
| Total net position | \$ 87,313,000 | \$ 114,382,000 | \$ (27,069,000) | (23.7%) |

Net position amounted to \$87,313,000 and \$114,382,000 as of June 30, 2021 and 2020. A significant portion of the District's net position reflects its investment in capital assets consisting of land, buildings and improvements, vehicles, and furniture and equipment, less outstanding debt used to acquire those assets. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending.

The District's net position represents resources that are subject to restrictions on how they may be used. Reserves are set aside for specific purposes governed by law, and include the debt service reserve, which is required to be used for the payment of bonds issued to finance capital projects; the capital reserve, which is set aside to pay for future renovations and bus purchases as approved by the District's voters; the employee benefit accrued liability reserve, which is restricted to pay for future accumulated sick and vacation time; a repair reserve, which is restricted for emergency repairs to the District's capital assets; and the tax certiorari reserve, which is used to pay tax judgments and claims. Other restricted resources include the retirement contribution, unemployment insurance, insurance, and workers' compensation insurance reserves.

Current and other assets decreased by \$6,102,000 (increase of \$5,986,000 in 2020). These balances consist of cash and receivables from other governments and third parties. The changes in individual account balances reflect the timing of cash flows. Additionally, the District's proportionate share of the New York State Teachers' Retirement System (TRS) net pension asset as of June 30, 2020 amounted to \$10,057,000 while in 2021 the District's proportionate share of TRS was a liability in the amount of \$10,894,000. The net increase in capital assets of \$1,926,000 (decrease of \$1,510,000 in 2020) is due to construction in progress related to the 2020 Capital Improvements Project offset by depreciation expense of \$5,563,000.

Total liabilities increased by \$21,144,000 (increase of \$5,056,000 in 2020) due to the increase in the actuarial computation of the total other postemployment benefits (OPEB) liability of \$28,588,000. This was the result of changes in benefit terms in certain collective bargaining agreements. In addition, compensated absences, which is the value of the employees' accrued vacation and sick time earned, and other employee benefits increased by \$3,017,000 due to additional benefits added to the teachers' collective bargaining agreement. The District also issued bond anticipation notes (BANs) in the amount of \$1,164,000 and the total liability was increased by the previously mentioned TRS and the New York State Employees' Retirement System (ERS) net pension liability of \$10,955,000. These increases were offset by payment of bonds and energy performance contract loan payments of \$8,001,000.

Changes in deferred outflows and deferred inflows of resources include changes in pension activity at the State level which are required to be reflected on the District's financial statements. Deferred outflows of resources include contributions required to be paid by the District to the State pension systems after the measurement date, and as such are not included in the current net pension position. Deferred outflows and deferred inflows of resources also reflect variances from actuarial assumptions, actual results of investment earnings compared to projected earnings, and changes of assumptions. The District has no control or authority over these transactions.

| Condensed Statement of Activities | 2021 | 2020 | Change | % |
|---|----------------------|-----------------------|------------------------|----------------|
| | \$ | \$ | \$ | % |
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | \$ 2,892,000 | \$ 3,613,000 | \$ (721,000) | (20.0%) |
| Operating and capital grants and contributions | 12,510,000 | 9,955,000 | 2,555,000 | 25.7% |
| General revenues | | | | |
| Property taxes | 89,238,000 | 87,048,000 | 2,190,000 | 2.5% |
| Sales tax | 9,749,000 | 8,466,000 | 1,283,000 | 15.2% |
| State aid | 59,966,000 | 60,915,000 | (949,000) | (1.6%) |
| Other | 836,000 | 1,898,000 | (1,062,000) | (56.0%) |
| Total revenue | 175,191,000 | 171,895,000 | 3,296,000 | 1.9% |
| Expenses | | | | |
| Instruction | 168,934,000 | 141,445,000 | 27,489,000 | 19.4% |
| Support services | | | | |
| General support | 21,134,000 | 18,266,000 | 2,868,000 | 15.7% |
| Pupil transportation | 7,364,000 | 7,671,000 | (307,000) | (4.0%) |
| Food service | 3,202,000 | 3,090,000 | 112,000 | 3.6% |
| Interest and other | 1,720,000 | 2,009,000 | (289,000) | (14.4%) |
| Total expenses | 202,354,000 | 172,481,000 | 29,873,000 | 17.3% |
| Change in net position | (27,163,000) | (586,000) | (26,577,000) | 4535.3% |
| Net position – beginning | 114,382,000 | 114,968,000 | (586,000) | (0.5%) |
| Cumulative effect of change in accounting principle | 94,000 | - | 94,000 | |
| Net position – ending | \$ 87,313,000 | \$ 114,382,000 | \$ (27,069,000) | (23.7%) |

District revenues increased by \$3,296,000 (increase of \$2,148,000 in 2020). Property taxes and related items increased by \$2,190,000 (increase of \$919,000 in 2020) as noted in the 2021 budget. Operating and capital grants and contributions increased \$2,555,000 (increase of \$461,000 in 2020) due to grants received through the Education Stabilization Fund. State aid decreased \$949,000 (decrease of \$82,000 in 2020) due to a reduction in transportation aid. The decrease in other revenue of \$1,062,000 is the result of a decrease in e-rate revenue and interest income.

Total expenses increased \$29,873,000 in 2021 (increase of \$10,974,000 in 2020). Employee related expenses, which are allocated to general support, instruction, food service, and transportation, increased \$28,910,000 due to the previously mentioned increases in OPEB, compensated absences, and other employee benefits liabilities. The increase in total expenses is also due to an increase in special education costs, services provided by BOCES, including the District's portion of capital project costs, and COVID-19 related supplies and purchases.

Financial Analysis of the District's Funds

Total fund balances for the governmental funds increased from \$50,180,000 to \$50,672,000 as described below:

- Spending across all governmental funds increased by \$6,001,000 or 3.6% (decrease of \$9,189,000 or 5.2% in 2020). This is primarily due to an increase in capital expenditures of \$4,449,000 and employee benefits of \$1,556,000.
- Total fund revenue increased \$3,296,000 or 1.9% (\$228,000 or 0.1% increase in 2020). The increase in revenue is primarily due to the increase in the tax levy and additional federal aid as previously mentioned.

General Fund Budgetary Highlights

The final revenue budget for 2021 was \$160,579,000. Actual revenue was over budget by \$5,141,000 or 3.2%. The largest fluctuations were federal sources which was \$2,501,000 higher than budget and nonproperty taxes of \$1,449,000 over budget.

Actual expenditures and carryover encumbrances were less than the final amended budget by \$8,784,000 or 5.1%. The significant variances between actual and final budgeted expenditures occurred in teaching – regular school and employee benefits; these differences are due to conservative budgeting and a consistent process of managing expenses.

Capital Assets

| | 2021 | 2020 |
|----------------------------|-----------------------|-----------------------|
| Land and land improvements | \$ 4,850,000 | \$ 4,850,000 |
| Buildings and improvements | 180,809,000 | 180,455,000 |
| Furniture and equipment | 8,727,000 | 8,306,000 |
| Vehicles | 13,859,000 | 12,779,000 |
| Construction in progress | 6,655,000 | 1,337,000 |
| | <u>214,900,000</u> | <u>207,727,000</u> |
| Accumulated depreciation | (68,563,000) | (63,316,000) |
| | <u>\$ 146,337,000</u> | <u>\$ 144,411,000</u> |

Current year additions of \$7,301,000 were offset by depreciation expense of \$5,375,000. Most of the current year additions were related to the District's 2020 Capital Improvement project and the purchase of buses.

Debt

At June 30, 2021, the District had \$61,218,000 in outstanding bonds and energy performance contracts, with \$7,171,000 due within one year (\$69,219,000 outstanding in 2020). Outstanding compensated absences and other employee benefits payable were \$18,905,000 (\$15,888,000 in 2020), with \$2,071,000 expected to be paid within one year.

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Current Financial Issues and Concerns

The extent of the impact of COVID-19 on the District's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on school districts, residents, employees, and vendors, none of which can be predicted. Federal revenue sources are expected to increase due to additional pandemic related funding, but the full extent of federal assistance is not known.

The District will need to plan accordingly to mitigate the impact of rising expenses. Budget planning and the use of reserve dollars are paramount. The property tax levy requires using reserves judiciously. These issues and concerns are exacerbated by COVID-19 requiring management to plan carefully and prudently to provide the educational resources necessary to meet student needs and flexibility on how students are taught.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nicole Morasco, Assistant Superintendent for Finance, Kenmore-Town of Tonawanda Union Free School District, 1500 Colvin Boulevard, Buffalo, New York 14223.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Statement of Net Position

June 30, 2021

(With comparative totals as of June 30, 2020)

| | 2021 | 2020 |
|--|----------------------|-----------------------|
| Assets | | |
| Cash | \$ 58,468,432 | \$ 50,585,838 |
| Accounts receivable | 396,817 | 305,677 |
| Due from other governments, net | 4,171,493 | 6,418,922 |
| State and federal aid receivable, net | 6,352,676 | 5,096,693 |
| Due from fiduciary funds | - | 768,513 |
| Inventory | 270,925 | 267,905 |
| Investments | 5,035,249 | 7,030,928 |
| Cash surrender value of life insurance | 1,310,000 | 1,575,000 |
| Net pension asset | - | 10,057,319 |
| Capital assets (Note 6) | 214,900,023 | 207,726,548 |
| Accumulated depreciation | (68,563,388) | (63,315,360) |
| Total assets | 222,342,227 | 226,517,983 |
| Deferred Outflows of Resources | | |
| Grants | 502,146 | 879,669 |
| Deferred outflows of resources related to pensions | 50,427,506 | 43,503,634 |
| Deferred outflows of resources related to OPEB | 2,842,781 | 1,888,878 |
| Total deferred outflows of resources | 53,772,433 | 46,272,181 |
| Liabilities | | |
| Accounts payable | 3,152,851 | 2,386,479 |
| Accrued liabilities | 13,380,766 | 12,413,341 |
| Due to retirement systems | 7,340,045 | 6,977,926 |
| Unearned revenue | 442,765 | 267,026 |
| Bond anticipation note | 1,163,500 | - |
| Long-term liabilities | | |
| Due within one year: | | |
| Bonds and financing leases | 7,170,946 | 8,001,100 |
| Compensated absences and other benefits | 2,071,000 | 1,553,000 |
| Due beyond one year: | | |
| Bonds and financing leases | 57,259,914 | 64,722,908 |
| Compensated absences and other benefits | 16,834,000 | 14,335,000 |
| Net pension liability | 10,954,767 | 16,557,645 |
| Total OPEB liability | 44,133,316 | 15,545,484 |
| Total liabilities | 163,903,870 | 142,759,909 |
| Deferred Inflows of Resources | | |
| Grants | 502,146 | 879,669 |
| Deferred inflows of resources related to pensions | 23,923,555 | 14,163,593 |
| Deferred inflows of resources related to OPEB | 471,997 | 604,823 |
| Total deferred inflows of resources | 24,897,698 | 15,648,085 |
| Net Position | | |
| Net investment in capital assets | 80,742,275 | 71,687,180 |
| Restricted | 31,631,879 | 32,448,167 |
| Unrestricted | (25,061,062) | 10,246,823 |
| Total net position | \$ 87,313,092 | \$ 114,382,170 |

See accompanying notes.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Statement of Activities

For the year ended June 30, 2021

(With summarized comparative totals for June 30, 2020)

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue | |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | 2021 | 2020 |
| Governmental activities | | | | | | |
| General support | \$ 21,134,075 | \$ 733,630 | \$ - | \$ - | \$ (20,400,445) | \$ (17,513,784) |
| Instruction | 168,933,811 | 2,152,574 | 8,946,997 | 190,304 | (157,643,936) | (131,432,750) |
| Pupil transportation | 7,363,725 | - | - | - | (7,363,725) | (7,670,887) |
| Community services | 343,486 | - | - | - | (343,486) | (459,017) |
| Interest expense | 1,376,406 | - | - | - | (1,376,406) | (1,549,386) |
| School food service | 3,202,347 | 5,884 | 3,372,905 | - | 176,442 | (287,178) |
| | <u>\$ 202,353,850</u> | <u>\$ 2,892,088</u> | <u>\$ 12,319,902</u> | <u>\$ 190,304</u> | <u>(186,951,556)</u> | <u>(158,913,002)</u> |
| General revenues | | | | | | |
| | | | | | 89,238,318 | 87,048,478 |
| Real property taxes | | | | | 9,748,726 | 8,466,082 |
| Sales taxes | | | | | 835,630 | 1,897,698 |
| Miscellaneous | | | | | 59,965,745 | 60,914,767 |
| State aid | | | | | 159,788,419 | 158,327,025 |
| Total general revenues | | | | | 159,788,419 | 158,327,025 |
| Change in net position | | | | | (27,163,137) | (585,977) |
| Net position - beginning | | | | | 114,382,170 | 114,968,147 |
| Cumulative effect of a change in accounting principle (Note 2) | | | | | 94,059 | - |
| Net position - beginning as restated | | | | | 114,476,229 | 114,968,147 |
| Net position - ending | | | | | \$ 87,313,092 | \$ 114,382,170 |

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2021

(With summarized comparative totals as of June 30, 2020)

| | | | | | | Total Governmental Funds | |
|---|----------------------|---------------------|---------------------|---------------------|-------------------------------|--------------------------|----------------------|
| | General | Capital Projects | Special Aid | School Lunch | Miscellaneous Special Revenue | 2021 | 2020 |
| Assets | | | | | | | |
| Cash | \$ 49,758,744 | \$ 6,716,488 | \$ 274,967 | \$ 1,624,710 | \$ 93,523 | \$ 58,468,432 | \$ 50,585,838 |
| Accounts receivable | 317,717 | - | 77,351 | 1,749 | - | 396,817 | 305,677 |
| Due from other governments, net | 4,171,493 | - | - | - | - | 4,171,493 | 6,418,922 |
| State and federal aid receivable, net | 3,374,616 | 99,970 | 2,327,354 | 550,736 | - | 6,352,676 | 5,096,693 |
| Due from other funds, net | 3,209,550 | - | - | - | - | 3,209,550 | 8,940,559 |
| Inventory | - | - | - | 270,925 | - | 270,925 | 267,905 |
| Investments | 5,035,249 | - | - | - | - | 5,035,249 | 7,030,928 |
| Cash surrender value of life insurance | 1,310,000 | - | - | - | - | 1,310,000 | 1,575,000 |
| Total assets | 67,177,369 | 6,816,458 | 2,679,672 | 2,448,120 | 93,523 | 79,215,142 | 80,221,522 |
| Deferred Outflows of Resources | | | | | | | |
| Grants | 502,146 | - | - | - | - | 502,146 | 879,669 |
| Total assets and deferred outflows | \$ 67,679,515 | \$ 6,816,458 | \$ 2,679,672 | \$ 2,448,120 | \$ 93,523 | \$ 79,717,288 | \$ 81,101,191 |
| Liabilities | | | | | | | |
| Accounts payable | \$ 1,410,302 | \$ 1,617,285 | \$ 122,850 | \$ 2,414 | \$ - | \$ 3,152,851 | \$ 2,386,479 |
| Accrued liabilities | 12,866,481 | - | 327,424 | 40,861 | - | 13,234,766 | 12,238,341 |
| Due to retirement systems | 7,340,045 | - | - | - | - | 7,340,045 | 6,977,926 |
| Due to other funds, net | - | 1,242,121 | 1,886,091 | 81,338 | - | 3,209,550 | 8,172,046 |
| Unearned revenue | 61,281 | - | 381,484 | - | - | 442,765 | 267,026 |
| Bond anticipation note | - | 1,163,500 | - | - | - | 1,163,500 | - |
| Total liabilities | 21,678,109 | 4,022,906 | 2,717,849 | 124,613 | - | 28,543,477 | 30,041,818 |
| Deferred Inflows of Resources | | | | | | | |
| Grants | 502,146 | - | - | - | - | 502,146 | 879,669 |
| Fund Balances | | | | | | | |
| Nonspendable | 1,310,000 | - | - | 270,925 | - | 1,580,925 | 1,842,905 |
| Restricted | 28,744,804 | 2,793,552 | - | - | 93,523 | 31,631,879 | 32,448,167 |
| Assigned | 8,547,383 | - | - | 2,052,582 | - | 10,599,965 | 9,123,374 |
| Unassigned | 6,897,073 | - | (38,177) | - | - | 6,858,896 | 6,765,258 |
| Total fund balances (deficit) | 45,499,260 | 2,793,552 | (38,177) | 2,323,507 | 93,523 | 50,671,665 | 50,179,704 |
| Total liabilities, deferred inflows, and fund balances | \$ 67,679,515 | \$ 6,816,458 | \$ 2,679,672 | \$ 2,448,120 | \$ 93,523 | \$ 79,717,288 | \$ 81,101,191 |

See accompanying notes.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position**

June 30, 2021

| | | |
|---|---------------------|----------------------|
| Total fund balances - governmental funds | | \$ 50,671,665 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. | | 146,336,635 |
| The District's proportionate share of the net pension position as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include: | | |
| Deferred outflows of resources related to pensions | 50,427,506 | |
| Net pension liability | (10,954,767) | |
| Deferred inflows of resources related to pensions | <u>(23,923,555)</u> | 15,549,184 |
| The District's total OPEB liability as well as OPEB-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include: | | |
| Deferred outflows of resources related to OPEB | 2,842,781 | |
| Total OPEB liability | (44,133,316) | |
| Deferred inflows of resources related to OPEB | <u>(471,997)</u> | (41,762,532) |
| Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are: | | |
| Bonds, financing leases, and related premiums | (64,430,860) | |
| Accrued interest | (146,000) | |
| Compensated absences and other benefits | <u>(18,905,000)</u> | (83,481,860) |
| Net position - governmental activities | | <u>\$ 87,313,092</u> |

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds**

For the year ended June 30, 2021

(With summarized comparative totals for June 30, 2020)

| | General | Capital Projects | Special Aid | School Lunch | Miscellaneous Special Revenue | Total Governmental Funds | |
|--|----------------------|---------------------|--------------------|---------------------|----------------------------------|--------------------------|----------------------|
| | | | | | | 2021 | 2020 |
| Revenues | | | | | | | |
| Real property taxes | \$ 75,829,870 | \$ - | \$ - | \$ - | \$ - | \$ 75,829,870 | \$ 72,826,021 |
| Real property tax items | 13,408,448 | - | - | - | - | 13,408,448 | 14,222,457 |
| Nonproperty taxes | 9,748,726 | - | - | - | - | 9,748,726 | 8,466,082 |
| Charges for services | 2,152,574 | - | - | - | - | 2,152,574 | 2,444,452 |
| Use of money and property | 786,526 | - | - | 720 | 28 | 787,274 | 1,136,283 |
| Sale of property and compensation for loss | 12,708 | - | - | - | - | 12,708 | 36,682 |
| Miscellaneous | 1,185,353 | - | 89,639 | 5,822 | 3,236 | 1,284,050 | 1,975,502 |
| State sources | 59,965,745 | 190,304 | 1,992,805 | 106,718 | - | 62,255,572 | 63,932,266 |
| Federal sources | 2,630,921 | - | 3,814,321 | 3,260,365 | - | 9,705,607 | 6,424,215 |
| Sales | - | - | - | 5,884 | - | 5,884 | 430,946 |
| Total revenues | 165,720,871 | 190,304 | 5,896,765 | 3,379,509 | 3,264 | 175,190,713 | 171,894,906 |
| Expenditures | | | | | | | |
| General support | 15,150,015 | - | 28,265 | 901,873 | - | 16,080,153 | 15,977,808 |
| Instruction | 96,888,801 | - | 6,075,083 | - | 3,800 | 102,967,684 | 101,484,073 |
| Pupil transportation | 4,244,797 | - | 5,600 | - | - | 4,250,397 | 5,528,872 |
| Community services | 143,771 | - | 84,786 | - | - | 228,557 | 347,626 |
| Employee benefits | 33,135,272 | - | - | 390,882 | - | 33,526,154 | 31,970,624 |
| Debt service | | | | | | | |
| Principal | 8,001,100 | - | - | - | - | 8,001,100 | 7,976,683 |
| Interest | 1,697,454 | - | - | - | - | 1,697,454 | 1,863,434 |
| Cost of sales | - | - | - | 1,049,485 | - | 1,049,485 | 1,100,120 |
| Capital outlay | - | 6,930,743 | - | 61,084 | - | 6,991,827 | 2,542,966 |
| Total expenditures | 159,261,210 | 6,930,743 | 6,193,734 | 2,403,324 | 3,800 | 174,792,811 | 168,792,206 |
| Excess revenues (expenditures) | 6,459,661 | (6,740,439) | (296,969) | 976,185 | (536) | 397,902 | 3,102,700 |
| Other financing sources (uses) | | | | | | | |
| Operating transfers, net | (230,299) | 101,159 | 258,792 | (129,652) | - | - | - |
| Net change in fund balances | 6,229,362 | (6,639,280) | (38,177) | 846,533 | (536) | 397,902 | 3,102,700 |
| Fund balances - beginning | 39,269,898 | 9,432,832 | - | 1,476,974 | - | 50,179,704 | 47,077,004 |
| Cumulative effect of a change in accounting principle (Note 2) | - | - | - | - | 94,059 | 94,059 | - |
| Net position - beginning as restated | 39,269,898 | 9,432,832 | - | 1,476,974 | 94,059 | 50,273,763 | 47,077,004 |
| Fund balances (deficit) - ending | \$ 45,499,260 | \$ 2,793,552 | \$ (38,177) | \$ 2,323,507 | \$ 93,523 | \$ 50,671,665 | \$ 50,179,704 |

See accompanying notes.

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities**

For the year ended June 30, 2021

Total net change in fund balances - governmental funds \$ 397,902

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense. 1,925,447

Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. These differences are:

| | | |
|--------------------------------|--------------------|-------------|
| 2021 TRS and ERS contributions | 9,185,315 | |
| 2021 ERS accrued contribution | 705,542 | |
| 2020 ERS accrued contribution | (823,523) | |
| 2021 TRS pension expense | (14,656,148) | |
| 2021 ERS pension expense | <u>(1,701,717)</u> | (7,290,531) |

OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. (27,501,103)

Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position. 8,001,100

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:

| | | |
|---|---------------|-------------|
| Amortization of bond premiums | 292,048 | |
| Compensated absences and other benefits | (3,017,000) | |
| Interest | <u>29,000</u> | (2,695,952) |

Change in net position - governmental activities \$ (27,163,137)

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and Changes in
Fund Balance Budget (Non-GAAP) and Actual - General Fund**

For the year ended June 30, 2021

| | Budgeted Amounts | | Actual (Budgetary Basis) | Encumbrances | Variance with Final Budget Over/(Under) |
|--|--------------------|--------------------|--------------------------------|-----------------------|---|
| | Original | Final | | | |
| Revenues | | | | | |
| Local sources | | | | | |
| Real property taxes | \$ 75,764,058 | \$ 75,764,058 | \$ 75,829,870 | | \$ 65,812 |
| Real property tax items | 13,363,216 | 13,363,216 | 13,408,448 | | 45,232 |
| Nonproperty taxes | 8,300,000 | 8,300,000 | 9,748,726 | | 1,448,726 |
| Charges for services | 2,105,000 | 2,105,000 | 2,152,574 | | 47,574 |
| Use of money and property | 943,000 | 943,000 | 786,526 | | (156,474) |
| Sale of property and compensation for loss | 14,200 | 14,200 | 12,708 | | (1,492) |
| Miscellaneous | 535,000 | 535,000 | 1,185,353 | | 650,353 |
| State sources | 59,425,000 | 59,425,000 | 59,965,745 | | 540,745 |
| Federal sources | 130,000 | 130,000 | 2,630,921 | | 2,500,921 |
| Total revenues | 160,579,474 | 160,579,474 | 165,720,871 | | 5,141,397 |
| Expenditures | | | | | |
| General support | | | | | |
| Board of education | 61,130 | 62,130 | 43,783 | 197 | (18,150) |
| Central administration | 325,020 | 340,706 | 323,968 | 1,662 | (15,076) |
| Finance | 856,612 | 968,779 | 873,007 | 8,974 | (86,798) |
| Staff | 1,322,442 | 1,631,350 | 1,369,834 | 98,590 | (162,926) |
| Central services | 12,208,837 | 12,327,773 | 10,820,353 | 572,830 | (934,590) |
| Special items | 1,508,584 | 1,839,951 | 1,719,070 | 10,468 | (110,413) |
| Instruction | | | | | |
| Instruction, administration, and improvement | 6,635,677 | 6,796,157 | 6,109,955 | 1,147 | (685,055) |
| Teaching - regular school | 56,217,109 | 56,129,957 | 52,669,091 | 1,361,572 | (2,099,294) |
| Programs for children with handicapping conditions | 21,919,315 | 23,642,155 | 23,009,007 | 155,229 | (477,919) |
| Occupational education | 5,095,648 | 4,885,757 | 4,868,502 | - | (17,255) |
| Teaching - special schools | 706,486 | 683,386 | 247,127 | 16,124 | (420,135) |
| Instructional media | 4,105,775 | 4,414,092 | 4,226,741 | 50,101 | (137,250) |
| Pupil services | 6,212,994 | 6,605,092 | 5,758,378 | 361,857 | (484,857) |
| Pupil transportation | 6,313,947 | 5,388,918 | 4,244,797 | 63,868 | (1,080,253) |
| Community services | 308,300 | 308,300 | 143,771 | 1,064 | (163,465) |
| Employee benefits | 36,717,350 | 35,069,190 | 33,135,272 | 43,700 | (1,890,218) |
| Debt service | | | | | |
| Principal | 8,081,100 | 8,001,101 | 8,001,100 | - | (1) |
| Interest | 2,197,453 | 1,697,826 | 1,697,454 | - | (372) |
| Total expenditures | 170,793,779 | 170,792,620 | 159,261,210 | 2,747,383 | (8,784,027) |
| Excess revenues (expenditures) | (10,214,305) | (10,213,146) | 6,459,661 | (2,747,383) | 13,925,424 |
| Other financing sources (uses) | | | | | |
| Operating transfers in | 100,000 | 100,000 | 129,652 | | 29,652 |
| Operating transfers out | (400,000) | (401,159) | (359,951) | | (41,208) |
| Appropriated reserves | 2,600,000 | 2,600,000 | - | | (2,600,000) |
| Appropriated fund balance and carryover encumbrances | 7,914,305 | 7,914,305 | - | | (7,914,305) |
| Total other financing sources (uses) | 10,214,305 | 10,213,146 | (230,299) | | (10,443,445) |
| Excess revenues (expenditures) and other financing sources (uses) | \$ - | \$ - | \$ 6,229,362 | \$ (2,747,383) | \$ 3,481,979 |

See accompanying notes.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Statement of Fiduciary Net Position - Custodial Fund

June 30, 2021

Assets

Cash \$ 203,689

Net Position

Extraclassroom activity balances \$ 203,689

* * *

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position - Custodial Fund

For the year ended June 30, 2021

Additions

Student activity receipts \$ 166,957

Deductions

Student activity disbursements 187,288

Change in net position (20,331)

Net position - beginning 94,059

Cumulative effect of a change in accounting principle (Note 2) 129,961

Net position - beginning as restated 224,020

Net position - ending \$ 203,689

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

Kenmore-Town of Tonawanda Union Free School District (the District) is governed by Education and other laws of the State of New York (the State). The District's Board of Education has responsibility and control over all activities related to public school education within the District. The District's Superintendent is the chief executive officer and the President of the Board serves as the chief fiscal officer. The Board members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The District provides education and support services such as administration, transportation, and plant maintenance. The District receives funding from local, state, and federal sources and must comply with requirements of these funding sources. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America, nor does it contain any component units.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Joint Venture

The District is one of 19 participating school districts in the Erie 1 Board of Cooperative Educational Services (BOCES). Formed under §1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. BOCES may also contract with other municipalities on a cooperative basis under State General Municipal Law.

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

During the year ended June 30, 2021, the District was billed \$11,826,000 for BOCES administrative and program costs and recognized revenue of \$353,000 as a refund from prior year expenditures paid to BOCES. Audited financial statements are available from BOCES' administrative offices.

Risk Management

The District is self-insured pursuant to Article 5 of the Workers' Compensation law to finance the liability and risks related to workers' compensation claims. The District also self-funds health insurance. These activities are further discussed in Note 11.

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the District's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase of specific capital assets. Revenues that are not classified as program revenues, including all taxes and state aid, are presented as general revenues.

Fund Financial Statements: The fund financial 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 the fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District also elected to display the following as major funds:

- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources - other than expendable trusts or major capital projects - such as federal, state, and local grants and awards that are restricted or committed to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.
- *School lunch fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of the District's breakfast and lunch programs.
- *Miscellaneous special revenue fund.* This fund is used to account for resources that are restricted to student scholarships. Donations are made by third parties and District personnel manage the funds and assist with determination of scholarship recipients.

The District has elected not to use a debt service fund as debt activity is currently reflected in the general fund. Amounts accumulated for the payment of future principal and interest payments restricted for such purposes are also included in the general fund.

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report fiduciary activities, which may include pension and other postemployment benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The District maintains a custodial fund for the collection and distribution of student activity accounts.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value directly without giving equal value in exchange, include property and sales taxes, grants, and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds 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 they are collected within ninety days after year end. 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. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Property Taxes

The District levies real property taxes no later than September 1. For the year ended June 30, 2021, the tax lien was issued on August 4, 2020 for collection from September 15 through November 30, 2020. Thereafter, uncollected amounts became the responsibility of Erie County. Such amounts were submitted to the District by April 1st of the following year as required by law.

The District is subject to tax abatements granted by the Erie County Industrial Development Agency (ECIDA). ECIDA is a public benefit corporation created by an act of the New York State Legislature to promote and assist private sector industrial and business development.

Through ECIDA, companies promise to expand or maintain facilities or employment within the communities served by the District, establish new businesses, or to relocate an existing business to these communities. Economic development agreements entered into by ECIDA can include the abatement of county, town, and school district taxes, in addition to other assistance. In the case of the District, these abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreement stipulates a percentage reduction of property taxes, which can be as much as 100%.

For the year ended June 30, 2021, the impact of tax abatements through ECIDA amounted to \$1,523,000. However, because the abated amounts are spread across the District's entire tax base, there is no impact on the overall property taxes collected.

Budget Process, Amendments, and Encumbrances

District administration prepares a proposed budget for the general fund requiring approval by the Board. A public hearing is held upon completion and filing of the tentative budget. Subsequently, the budget is adopted by the Board. The proposed budget is then presented to voters of the District. The budget for the fiscal year beginning July 1, 2020 was approved by a majority of the voters in a general election held on June 9, 2020.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Major capital expenditures are subject to individual project budgets based on the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Inventory

Inventory consists of food and similar food service goods related to school lunch operations and is recorded at the lower of first-in, first-out cost or net realizable value. Donated commodities are stated at values which approximate market.

Cash Surrender Value of Life Insurance

Cash surrender value of life insurance is stated at the lower of accumulated premiums paid or surrender value of the contracts.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

| | Capitalization Policy | Estimated Useful Life in Years |
|------------------------------------|--------------------------|-----------------------------------|
| Land improvements | \$ 5,000 | 20 |
| Buildings and improvements | \$ 5,000 | 30 - 50 |
| Furniture, equipment, and vehicles | \$ 5,000 | 5 - 15 |

Bond Premiums

Premiums received upon the issuance of debt are included as other financing sources in the governmental funds statements when issued. In the government-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a component of interest expense over the life of the related obligation.

Deferred Outflows and Deferred Inflows of Resources - Grants

Voluntary nonexchange transactions represented by grants accrued in advance of the receipt of contributed services are recognized as deferred outflows and deferred inflows of resources on the government-wide and governmental funds statements. The grants represent in-kind services to be received over the next five years by the District and are recognized at the estimated net present value of the services; revenue and expense/expenditures will be recognized ratably over the next three years.

Pensions

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) (the Systems) as mandated by State law. The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. On the government-wide statements, the District recognizes its proportionate share of net pension position, deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

Other Postemployment Benefits (OPEB)

On the government-wide statements, the total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense of the District's defined benefit healthcare plan (Note 10) have been measured on the same basis as reported by the plan. Benefit payments are due and payable in accordance with benefit terms.

Compensated Absences and Other Benefits

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and those expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrators and employee groups which provide for the payment of accumulated sick time at retirement or the option of converting this vested amount to provide for payment of health insurance until exhausted. Certain bargaining unit employees are also entitled to contributions made by the District to medical accounts, health reimbursement accounts, or health savings accounts. The accumulation of these benefits is determined by the contracts and provides employees with contributions annually. Contributions to these plans accumulate until retirement, and are accrued annually.

The government-wide financial statements reflect the estimated liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* - consists of capital assets net of accumulated depreciation, reduced by outstanding balances of any related debt obligations that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets, reduced by liabilities and deferred inflows of resources related to those assets, if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the District's bonds.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the District.

Governmental Fund Statements

The District considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, the District considers committed, assigned, then unassigned resources to have been spent when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances generally result from reserves created by the State of New York Legislature and included in General Municipal Law, State Education Law, or Real Property Tax Law as authorized for use by the Board of Education. Certain reserves may require voter approval for their establishment and/or use. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Board of Education as recommended by the District's management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end. Assigned fund balances include the planned use of existing fund balance to offset the subsequent year's tax levy. Additionally, the Board of Education has given the District's management the authority to assign fund balances for specific purposes that are neither restricted nor committed. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include inventory and the cash value of life insurance policies.

Fund balance restrictions include scholarships donated to the District by third parties for the benefit of students and the following reserves:

- *Capital* – is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve. During 2016, voters approved the creation of a capital reserve of \$15,000,000, which has been fully funded as of June 30, 2021.
- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond and BAN premiums), and remaining bond proceeds not needed for their original purpose as required by §165 of Finance Law. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Employee benefit accrued liability* - is used to account for the payment of accumulated vacation and sick time due upon termination of an employee's services. It is 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.
- *Workers' compensation* – is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-funded plan.
- *Retirement contribution* – is used to finance retirement contributions payable to TRS and ERS. For TRS, funding is limited to 2% annually of eligible salaries with a maximum reserve of 10%. At June 30, 2021, the retirement contribution reserve includes \$4,740,773 for ERS and \$3,349,243 for TRS.
- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the District has elected to use the benefit reimbursement method.
- *Repair* – is used to accumulate funds to finance costs of major repairs to capital improvements or equipment, and requires a public hearing for its use.
- *Tax certiorari* – is used to pay judgments and claims resulting from certiorari proceedings. Funds not used by July 1 of the fourth fiscal year following their deposit must be returned to unassigned fund balance.
- *Insurance* – is used to pay liability, casualty, and other types of losses except losses incurred for which insurance may be purchased. The amount is funded through budgetary appropriation and may not exceed 5% of the budget.

Summary of Fund Balances

| | 2021 | 2020 |
|------------------------------------|----------------------|----------------------|
| Nonspendable: | | |
| Inventory | \$ 270,925 | \$ 267,905 |
| Life insurance | 1,310,000 | 1,575,000 |
| Restricted: | | |
| Capital | 11,234,439 | 14,845,517 |
| Debt service | 3,335,929 | 3,321,828 |
| Employee benefit accrued liability | 2,887,255 | 2,884,973 |
| Workers' compensation | 443,465 | 692,748 |
| Retirement contribution | 8,090,016 | 5,584,231 |
| Unemployment insurance | 751,750 | 750,972 |
| Repair | 1,545,139 | 1,543,540 |
| Tax certiorari | 724,931 | 724,358 |
| Insurance | 2,525,432 | 2,100,000 |
| Scholarships | 93,523 | - |
| Assigned: | | |
| Designated for subsequent years | 5,800,000 | 5,800,000 |
| School lunch | 2,052,582 | 1,209,069 |
| Encumbrances | 2,747,383 | 2,114,305 |
| Unassigned | 6,858,896 | 6,765,258 |
| | <u>\$ 50,671,665</u> | <u>\$ 50,179,704</u> |

Interfund Balances

The operations of the District include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

In the government-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 fiduciary funds.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the District's practice to settle these amounts at the net balances due between funds.

2. Change in Accounting Principle

Effective July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. This statement redefines activities considered to be fiduciary, and as a result, payroll, employee third party withholdings, and certain other activities are now recorded in the general fund and scholarship activity is reflected in a miscellaneous special revenue fund. In addition, fiduciary liabilities are only recognized when an event has occurred that compels the District to disburse the fiduciary resources or no further action, approval, or condition is required prior to release of the assets. The impact of these required accounting changes on the District's government-wide, governmental fund, and fiduciary fund activity is as follows:

| | Miscellaneous Special Revenue Fund | Total Government- Wide | Fiduciary Funds |
|---|---|------------------------------|--------------------|
| Fund balance/net position/fiduciary net position, July 1, 2020 | \$ - | \$ 114,382,170 | \$ 94,059 |
| Scholarship activity | 94,059 | 94,059 | (94,059) |
| Student activity accounts | - | - | 224,020 |
| Fund balance/net position/fiduciary net position, as restated, July 1, 2020 | <u>\$ 94,059</u> | <u>\$ 114,476,229</u> | <u>\$ 224,020</u> |

Fund balance and net position have not been restated in the prior year columns of the applicable financial statements as such information does not constitute a full comparative presentation of the prior year.

3. Stewardship and Compliance

The special aid deficit fund balance of \$38,177 will be funded once grant proceeds are available.

4. Cash and Investments

Cash management is governed by State laws and as established in the District’s written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. The District’s banking policies permit the Treasurer to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure the District’s deposits may not be returned to it. At June 30, 2021, the District’s bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions’ trust departments through a perfected security interest in the pledged assets and by the pledging institutions’ agents.

Credit risk is the risk of loss attributed to the magnitude of the District’s investment in a single issuer. The District’s external investment pool is rated AAAm from S&P’s Global Ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In order to limit its exposure, the District’s external investment pool limits the maturity date of its investments. The dollar weighted average days to maturity (WAM) at June 30, 2021 is 50 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life of the pool is 70 days.

5. Interfund Transactions – Fund Financial Statements

| Fund | Receivable | Payable | Transfers | |
|------------------|---------------------|---------------------|-------------------|-------------------|
| | | | In | Out |
| General | \$ 3,209,550 | \$ - | \$ 129,652 | \$ 359,951 |
| Capital projects | - | 1,242,121 | 101,159 | - |
| Special aid | - | 1,886,091 | 258,792 | - |
| School lunch | - | 81,338 | - | 129,652 |
| | <u>\$ 3,209,550</u> | <u>\$ 3,209,550</u> | <u>\$ 489,603</u> | <u>\$ 489,603</u> |

The general fund provides cash flow to the various other funds; these amounts will be repaid when funds are received from the State after final expenditure reports have been submitted and approved or when permanent financing is obtained. The general fund made permanent transfers to the special aid fund to cover its share of costs related to the summer school handicap program and to the capital projects fund for spending needs related to capital projects. The amount transferred from the school lunch fund to the general fund is to reimburse the general fund for administrative costs.

6. Capital Assets

| | July 1, 2020 | Increases | Retirements/ Reclassifications | June 30, 2021 |
|--|----------------|--------------|-----------------------------------|----------------|
| Non-depreciable capital assets: | | | | |
| Land | \$ 1,877,916 | \$ - | \$ - | \$ 1,877,916 |
| Construction in progress | 1,336,796 | 5,488,495 | (170,073) | 6,655,218 |
| Total non-depreciable assets | 3,214,712 | 5,488,495 | (170,073) | 8,533,134 |
| Depreciable capital assets: | | | | |
| Land improvements | 2,971,670 | - | - | 2,971,670 |
| Buildings and improvements | 180,455,009 | 184,500 | 170,073 | 180,809,582 |
| Furniture and equipment | 8,306,204 | 420,784 | - | 8,726,988 |
| Vehicles | 12,778,953 | 1,207,348 | (127,652) | 13,858,649 |
| Total depreciable assets | 204,511,836 | 1,812,632 | 42,421 | 206,366,889 |
| Less accumulated depreciation: | | | | |
| Land improvements | 2,971,670 | - | - | 2,971,670 |
| Buildings and improvements | 47,659,744 | 3,446,448 | - | 51,106,192 |
| Furniture and equipment | 4,220,747 | 771,996 | - | 4,992,743 |
| Vehicles | 8,463,199 | 1,157,236 | (127,652) | 9,492,783 |
| Total accumulated depreciation | 63,315,360 | 5,375,680 | (127,652) | 68,563,388 |
| Total depreciable assets, net | 141,196,476 | (3,563,048) | 170,073 | 137,803,501 |
| | \$ 144,411,188 | \$ 1,925,447 | \$ - | \$ 146,336,635 |

Depreciation expense has been allocated to the following functions: general support \$439,884, instruction \$4,658,456, pupil transportation \$220,246, and school lunch \$57,094.

As of June 30, 2021, net investment in capital assets consists of the following:

| | |
|---|----------------------|
| Capital assets, net of accumulated depreciation | \$ 146,336,635 |
| Bonds, financing leases and related premiums | (64,430,860) |
| Bonds anticipation notes payable | (1,163,500) |
| | <u>\$ 80,742,275</u> |

7. Short-Term Debt

Bond anticipation notes (BANs) issued and outstanding at June 30, 2021 amounted to \$1,163,500 and carry interest at 1.25%. The BANs were issued to finance capital projects and matures in August 2021. Subsequent to June 30, 2021, the District also issued \$17,950,800 in BANs, carrying interest rates of 1.25% to 1.5%, to refinance the maturing BAN and to finance capital projects.

8. Long-Term Liabilities

| | July 1, 2020 | Increases | Decreases | June 30, 2021 | Amount Due in One Year |
|------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------------|
| Bonds | \$ 68,712,743 | \$ - | \$ 7,875,772 | \$ 60,836,971 | \$ 7,038,725 |
| Bond premiums | 3,504,571 | - | 292,048 | 3,212,523 | - |
| Energy performance contracts | 506,694 | - | 125,328 | 381,366 | 132,221 |
| Compensated absences | 10,665,000 | 2,328,000 | - | 12,993,000 | 783,000 |
| Other employee benefits | 5,223,000 | 689,000 | - | 5,912,000 | 1,288,000 |
| | <u>\$ 88,612,008</u> | <u>\$ 3,017,000</u> | <u>\$ 8,293,148</u> | <u>\$ 83,335,860</u> | <u>\$ 9,241,946</u> |

Existing Obligations

| Description | Maturity | Rate | Balance |
|-----------------------------------|----------------|-------------|----------------------|
| 2008 Improvement bond | June 2022 | 2.88%-3.5% | \$ 405,000 |
| 2013 Qualified Zone Academy bonds | June 2028 | 0.53% | 2,423,887 |
| 2013 Qualified Zone Academy bonds | June 2028 | 0.53% | 15,028,084 |
| 2014 Qualified Zone Academy bonds | June 2028 | 0.39% | 1,985,000 |
| 2014 Improvement and bus bond | September 2023 | 2.0%-4.0% | 1,380,000 |
| 2015 Qualified Zone Academy bonds | June 2029 | 0.92% | 4,540,000 |
| 2016 Qualified Zone Academy bonds | September 2025 | 0.0% | 715,000 |
| 2009 Energy performance contract | January 2024 | 4.73%-5.39% | 381,366 |
| 2019 Improvement bond | June 2032 | 2.125%-5.0% | 34,360,000 |
| | | | <u>\$ 61,218,337</u> |

Debt Service Requirements

| Years ending June 30, | Principal | Interest |
|-----------------------|----------------------|---------------------|
| 2022 | \$ 7,170,946 | \$ 1,495,784 |
| 2023 | 6,926,240 | 1,307,396 |
| 2024 | 6,889,490 | 1,125,019 |
| 2025 | 6,292,999 | 954,776 |
| 2026 | 6,456,230 | 795,394 |
| 2027-2031 | 23,897,432 | 1,793,445 |
| 2032 | 3,585,000 | 85,144 |
| | <u>\$ 61,218,337</u> | <u>\$ 7,556,958</u> |

9. Pension Plans

Plan Descriptions

The District participates in the following cost-sharing, multiple employer, public employee retirement systems:

- TRS is administered by the New York State Teachers' Retirement Board and 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. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.
- ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 9.53% for 2021. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the District to the pension accumulation fund. For 2021, these rates ranged from 9.7% - 21.6%.

The amount outstanding and payable to TRS for the year ended June 30, 2021 was \$6,353,906. A liability to ERS of \$705,542 is accrued based on the District's legally required contribution for employee services rendered from April 1 through June 30, 2021.

Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2021, District reported net pension liabilities of \$10,894,056 and \$60,711 for its proportionate share of the TRS and ERS net pension position, respectively.

The TRS net pension position was measured as of June 30, 2020, and the total pension liability was determined by an actuarial valuation as of June 30, 2019, with update procedures applied to roll forward the net pension position to June 30, 2020. The District's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2020, the District's proportion was 0.394245%, an increase of 0.007128 from its proportion measured as of June 30, 2019.

The ERS net pension position was measured as of March 31, 2021, and the total pension liability was determined by an actuarial valuation as of April 1, 2020. The District's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2021 measurement date, the District's proportion was 0.0609704%, a decrease of 0.0015571 from its proportion measured as of March 31, 2020.

For the year ended June 30, 2021, the District recognized pension expense of \$16,357,865 on the government-wide statements (expense from TRS of \$14,656,148 and expense from ERS of \$1,701,717). At June 30, 2021, the District reported deferred outflows and deferred inflows of resources as follows:

| | TRS | | ERS | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 9,545,373 | \$ 558,299 | \$ 741,442 | \$ - |
| Changes of assumptions | 13,778,446 | 4,911,296 | 11,162,731 | 210,532 |
| Net difference between projected and actual earnings on pension plan investments | 7,114,774 | - | - | 17,439,675 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 321,898 | 623,046 | 703,394 | 180,707 |
| District contributions subsequent to the measurement date | 6,353,906 | - | 705,542 | - |
| | <u>\$ 37,114,397</u> | <u>\$ 6,092,641</u> | <u>\$ 13,313,109</u> | <u>\$ 17,830,914</u> |

District contributions subsequent to the measurement date will be recognized as an addition to (a reduction of) the net pension asset (liability) in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years ending June 30, | TRS | ERS |
|-----------------------|----------------------|-----------------------|
| 2022 | \$ 4,236,370 | \$ (826,293) |
| 2023 | 8,559,402 | (206,673) |
| 2024 | 6,987,633 | (860,465) |
| 2025 | 4,328,455 | (3,329,916) |
| 2026 | 117,287 | - |
| Thereafter | 438,703 | - |
| | <u>\$ 24,667,850</u> | <u>\$ (5,223,347)</u> |

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2019 valuation, with update procedures used to roll forward the total pension liability to June 30, 2020, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. These assumptions are:

Inflation – 2.2%

Salary increases – Based on TRS member experience, dependent on service, ranging from 1.90%-4.72%

Projected Cost of Living Adjustments (COLA) – 1.3% compounded annually

Investment rate of return – 7.1% compounded annually, net of investment expense, including inflation

Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2019, applied on a generational basis

Discount rate – 7.1%

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

For ERS, the actuarial assumptions used in the April 1, 2020 valuation, with update procedures used to roll forward the total pension liability to March 31, 2021, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

Inflation – 2.7%

Salary increases – 4.4%

COLA – 1.4% annually

Investment rate of return – 5.9% compounded annually, net of investment expense, including inflation

Mortality – Society of Actuaries' Scale MP-2020

Discount rate – 5.9%

The long-term expected rate of return on ERS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, 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.

Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of the long-term inflation assumption) for each major asset class and the Systems' target asset allocations as of the applicable valuation dates are summarized as follows:

| Asset Class | TRS | | ERS | |
|-----------------------------------|-------------------|--|-------------------|--|
| | Target Allocation | Long-Term Expected Real Rate of Return | Target Allocation | Long-Term Expected Real Rate of Return |
| Domestic equities | 33% | 7.1% | 32% | 4.1% |
| Global and international equities | 20% | 7.4%-7.7% | 15% | 6.3% |
| Private equities | 8% | 10.4% | 10% | 6.8% |
| Real estate | 11% | 6.8% | 9% | 5.0% |
| Domestic fixed income securities | 16% | 1.8% | 23% | - |
| Global fixed income securities | 2% | 1.0% | - | - |
| Bonds and mortgages | 7% | 3.6% | - | - |
| Short-term | 1% | 0.7% | 1% | 0.5% |
| Other | 2% | 3.9%-5.2% | 10% | 3.6%-6.0% |
| | <u>100%</u> | | <u>100%</u> | |

Discount Rate

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

The following presents the District’s proportionate share of its net pension position calculated using the discount rate of 7.1% (TRS) and 5.9% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

| | 1.0% Decrease | At Current Discount Rate | 1.0% Increase |
|---|-----------------|-----------------------------|---------------|
| District’s proportionate share of the TRS net pension asset (liability) | \$ (68,814,000) | \$ (10,894,056) | \$ 37,715,454 |
| District’s proportionate share of the ERS net pension asset (liability) | \$ (16,850,929) | \$ (60,711) | \$ 15,423,800 |

10. OPEB

Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical insurance benefits for certain District employees and their spouses based on various bargaining unit agreements and individual contracts. Benefits are provided through a combination of self-funded and community-rated health insurance plans. Eligibility for benefits is based on covered employees who retire from the District at age 55 and have met vesting requirements. The Plan has no assets, does not issue financial statements, and is not a trust.

At April 1, 2021 employees covered by the Plan include:

| | |
|--|--------------|
| Active employees | 1,391 |
| Inactive employees or beneficiaries currently receiving benefits | 672 |
| Inactive employees entitled to but not yet receiving benefits | - |
| | <u>2,063</u> |

Total OPEB Liability

The District’s total OPEB liability of \$44,133,316 was measured as of March 31, 2021 and was determined by an actuarial valuation as of June 30, 2021.

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

- Healthcare cost trend rates* – based on the National Health Expenditure Projections 2012-2028 for short-term rates and the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2021_b (updated September 2020) for long-term rates, initially 4.00% and an ultimate rate of 4.08% after 2070
- Salary increases* – 3.11%
- Mortality* – Pub-2010 Public Retirement Plans Mortality Table, Headcount-Weighted, without separate contingent survivor mortality; fully generational using Mortality Improvement Scale MP-2020 for retirees and surviving spouses
- Discount rate* – 2.27% based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date
- Inflation rate* – 2.11%

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Balance at June 30, 2020 | \$ 15,545,484 |
| Changes for the year: | |
| Service cost | 510,868 |
| Interest | 371,356 |
| Changes of benefit terms | 27,436,759 |
| Differences between expected and actual experience | 1,154,117 |
| Changes of assumptions or other inputs | 197,070 |
| Benefit payments | (1,082,338) |
| Net changes | 28,587,832 |
| Balance at June 30, 2021 | \$ 44,133,316 |

The following presents the sensitivity of the District's total OPEB liability to changes in the discount rate, including what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate:

| | 1.0% Decrease (1.27%) | Discount Rate | 1.0% Increase (3.27%) |
|----------------------|--------------------------|-----------------|--------------------------|
| Total OPEB liability | \$ (47,212,644) | \$ (44,133,316) | \$ (41,160,948) |

The following presents the sensitivity of the District's total OPEB liability to changes in the healthcare cost trend rates, including what the District's total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates:

| | 1.0% Decrease (3.00% to 3.08%) | Healthcare Cost Trend Rate (4.00% to 4.08%) | 1.0% Increase (5.00% to 5.08%) |
|----------------------|-----------------------------------|---|-----------------------------------|
| Total OPEB liability | \$ (40,250,284) | \$ (44,133,316) | \$ (48,631,082) |

OPEB Expense, Deferred Outflows, and Deferred Inflows of Resources

For the year ended June 30, 2021, the District recognized OPEB expense of \$28,854,026. At June 30, 2021, the District reported deferred outflows 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 | \$ 1,774,781 | \$ 205,148 |
| Changes of assumptions or other inputs | 797,415 | 266,849 |
| Benefit payments subsequent to the measurement date | 270,585 | - |
| | \$ 2,842,781 | \$ 471,997 |

Benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Years ending June 30, | |
|-----------------------|--------------|
| 2022 | \$ 535,043 |
| 2023 | 535,043 |
| 2024 | 573,112 |
| 2025 | 284,227 |
| 2026 | 107,984 |
| Thereafter | 64,790 |
| | \$ 2,100,199 |

11. Risk Management

General Liability

The District purchases commercial insurance for various risks of loss due to torts, theft, damage, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Workers' Compensation

The District has chosen to establish self-insured plans for risks associated with employee workers' compensation claims and health insurance. Generally, liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The District's exposure is calculated with consideration of the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other benefit costs. For workers' compensation, the District purchases excess insurance limiting their self-funded rate to \$1,000,000 per incident and \$1,000,000 in the aggregate.

| | Beginning of Year | Current Claims and Changes in Estimates | Claims Paid | End of Year |
|------|----------------------|---|-------------|--------------|
| 2021 | \$ 1,500,000 | \$ 623,000 | \$ 849,000 | \$ 1,274,000 |
| 2020 | \$ 1,360,000 | \$ 935,000 | \$ 795,000 | \$ 1,500,000 |

Health Insurance

The District's self-funded health insurance coverage includes various plan options. The District provides a monthly premium equivalent equal to adjusted actual claims and an excess amount to fund an approximate 15% allowance for claims run-off and other uncertainties. The District purchases excess insurance that limits exposure to \$235,000 per incident.

| | Beginning of Year | Current Claims and Changes in Estimates | Claims Paid | End of Year |
|------|----------------------|---|---------------|--------------|
| 2021 | \$ 2,200,000 | \$ 15,326,000 | \$ 15,126,000 | \$ 2,400,000 |
| 2020 | \$ 2,185,000 | \$ 13,424,000 | \$ 13,409,000 | \$ 2,200,000 |

Estimated liabilities for both plans have been accrued on the government-wide and governmental funds financial statements as they are expected to be paid with currently available financial resources.

12. Commitments and Contingencies

Grants

The District receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex, and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the District. Based on prior experience, management expects such amounts to be immaterial.

Construction Commitments

The District has entered into contracts with various construction companies for several capital projects. District voters approved spending up to \$75,000,000, which will be performed in various phases over the next few years. To date, the District has spent \$6,659,000 and has open commitments to contractors of \$17,405,000. The District also has an ongoing capital project with a budget of \$4,952,000 and has spent \$835,000 as of June 30, 2021.

Litigation

The District is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims typically will not have a material adverse effect upon the financial position of the District.

Separate from claims and lawsuits that arise in the ordinary course of business, legislation was put in place regarding historical claims that were previously time-barred. In 2019, the Governor of the State passed the Child Victims Act (CVA). Under the CVA, any individual who was a minor at the time they suffered any alleged sexual abuse could file a lawsuit through August 14, 2021. Additionally, the Act extended the look back window to file claims under the CVA regardless of when or how long ago the alleged abuse occurred.

This has resulted in the filing of thousands of lawsuits State-wide. Lawsuits have been initiated against the District by former students who allege that inappropriate sexual contact occurred between them and employees of the District between 30 and 50 years ago. The District has retained counsel and is not currently aware of any insurance available for these claims. As of the report date of the financial statements, the District's exposure to these claims has not been determined.

Encumbrances

Significant outstanding encumbrances in the general fund as of June 30, 2021 include \$1,285,000 for educational supplies and \$723,000 for contractual services.

13. Risks and Uncertainties

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease continued into 2021, and the District was required to implement numerous safety measures and remote learning initiatives. The full extent of the impact of COVID-19 on the District's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on school districts and their residents, employees, and vendors, none of which can be predicted.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State Teachers' Retirement System**

| As of the measurement date of June 30, | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|
| District's proportion of the net pension position | 0.394245% | 0.387117% | 0.385116% | 0.391218% | 0.386670% | 0.390101% | 0.388234% | 0.389726% |
| District's proportionate share of the net pension asset (liability) | \$ (10,894,056) | \$ 10,057,319 | \$ 6,963,923 | \$ 2,973,643 | \$ (4,141,399) | \$ 40,519,036 | \$ 43,246,834 | \$ 2,565,385 |
| District's covered payroll | \$ 66,913,488 | \$ 64,591,874 | \$ 62,731,163 | \$ 61,990,239 | \$ 59,667,098 | \$ 58,598,426 | \$ 57,348,189 | \$ 57,086,407 |
| District's proportionate share of the net pension position as a percentage of its covered payroll | 16.28% | 15.57% | 11.10% | 4.80% | 6.94% | 69.15% | 75.41% | 4.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 97.76% | 102.17% | 101.53% | 100.66% | 99.01% | 110.46% | 111.48% | 100.70% |
| The following is a summary of changes of assumptions: | | | | | | | | |
| Inflation | 2.2% | 2.2% | 2.25% | 2.5% | 2.5% | 3.0% | 3.0% | 3.0% |
| Salary increases | 1.90%-4.72% | 1.90%-4.72% | 1.90%-4.72% | 1.90%-4.72% | 1.90%-4.72% | 4.0%-10.9% | 4.0%-10.9% | 4.0%-10.9% |
| Cost of living adjustments | 1.3% | 1.3% | 1.5% | 1.5% | 1.5% | 1.625% | 1.625% | 1.625% |
| Investment rate of return | 7.1% | 7.1% | 7.25% | 7.25% | 7.5% | 8.0% | 8.0% | 8.0% |
| Discount rate | 7.1% | 7.1% | 7.25% | 7.25% | 7.5% | 8.0% | 8.0% | 8.0% |
| Society of Actuaries' mortality scale | MP-2019 | MP-2018 | MP-2014 | MP-2014 | MP-2014 | AA | AA | AA |

Data prior to 2013 is unavailable.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Required Supplementary Information
Schedule of District Contributions
New York State Teachers' Retirement System**

| For the years ended June 30, | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 6,353,906 | \$ 5,928,535 | \$ 6,859,657 | \$ 6,147,654 | \$ 7,265,256 | \$ 7,911,857 | \$ 10,272,304 | \$ 9,319,081 | \$ 6,759,021 |
| Contribution in relation to the contractually required contribution | (6,353,906) | (5,928,535) | (6,859,657) | (6,147,654) | (7,265,256) | (7,911,857) | (10,272,304) | (9,319,081) | (6,759,021) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 66,672,676 | \$ 66,913,488 | \$ 64,591,874 | \$ 62,731,163 | \$ 61,990,239 | \$ 59,667,098 | \$ 58,598,426 | \$ 57,348,189 | \$ 57,086,407 |
| Contributions as a percentage of covered payroll | 9.53% | 8.86% | 10.62% | 9.80% | 11.72% | 13.26% | 17.53% | 16.25% | 11.84% |

Data prior to 2013 is unavailable.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State and Local Employees' Retirement System**

| As of the measurement date of March 31, | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|-----------------|----------------|----------------|----------------|-----------------|----------------|
| District's proportion of the net pension position | 0.0609704% | 0.0625275% | 0.0627090% | 0.0620890% | 0.0651351% | 0.0666985% | 0.0654566% |
| District's proportionate share of the net pension liability | \$ (60,711) | \$ (16,557,645) | \$ (4,443,125) | \$ (2,003,888) | \$ (6,120,244) | \$ (10,705,293) | \$ (2,211,283) |
| District's covered payroll | \$ 19,777,499 | \$ 19,378,661 | \$ 19,052,904 | \$ 18,696,414 | \$ 19,658,393 | \$ 18,581,980 | \$ 18,340,435 |
| District's proportionate share of the net pension position as a percentage of its covered payroll | 0.31% | 85.44% | 23.32% | 10.72% | 31.13% | 57.61% | 12.06% |
| Plan fiduciary net position as a percentage of the total pension liability | 99.95% | 86.39% | 96.27% | 98.24% | 94.70% | 90.70% | 97.90% |
| The following is a summary of changes of assumptions: | | | | | | | |
| Inflation | 2.7% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.7% |
| Salary increases | 4.4% | 4.2% | 4.2% | 3.8% | 3.8% | 3.8% | 4.9% |
| Cost of living adjustments | 1.4% | 1.3% | 1.3% | 1.3% | 1.3% | 1.3% | 1.4% |
| Investment rate of return | 5.9% | 6.8% | 7.0% | 7.0% | 7.0% | 7.0% | 7.5% |
| Discount rate | 5.9% | 6.8% | 7.0% | 7.0% | 7.0% | 7.0% | 7.5% |
| Society of Actuaries' mortality scale | MP-2020 | MP-2018 | MP-2014 | MP-2014 | MP-2014 | MP-2014 | MP-2014 |

Data prior to 2015 is unavailable.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Required Supplementary Information
Schedule of District Contributions
New York State and Local Employees' Retirement System**

| For the years ended June 30, | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Contractually required contribution | \$ 2,831,409 | \$ 2,773,849 | \$ 2,779,773 | \$ 2,832,481 | \$ 3,018,242 | \$ 3,386,702 | \$ 3,595,876 | \$ 3,525,162 | \$ 3,770,542 |
| Contribution in relation to the contractually required contribution | (2,831,409) | (2,773,849) | (2,779,773) | (2,832,481) | (3,018,242) | (3,386,702) | (3,595,876) | (3,525,162) | (3,770,542) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 19,777,499 | \$ 19,378,661 | \$ 19,052,904 | \$ 18,696,414 | \$ 19,658,393 | \$ 18,581,980 | \$ 18,340,435 | \$ 18,355,278 | \$ 9,975,927 |
| Contributions as a percentage of covered payroll | 14.32% | 14.31% | 14.59% | 15.15% | 15.35% | 18.23% | 19.61% | 19.21% | 18.88% |

Data prior to 2013 is unavailable.

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Required Supplementary Information
Schedule of Changes in the District's
Total OPEB Liability and Related Ratios**

| For the years ended June 30, | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------|---------------|---------------|---------------|---------------|
| Total OPEB liability - beginning | \$ 15,545,484 | \$ 14,702,980 | \$ 14,773,927 | \$ 16,060,007 | \$ 15,982,125 |
| Changes for the year: | | | | | |
| Service cost | 510,868 | 445,042 | 460,536 | 463,103 | 482,122 |
| Interest | 371,356 | 488,436 | 518,916 | 549,562 | 483,469 |
| Changes of benefit terms | 27,436,759 | 1,370 | - | 1,245 | - |
| Differences between expected and actual experience | 1,154,117 | (173,991) | (251,885) | (457,692) | 1,649,734 |
| Changes of assumptions or other inputs | 197,070 | 1,030,951 | 61,539 | 218,651 | (505,104) |
| Benefit payments | (1,082,338) | (949,304) | (860,053) | (2,060,949) | (2,032,339) |
| Net change in total OPEB liability | 28,587,832 | 842,504 | (70,947) | (1,286,080) | 77,882 |
| Total OPEB liability - ending | \$ 44,133,316 | \$ 15,545,484 | \$ 14,702,980 | \$ 14,773,927 | \$ 16,060,007 |
| Covered-employee payroll | \$ 83,323,830 | \$ 74,148,673 | \$ 71,835,568 | \$ 69,533,993 | \$ 69,533,993 |
| Total OPEB liability as a percentage of covered-employee payroll | 53.0% | 21.0% | 20.5% | 21.2% | 23.1% |

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes to benefit terms include plan provisions for certain contracts which changed the calculation method for the District's share of health insurance upon retirement. Differences between expected and actual experience include changes in healthcare trend rates. Changes in assumptions or other inputs include changes in the discount rate and updated mortality rates.

Differences between expected and actual experience include the impact of changes in personnel and their associated contract provisions upon retirement.

The following is a summary of health care trend rates and changes of assumptions:

| | | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Healthcare cost trend rates | 4.00% - 4.08% | 5.20% - 4.18% | 5.20% - 4.32% | 6.20% - 4.17% | 5.30% - 4.17% |
| Salary increases | 3.11% | 3.22% | 3.36% | 3.31% | 3.31% |
| Discount rate | 2.27% | 2.48% | 3.44% | 3.61% | 3.80% |
| Inflation rate | 2.11% | 2.22% | 2.36% | 2.31% | 2.20% |
| Society of Actuaries' mortality scale | MP-2020 | MP-2019 | MP-2018 | MP-2017 | MP-2016 |

Data prior to 2017 is unavailable.

Supplementary Information
Schedule of Change from Original to Final Budget and
Calculation of Unrestricted Fund Balance Limit - General Fund

For the year ended June 30, 2021

| | |
|---|-----------------------|
| Original expenditure budget | \$ 169,079,474 |
| Encumbrances carried over from prior year | <u>2,114,305</u> |
| Revised expenditure budget | <u>\$ 171,193,779</u> |

* * *

Unrestricted Fund Balance

| | |
|--|---------------------|
| Assigned | \$ 8,547,383 |
| Unassigned | <u>6,897,073</u> |
| | 15,444,456 |
| Encumbrances included in assigned fund balance | (2,747,383) |
| Appropriated fund balance used for tax levy | <u>(5,800,000)</u> |
| Amount subject to 4% limit pursuant to Real Property Tax Law §1318 | <u>\$ 6,897,073</u> |

§1318 of Real Property Tax Law - unrestricted fund balance limit calculation

| | |
|--|------------------|
| 2022 expenditure budget (unaudited) | \$ 172,426,830 |
| 4% of budget | <u>6,897,073</u> |
| Actual percentage of 2022 expenditure budget | <u>4.0%</u> |

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

Supplementary Information
Schedule of Capital Project Expenditures

June 30, 2021

| Project Title | Original Budget | Expenditures | | | Unexpended Balance |
|----------------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|
| | | Prior Years | Current Year | Total | |
| Smart Schools Bond Act | \$ 4,951,929 | \$ 644,748 | \$ 190,304 | \$ 835,052 | \$ 4,116,877 |
| 2020 - 2021 Capital Outlay | 100,000 | - | 100,000 | 100,000 | - |
| 2020 Capital improvements | 75,000,000 | 1,166,723 | 5,491,754 | 6,658,477 | 68,341,523 |
| | <u>\$ 80,051,929</u> | <u>\$ 1,811,471</u> | <u>\$ 5,782,058</u> | <u>\$ 7,593,529</u> | <u>\$ 72,458,400</u> |

KENMORE-TOWN OF TONAWANDA UNION FREE SCHOOL DISTRICT

**Supplementary Information
Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2021

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Grantor Number | Expenditures |
|--|----------------|-------------------|------------------------|
| <u>U.S. Department of Education:</u> | | | |
| Passed Through New York State Education Department | | | |
| Special Education Cluster: | | | |
| Special Education Grants to States | 84.027 | 0032-21-0241 | \$ 1,974,873 |
| Special Education Preschool Grants | 84.173 | 0033-21-0241 | 43,209 |
| Total Special Education Cluster | | | 2,018,082 |
| Adult Education - Basic Grants to States | 84.002 | 2338-21-3138 | 15,024 |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-21-0850 | 1,431,360 |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-20-0850 | 14,122 |
| Career and Technical Education - Basic Grants to States | 84.048 | 8000-21-0093 | 26,577 |
| Career and Technical Education - Basic Grants to States | 84.048 | 8000-20-0093 | 23,681 |
| English Language Acquisition State Grants | 84.365 | 0293-21-0850 | 35,778 |
| English Language Acquisition State Grants | 84.365 | 0293-20-0850 | 4,182 |
| Supporting Effective Instruction State Grants | 84.367 | 0147-21-0850 | 69,470 |
| Supporting Effective Instruction State Grants | 84.367 | 0147-20-0850 | 62,079 |
| Student Support and Academic Enrichment Program | 84.424 | 0204-21-0850 | 44,723 |
| Student Support and Academic Enrichment Program | 84.424 | 0204-20-0850 | 34,354 |
| Education Stabilization Fund - Governor's Emergency Education Relief Fund | 84.425C | 5895-21-0850 | 248,504 ¹ |
| Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund | 84.425D | 5890-21-0850 | 1,479,451 ¹ |
| Total U.S. Department of Education | | | 5,507,387 |
| <u>U.S. Department of Treasury:</u> | | | |
| Passed through Erie County: | | | |
| Coronavirus Relief Fund | 21.019 | N/A | 827,250 |
| <u>U.S. Department of Justice:</u> | | | |
| Passed Through Bureau of Justice Assistance: | | | |
| STOP School Violence | 16.839 | 2020-YS-BX-0084 | 4,950 |
| <u>U.S. Department of Agriculture:</u> | | | |
| Passed Through Board of Cooperative Educational Services Second Supervisory District of Erie-Chautauqua-Cattaraugus Counties: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | N/A | 29,939 |
| Passed Through New York State Education Department: | | | |
| Child Nutrition Cluster: | | | |
| COVID-19 - School Food Service Program for Children | 10.559 | N/A | 3,007,776 ² |
| Passed Through New York State Office of General Services: | | | |
| Child Nutrition Cluster: | | | |
| National School Lunch Program | 10.555 | N/A | 252,589 ² |
| Total U.S. Department of Agriculture | | | 3,290,304 |
| Total Expenditures of Federal Awards | | | \$ 9,629,891 |

¹ Total Education Stabilization Fund - \$1,727,955

² Total Child Nutrition Cluster - \$3,260,365

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Kenmore-Town of Tonawanda Union Free School District (the District), an entity as defined in Note 1 to the District’s basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The District uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District’s financial reporting system.

Indirect Costs

Indirect costs are allocated to Federal funds using a formulaic approach at an amount less than the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

Non-Monetary Federal Program

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a “non-monetary program.” During the year ended June 30, 2021, the District used \$252,589 worth of commodities under the National School Lunch Program (CFDA Number 10.555).

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

The Board of Education
Kenmore-Town of Tonawanda Union Free 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 remaining fund information of Kenmore-Town of Tonawanda Union Free School District (the District) as of and for the year ended June 30, 2021, 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 4, 2021.

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.

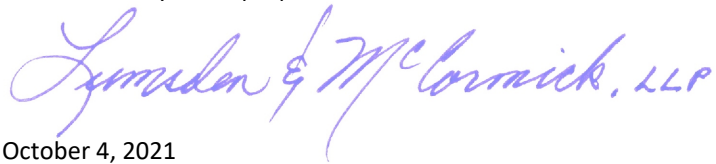
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Lunden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 4, 2021

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

The Board of Education
Kenmore-Town of Tonawanda Union Free School District

Report on Compliance for Each Major Federal Program

We have audited Kenmore-Town of Tonawanda Union Free School District's (the 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, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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, 2021.

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.

A handwritten signature in blue ink that reads "Lumsden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 4, 2021

Schedule of Findings and Questioned Costs

For the year ended June 30, 2021

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

| Name of Federal Program or Cluster | CFDA # | Amount |
|---|---------|---------------------|
| Child Nutrition Cluster: | | |
| COVID-19 – School Food Service Program for Children | 10.559 | \$ 3,007,776 |
| National School Lunch Program | 10.555 | 252,589 |
| | | <u>3,260,365</u> |
| Education Stabilization Fund: | | |
| Governor's Emergency Education Relief Fund | 84.425C | 248,504 |
| Elementary and Secondary School Emergency Relief Fund | 84.425D | 1,479,451 |
| | | <u>1,727,955</u> |
| Coronavirus Relief Fund | 21.019 | 827,250 |
| | | <u>\$ 5,815,570</u> |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.