

MADISON CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2021

MADISON CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1 – 3
<u>Management’s Discussion and Analysis (Unaudited)</u>	4 – 14
<u>Basic Financial Statements</u>	
Statement of Net Position	15
Statement of Activities and Changes in Net Position	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities.....	20
Statement of Fiduciary Net Position.....	21
Statement of Changes in Fiduciary Net Position.....	21
Notes to Financial Statements	22 – 55
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) – and Actual – General Fund (Unaudited)	56 – 57
Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited).....	58
Schedule of District’s Proportionate Share of Net Pension Liability (Assets) (Unaudited). Schedule of District’s Contributions (Unaudited)	59 60
<u>Other Supplemental Schedules</u>	
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Law Limit.....	61
Schedule of Project Expenditures – Capital Fund.	62
Schedule of Investment in Capital Assets, Net of Related Debt.....	63
Schedule of Expenditures of Federal Awards.....	64
Notes to the Schedule of Expenditures of Federal Awards	65
<u>Internal Control and Compliance</u>	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	66 – 67
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	68 – 69
Schedule of Audit Findings	70 – 71
Schedule of Prior Audit Findings	72

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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Madison Central School District
Madison, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Central 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 an opinion 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 misstatements.

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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

As outlined in Note 8, management replaced its existing capital asset accounting software resulting in a difference in the beginning balance for net capital assets versus the prior year amounts, and a possibility of an understatement or overstatement of depreciation expense and year-end net capital assets. The amount of this understatement or overstatement could not be determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America requires that the Management’s Discussion and Analysis, and other required supplemental information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and 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 method of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplemental information on Pages 61 – 63 and the Schedule of Expenditures of Federal Awards and its notes on Pages 64 and 65, as required by Title 2 U.S. *Code for Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information on Pages 61 – 63 and the Schedule of Expenditures of Federal Awards as required by the Uniform Guidance and its notes are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information on Pages 61 – 63 and the Schedule of Expenditures of Federal Awards, as required by the Uniform Guidance and the other information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 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, and grant agreements and other matters. The purpose of that report is to solely 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.

A handwritten signature in black ink that reads "Mostert, Manzanero & Scott, LLP". The signature is written in a cursive style and is positioned on a light blue rectangular background.

Oneonta, New York
October 13, 2021

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

MADISON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2021

The Management's Discussion and Analysis (MD&A) contains a discussion and analysis of Madison Central School District's (the "District") financial performance for the fiscal year ended June 30, 2021. It is based on current known facts, decisions, or conditions of the District's financial activities. It discusses both the District-wide and fund-based financial statements. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

- The District's total net position, as reflected in the District-wide financial statements, decreased by \$352,977 to a deficit balance of \$(14,356,215). This decrease is due primarily to the recording of deferred inflow for OPEB.
- The District's expense for the year as reflected in the District-wide financial statements, totaled \$12,140,616. Of this amount \$1,401,157 (11.54%) was offset by program charges for services and operating grants. General revenues offset expenditures by \$10,386,482 or 85.55%. Program expenses exceed revenues leaving a deficit of \$352,977.
- The general fund's total balance, as reflected in the fund financial statements on Page 17, increased by \$1,079,496 to a total balance of \$3,971,132. This was due mainly to the District's appropriation of fund balance and encumbrances totaling \$480,535 for the 2020 – 2021 budget which was offset by under expending the budget, before encumbrances, by \$1,553,363 or approximately 14.11% of the modified budget.

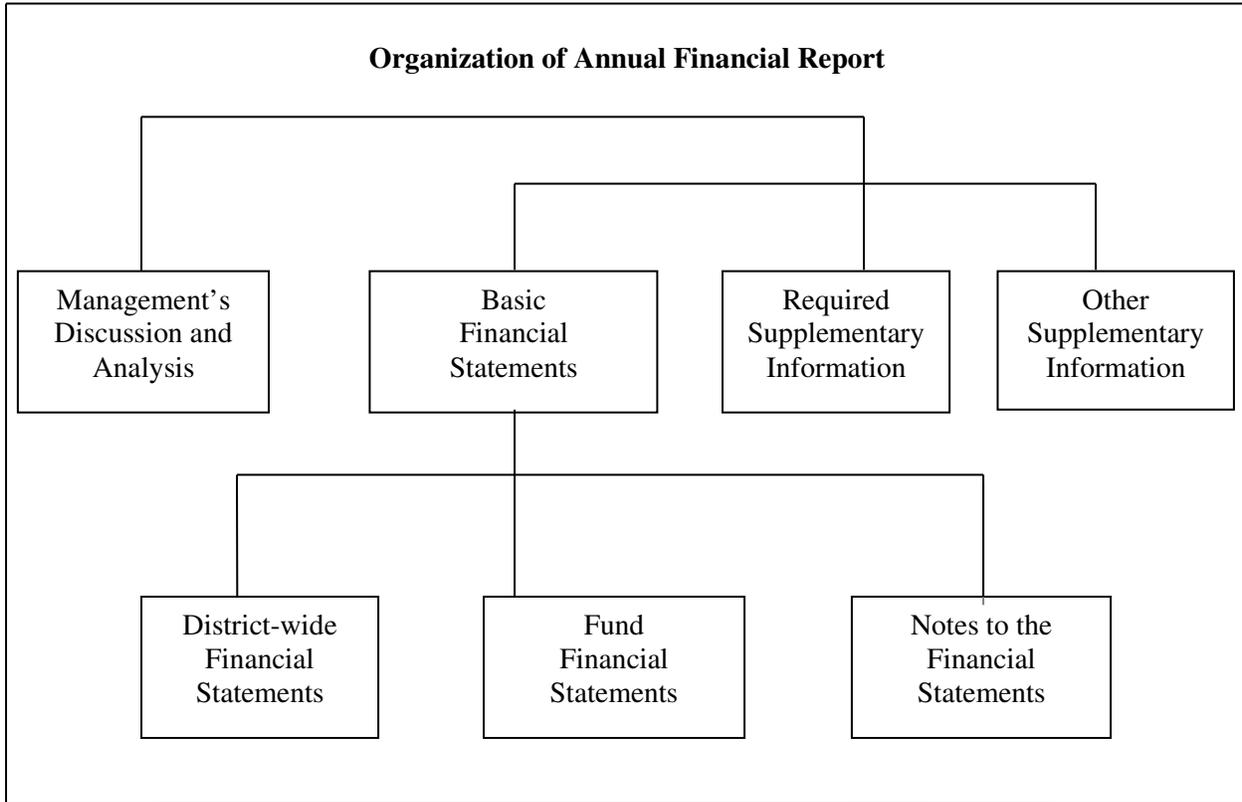
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: the Management's Discussion and Analysis (this section), the general purpose financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of District-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements is as follows:

MADISON CENTRAL SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2021



District-Wide Financial Statements

The District-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two District-wide financial statements – The Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District’s finance.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

Statement of Net Position – Presents information on all of the District’s assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

Statement of Activities – Presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

MADISON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2021

Fund Financial Statements

The fund financial statements provide more detail information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measureable, funded through available resources and payable within a current period.

Governmental Funds – Are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds, general, school lunch, special aid, debt service and capital projects, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds – Are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. The fiduciary activities have been excluded from the District-wide financial statements because the District cannot use these assets to finance its operations.

During the fiscal year ended June 30, 2021, the District implemented GASB No. 84 – Fiduciary Activities. This changed how and where the District records the extra-classroom activity fund and payroll withholdings.

MADISON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position decreased \$352,977 between fiscal year 2020 and 2021. A summary of the District's statement of net position for June 30, is as follows:

Net Position	<u>2021</u>	<u>Restated 2020</u>	<u>Change</u>
Assets:			
Current assets and other assets	\$ 6,181,844	\$ 5,006,753	
Net pension assets – Proportionate share	-	492,776	
Capital assets – Net	<u>18,775,002</u>	<u>19,563,142</u>	
Total assets	24,956,846	25,062,671	
Deferred outflows of resources	<u>4,489,583</u>	<u>4,307,430</u>	
Total assets and deferred outflows	<u>29,446,429</u>	<u>29,370,101</u>	<u>(0.26) %</u>
Liabilities:			
Non-current liabilities	40,433,009	40,094,681	
Other liabilities	<u>863,662</u>	<u>780,332</u>	
Total liabilities	41,296,671	40,875,013	
Deferred inflows of resources	<u>2,505,973</u>	<u>2,498,327</u>	
Total liabilities and deferred inflows	<u>43,802,644</u>	<u>43,373,340</u>	<u>0.99 %</u>
Net Position:			
Invested in capital assets – Net of related debt	8,527,127	8,887,464	
Restricted	3,586,955	3,151,661	
Unrestricted	<u>(26,470,297)</u>	<u>(26,042,364)</u>	
Total net position	<u>\$ (14,356,215)</u>	<u>\$ (14,003,239)</u>	<u>(2.52) %</u>

The current and other assets increased by \$1,233,059 as compared to the prior year.

Capital assets decreased by \$1,076,771, as compared to the prior year. This decrease is primarily due to depreciation exceeding additions. Note 8 to the financial statements provides additional information.

Deferred outflows increased by \$182,153 as a result of changes to deferred outflows for ERS and TRS pensions as outlined in Note 10 and OPEB outflows as outlined in Note 12.

Non-current liabilities increased \$338,328 from the prior year. This increase is primarily due to a net increase in OPEB liability of \$1,171,664 and an increase of \$520,988 in TRS liabilities.

Other liabilities increased by \$83,330 from the prior year primarily as a result of implementation of GASB No. 84 – Fiduciary Activities.

The net position invested in capital assets (net of related debt) is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions include expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment, and furniture to support district operations.

MADISON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2021

The restricted net position at June 30, 2021, of \$3,586,955, consists of various reserves established by the Board of Education as well as debt service. The unrestricted net position at June 30, 2021, is a deficit of \$(26,470,297), which represents the amount by which the District's liabilities exceeded the District's assets other than capital assets.

The results of this year's operations as a whole are reported in the statement of activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements, STAR (school tax relief) revenue is included in the other tax items line. However, the MD&A combines the STAR amount with property taxes. A summary of this statement for the years ended June 30, is as follows:

Changes in Net Position	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues:			
Operating grants	\$ 1,384,680	\$ 904,141	
Charges for services	16,477	95,221	
General revenues:			
Property taxes and STAR	3,505,709	3,436,487	
Federal and state sources	6,546,292	6,265,683	
Other	<u>334,481</u>	<u>247,024</u>	
Total revenues	<u>11,787,639</u>	<u>10,948,556</u>	<u>7.66 %</u>
Expenses:			
General support	1,527,245	1,816,749	
Instruction	9,360,741	9,076,872	
Transportation	660,427	686,989	
Debt service – Unallocated interest	340,939	507,688	
School lunch	<u>251,264</u>	<u>273,120</u>	
Total expenses	<u>12,140,616</u>	<u>12,361,418</u>	<u>(1.79) %</u>
Changes in net position	<u>\$ (352,977)</u>	<u>\$ (1,412,862)</u>	<u>(75.02) %</u>

The District's revenues increased by \$839,083 in 2021 or 7.66%. The major factor that contributed to this increase was:

- Federal and state sources increased by \$280,609
- Grant revenue increased by \$480,539

The District's expenses decreased by \$220,802 or 1.79%. The major factor that contributed to this decrease was:

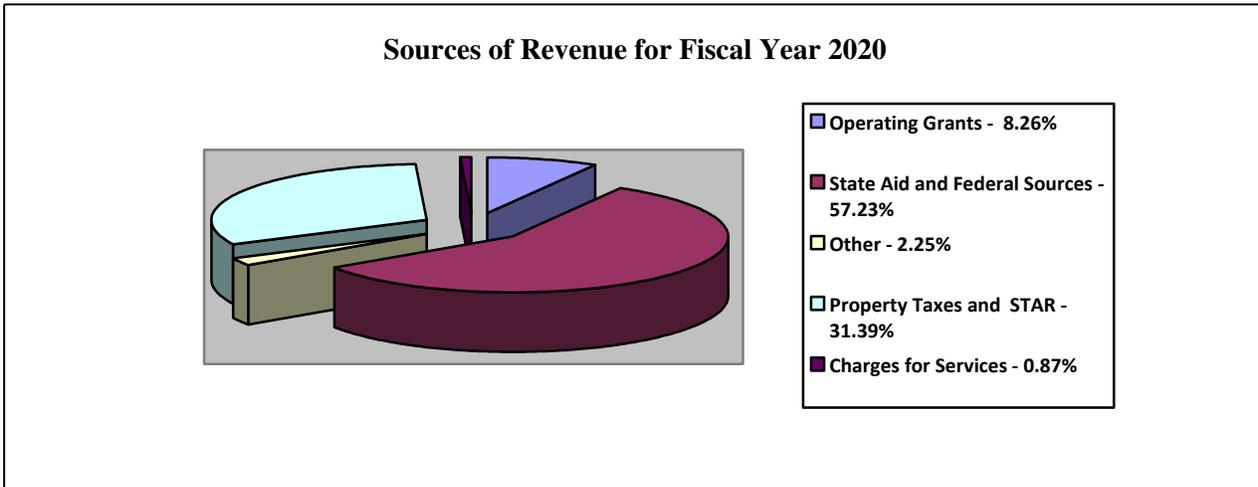
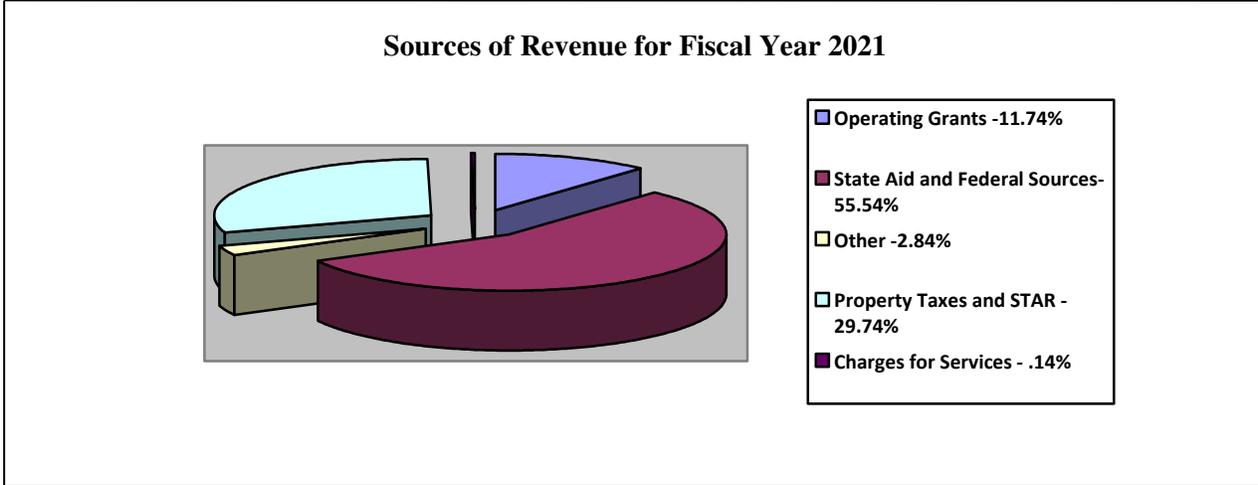
- Debt service – Unallocated interest decreased.

MADISON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2021

A graphic display of the distributions of revenue for the two years follows:

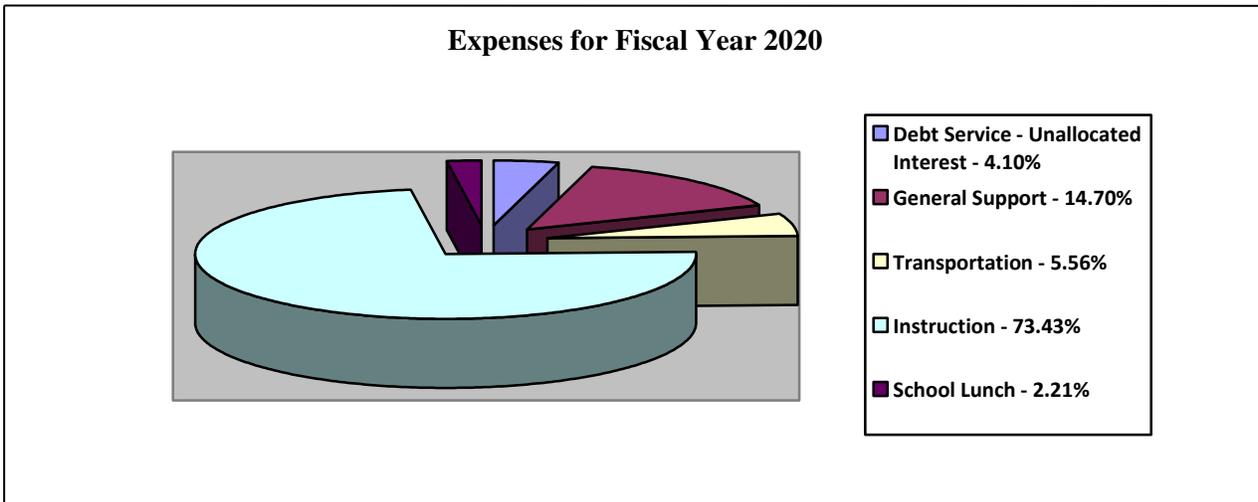
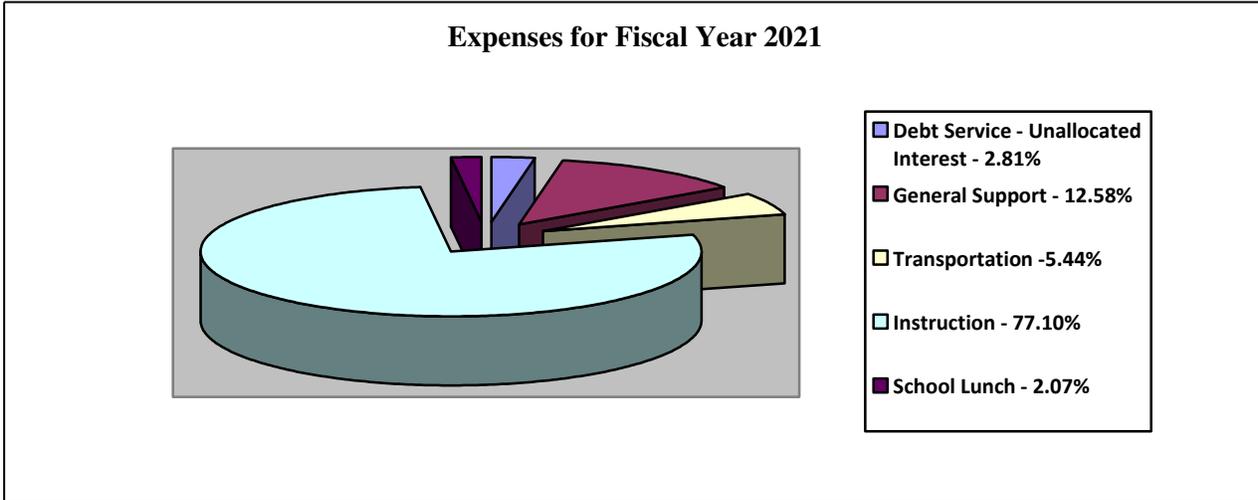


MADISON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2021

A graphic display of the distributions of expenses for the two years follows:



MADISON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2021, the District's governmental funds reported a combined fund balance, which increased \$1,088,425 from the prior year. This increase is primarily due to an excess of revenues over expenditures for the year in the general fund and the issuing of new debt at a premium recorded in the debt service and capital funds. A summary of the change in fund balance by fund is as follows:

	<u>2021</u>	<u>Restated 2020</u>
General fund - Restricted for:		
Unemployment insurance	\$ 196,928	\$ 191,071
Employee benefit accrued liability	589,746	633,282
Retirement contribution – ERS	83,167	75,107
Retirement contribution – TRS	191,424	127,098
Capital reserve	704,574	303,804
Liability	<u>446,015</u>	<u>444,885</u>
Total restricted	<u>2,211,854</u>	<u>1,775,247</u>
Assigned:		
General support	23,004	4,650
Instruction	186	25,310
Pupil transportation	135,512	575
Appropriation for subsequent year's budget	<u>150,000</u>	<u>450,000</u>
Total assigned	<u>308,702</u>	<u>480,535</u>
Unassigned	<u>1,450,576</u>	<u>635,854</u>
Total general fund	<u>3,971,132</u>	<u>2,891,636</u>
School lunch:		
Nonspendable	12,686	10,692
Unassigned (deficit)	<u>25,568</u>	<u>(3,989)</u>
Total school lunch	<u>38,254</u>	<u>6,703</u>
Extra-classroom activities	<u>45,924</u>	<u>57,968</u>
Debt service fund:		
Restricted	<u>1,329,177</u>	<u>1,318,446</u>
Capital project fund:		
Unassigned (deficit)	<u>(32,757)</u>	<u>(11,448)</u>
Total fund balance	<u>\$ 5,351,730</u>	<u>\$ 4,263,305</u>

MADISON CENTRAL SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS

2020 – 2021 Budget – The District’s general fund adopted budget for the year ended June 30, 2021, was \$10,975,715. This is an increase of \$324,018 over the prior year’s adopted budget. The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was \$3,500,627 in estimated property taxes and STAR, and state aid in the amount of \$6,617,544.

Change in General Fund’s Unassigned Fund Balance (Budget to Actual) – The general fund’s unassigned fund balance is the component of total fund balance that is the residual of prior years’ excess revenues over expenditures, net of transfers to reserves and designations to fund the subsequent year’s budget. It is this balance that is commonly referred to as the “fund balance.” The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, unassigned fund balance	\$ 635,854
Revenues	10,532,382
Expenditures	(9,450,666)
Other financial sources (uses)	(2,220)
Net increase to restricted funds	(436,607)
Net decrease in assigned fund balance	<u>171,833</u>
Closing, unassigned fund balance	<u>\$ 1,450,576</u>

Opening, Unassigned Fund Balances – \$635,854 shown above is the portion of the District’s June 30, 2020 fund balance that was retained as unassigned. This was 5.79% of the District’s 2020-2021 approved operating budget.

Closing, Unassigned Fund Balances – Based upon the summary changes shown above, the District will begin the 2021 – 2021 fiscal year with an unassigned fund balance of \$1,450,576. This is an increase of \$814,722 over the unassigned balance from the prior year as of June 30, 2020. This was 12.97% of the District’s 2021 – 2021 approved operating budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – At June 30, 2021, the District had invested in a broad range of capital assets, including land, land improvements, buildings and improvements, furniture, equipment and vehicles. The net increase in capital assets is due to capital additions for the year ended June 30, 2021. A summary of the District’s capital assets, net of accumulated depreciation, at June 30, is as follows:

	<u>2021</u>	(as Restated) <u>2020</u>	Increase/ Decrease
Land	\$ 165,000	\$ 165,000	\$ -
Land improvements	113	320	(207)
Buildings and improvements	17,479,249	18,055,219	(575,970)
Furniture and equipment	378,537	389,122	(10,585)
Vehicles	<u>752,103</u>	<u>953,481</u>	<u>(201,378)</u>
Capital asset, net	<u>\$ 18,775,002</u>	<u>\$ 19,563,142</u>	<u>\$ (788,140)</u>

MADISON CENTRAL SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2021

Debt Administration – At June 30, 2021, the District had total long-term debt payable of \$10,285,118. The serial bonds of \$8,080,000 exhausted 43.14% of the District’s state constitutional debt limit. A summary of the outstanding long-term debt at June 30, is as follows:

<u>Description / Issue Date</u>	<u>Interest Rate</u>	<u>2021</u>	<u>2020</u>	<u>Decrease</u>
Government activities:				
Serial bonds payable:				
May 1, 2019	3.25% - 4.00%	\$ 445,000	\$ 580,000	\$ (135,000)
DASNY				
Serial bonds payable:				
June 17, 2019	3.00% - 5.00%	7,635,000	8,070,000	(435,000)
Premium on serial bonds		1,188,948	1,280,406	(91,458)
Installment purchase debt:				
December 15, 2014	3.47%	<u>1,016,170</u>	<u>1,110,861</u>	<u>(94,691)</u>
		<u>\$10,285,118</u>	<u>\$11,041,267</u>	<u>\$ (756,149)</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The challenge the District faced in this budget was to continue to provide a solid, complete educational program in the face of rising costs and the uncertainty with the COVID-19 pandemic. The Board of Education is very attuned to the taxpayers needs to keep rates in check. The Board’s budgeting philosophy has been to try to maximize state aid and minimize the taxes raised to sustain educational stability. The District will be monitoring their revenues and expenditures very closely this school year to safeguard the District.

The District will receive revenues from the windmills located in the District again this year. This will be year fifteen of sixteen that the District will be receiving these revenues. The decisions that the Board of Education have made over the past several years placed the District in an improved financial position. The District is fully aware that economic realities for this District are going to be more challenging and are actively planning for these concerns considering the COVID-19 pandemic uncertainty and the 2% tax cap along with the property tax freeze credit. It is understood that increase costs combined with reduction of state aid will result in more serious budget shortfalls. The Board of Education understands that the major expense in the District’s budget is staffing. Both the Board of Education and the administration feel that the financial philosophies described above will create high quality educational programming at a financial cost that the Madison Community can afford to support.

MADISON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2021

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's 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 any questions about this report or need additional financial information, contact the Business Office of the Madison Central School District at 7303 State Route 20, Madison, New York 13402.

BASIC FINANCIAL STATEMENTS

MADISON CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2021

ASSETS

Unrestricted cash	\$ 1,702,245
Restricted cash	3,554,198
Receivables:	
Accounts receivable	864
Other governments, net	911,848
Due from fiduciary funds	3
Inventory	12,686
Capital assets, net	18,775,002
Total assets	<u>24,956,846</u>

DEFERRED OUTFLOW OF RESOURCES

Other post-employment benefits (OPEB)	2,168,108
Pensions	2,321,475
Total deferred outflows of resources	<u>4,489,583</u>

TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES\$ 29,446,429**LIABILITIES**

Payables:	
Accounts payable	\$ 18,339
Accrued liabilities	125,870
Accrued interest	33,548
Due to:	
Other governments	299,421
Teachers' retirement system	358,825
Employees' retirement system	27,659
Noncurrent Liabilities:	
Net pension liability - TRS - Proportionate share	520,988
Net pension liability - ERS - Proportionate share	2,574
Due within one year	784,463
Due in more than one year	39,124,984
Total liabilities	<u>41,296,671</u>

DEFERRED INFLOWS OF RESOURCES

OPEB	1,453,086
Pensions	1,052,887
Total deferred inflows of resources	<u>2,505,973</u>

NET POSITION

Investment in capital assets, net of related debt	8,527,127
Restricted	3,586,955
Unrestricted deficit	<u>(26,470,297)</u>
Total net position	<u>(14,356,215)</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION**\$ 29,446,429

See accompanying notes.

MADISON CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

Year Ended June 30, 2021

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
FUNCTIONS/PROGRAMS				
General support	\$ 1,527,245	\$ -	\$ -	\$ (1,527,245)
Instruction	9,360,741	5,302	1,189,398	(8,166,041)
Pupil transportation	660,427	-	-	(660,427)
Debt service - Unallocated interest	340,939	-	-	(340,939)
Food service program	251,264	11,175	195,282	(44,807)
Total functions /programs	<u>\$ 12,140,616</u>	<u>\$ 16,477</u>	<u>\$ 1,384,680</u>	<u>(10,739,459)</u>
GENERAL REVENUES				
Real property taxes				2,910,084
STAR and other real property tax items				595,625
Use of money and property				17,745
Sale of property and compensation for loss				(30,513)
State and federal sources				6,546,292
Miscellaneous				347,249
Total general revenues				<u>10,386,482</u>
Change in net position				(352,977)
Total net position - Beginning of year, as restated				<u>(14,003,238)</u>
Total net position (deficit) - End of year				<u>\$ (14,356,215)</u>

See accompanying notes.

MADISON CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021

	General	School Lunch	Special Aid
ASSETS			
Unrestricted cash	\$ 1,672,929	\$ 15,023	\$ 14,293
Restricted cash	2,211,854	-	-
Receivables:			
Accounts receivable	154	710	-
Due from other governments	527,314	49,909	334,625
Due from other funds	85,005	-	-
Inventory	-	12,686	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,497,256</u>	<u>\$ 78,328</u>	<u>\$ 348,918</u>
LIABILITIES			
Accounts payable	\$ 13,770	\$ -	\$ 4,569
Accrued expenses	125,870	-	-
Due to:			
Other governments	-	74	299,347
Other funds	-	40,000	45,002
Teachers' retirement system	358,825	-	-
Employees' retirement system	27,659	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>526,124</u>	<u>40,074</u>	<u>348,918</u>
FUND BALANCES			
Restricted:			
Non-spendable	-	12,686	-
Restricted	2,211,854	-	-
Assigned	308,702	-	-
Unassigned (deficit)	1,450,576	25,568	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,971,132</u>	<u>38,254</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 4,497,256</u>	<u>\$ 78,328</u>	<u>\$ 348,918</u>

See accompanying notes.

<u>Extra-classroom Activity</u>	<u>Debt Service</u>	<u>Capital</u>	<u>Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 1,702,245
45,924	1,259,177	37,243	3,554,198
-	-	-	864
-	-	-	911,848
-	70,000	-	155,005
-	-	-	12,686
<u>\$ 45,924</u>	<u>\$ 1,329,177</u>	<u>\$ 37,243</u>	<u>\$ 6,336,846</u>
\$ -	\$ -	\$ -	\$ 18,339
-	-	-	125,870
-	-	-	299,421
-	-	70,000	155,002
-	-	-	358,825
-	-	-	27,659
<u>-</u>	<u>-</u>	<u>70,000</u>	<u>985,116</u>
-	-	-	12,686
45,924	1,329,177	-	3,586,955
-	-	-	308,702
-	-	(32,757)	1,443,387
<u>45,924</u>	<u>1,329,177</u>	<u>(32,757)</u>	<u>5,351,730</u>
<u>\$ 45,924</u>	<u>\$ 1,329,177</u>	<u>\$ 37,243</u>	<u>\$ 6,336,846</u>

MADISON CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

Year Ended June 30, 2021

Total fund balance - Balance Sheet - Governmental Funds	\$ 5,351,730
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net - Used in governmental activities not reported in the funds	18,775,002
The District's proportionate share of the Teacher and Employee Retirement Systems' collective net pension asset or (liability) is not reported in the funds.	
TRS net pension liability - Proportionate share	(520,988)
ERS net pension liability - Proportionate share	(2,574)
Deferred outflows of resources including OPEB and pensions, represents a consumption of net position that applies to future periods and therefore is not reported in the funds. Deferred inflows of resources including OPEB and pensions represent an acquisition of net position that applies to future periods and therefore is not reported in the funds.	
Deferred outflows of resources - Pension	2,321,475
Deferred inflows of resources - Pension	(1,052,887)
Deferred outflows of resources - OPEB	2,168,108
Deferred inflows of resources - OPEB	(1,453,086)
Long-term liabilities, including bonds payable, compensated absences, and amounts due for other postemployment employee benefits, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(8,080,000)
Premium on serial bonds	(1,188,948)
Energy performance contract	(1,016,170)
Accrued interest on bonds payable	(33,548)
Other postemployment benefits	(29,421,047)
Compensated absences	(203,282)
Net Position (Deficit) - Governmental activities	<u>\$ (14,356,215)</u>

See accompanying notes.

MADISON CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

Year Ended June 30, 2021

	General	School Lunch
REVENUES		
Real property taxes	\$ 2,910,084	\$ -
STAR and other real property tax items	595,625	-
Charges for services	5,302	-
Use of money and property	8,414	2
Sale of property and compensation for loss	653	-
Miscellaneous	286,843	3,876
Interfund revenues	4,232	-
State aid	6,482,164	6,441
Federal aid	239,065	188,841
School lunch sales	-	11,175
Total revenues	<u>10,532,382</u>	<u>210,335</u>
EXPENDITURES		
General support	1,041,756	-
Instruction	4,126,326	-
Pupil transportation	330,842	-
Food service program	-	146,169
Employee benefits	2,851,319	33,455
Debt service - Principal	664,691	-
Debt service - Interest	435,732	-
Total expenditures	<u>9,450,666</u>	<u>179,624</u>
Excess (deficiency) of revenues over expenditures	<u>1,081,716</u>	<u>30,711</u>
OTHER SOURCES (USES)		
Transfers from other funds	1	840
Transfers to other funds	(2,221)	-
Total other sources (uses)	<u>(2,220)</u>	<u>840</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND FINANCING SOURCES (USES)	1,079,496	31,551
Fund balance (deficit) - Beginning of year, as restated	<u>2,891,636</u>	<u>6,703</u>
Fund balance (deficit) - End of year	<u>\$ 3,971,132</u>	<u>\$ 38,254</u>

See accompanying notes.

<u>Special Aid</u>	<u>Extra-classroom Activity</u>	<u>Debt Service</u>	<u>Capital</u>	<u>Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,910,084
-	-	-	-	595,625
-	-	-	-	5,302
-	23	9,306	-	17,745
-	-	-	-	653
2,071	50,227	-	-	343,017
-	-	-	-	4,232
277,755	-	-	12,873	6,779,233
723,833	-	-	-	1,151,739
-	-	-	-	11,175
<u>1,003,659</u>	<u>50,250</u>	<u>9,306</u>	<u>12,873</u>	<u>11,818,805</u>
4,233	-	-	32,757	1,078,746
875,813	62,294	-	-	5,064,433
-	-	-	-	330,842
-	-	-	-	146,169
124,993	-	-	-	3,009,767
-	-	-	-	664,691
-	-	-	-	435,732
<u>1,005,039</u>	<u>62,294</u>	<u>-</u>	<u>32,757</u>	<u>10,730,380</u>
<u>(1,380)</u>	<u>(12,044)</u>	<u>9,306</u>	<u>(19,884)</u>	<u>1,088,425</u>
1,380	-	1,425	-	3,646
-	-	-	(1,425)	(3,646)
<u>1,380</u>	<u>-</u>	<u>1,425</u>	<u>(1,425)</u>	<u>-</u>
-	(12,044)	10,731	(21,309)	1,088,425
-	57,968	1,318,446	(11,448)	4,263,305
<u>\$ -</u>	<u>\$ 45,924</u>	<u>\$ 1,329,177</u>	<u>\$ (32,757)</u>	<u>\$ 5,351,730</u>

MADISON CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Net change in fund balance - Total governmental funds \$ 1,088,425

Amounts reported for governmental activities in the Statement of Activities (SOA) are different from fund activities because:

Governmental funds recognize capital purchases as expenditures. The SOA capitalizes and depreciates assets that meet certain thresholds. In addition the SOA recognizes gains or losses on disposal of capital assets. These differences are summarized as follows:

Capitalized current asset purchases that meet certain thresholds	91,869
Depreciation on capital assets	(848,843)
Disposal of assets with basis	(31,166)

Repayment of principal of debt is recorded as an expenditures in the governmental funds. The SOA applies principal payments against the recorded liability. The differences are summarized below

Principal payments of debt	570,000
Energy performance contract	94,691
Amortization of bond premium	91,458

(Increases) decreases in proportionate share of net pension asset/liability reported in the SOA do not provide for or use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Teachers' Retirement System	(470,974)
Employees' retirement System	30,614

Certain expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.

Change in accrued interest on serial bonds and performance contract	3,335
Change in compensated absences	3,960
Change in other post-employment benefits	(976,346)

Change in net position - Governmental activities \$ (352,977)

See accompanying notes.

MADISON CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION

Year Ended June 30, 2021

	Custodial	Private Purpose Trusts	Total Fiduciary Funds
<u>ASSETS</u>			
Cash and cash equivalents - Restricted	\$ 3	\$ 45,951	\$ 45,954
Total assets	\$ 3	\$ 45,951	\$ 45,954
<u>LIABILITIES</u>			
Accrued liabilities	\$ -	\$ -	\$ -
Due to other governmental funds	3	-	3
Total liabilities	\$ 3	\$ -	\$ 3
<u>NET POSITION</u>			
Reserve for scholarships	\$ -	\$ 45,951	\$ 45,951
Total net position	\$ -	\$ 45,951	\$ 45,951

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2021

Revenues:	
Interest income	\$ 8
Gifts and contributions	22,018
	22,026
Expenses:	
Scholarships and awards	6,536
Change in net position	15,490
Net position - Beginning of year	30,461
Net position - End of year	\$ 45,951

See accompanying notes.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the District and its component units determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability.

B. Joint Venture

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

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

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

B. Joint Venture (Cont'd)

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

During the year, the District was billed \$1,582,316 for BOCES administration and program costs.

During the year, the District's share of BOCES aid amounted to \$646,363.

During the year ended June 30, 2021, the District issued no debt on behalf of BOCES. However, during 2014, BOCES issued \$6,450,000 in revenue lease bonds with the Dormitory Authority of the State of New York (DASNY). These bonds will be repaid by the component districts of BOCES as a lease payment included in the administrative budget of BOCES over the term of the bonds. During 2021, \$825,000 in principal payments were made and the outstanding balance at June 30, 2021 was \$1,580,000.

Financial statements for BOCES is available from the BOCES administrative office at Madison-Oneida BOCES, 4937 Spring Road, Verona, New York 13221.

C. Basis of Presentation

District – Wide Statements

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

The statement of net position presents the financial position of the District at fiscal year end. The statement of activities presents a comparison between direct expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

C. Basis of Presentation (Cont'd.)

Fund Financial Statements

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

The District reports the following major governmental funds:

- *General Fund* – This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- *Special Revenue Funds* – These funds accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, school lunch operations and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. Special revenue funds include the following:

Special Aid Fund – Used to account for proceeds received from state and federal grants that are restricted for specific educational programs.

School Lunch Fund – Used to account for child nutrition activities whose funds are restricted as to use.

Extra-classroom Activity Fund – Used to account for money held by the District on behalf of the students who have raised these funds and are responsible for their disposition for co-curricular to extracurricular activities of the District.

- *Capital Project Fund* – This fund is used to account for and report financial resources that are restricted or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- *Debt Service Fund* – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

The District reports the following fiduciary funds:

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

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

C. Basis of Presentation (Cont'd.)

There are two classes of fiduciary funds:

- *Private-Purpose Trust Funds* – These funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. A scholarship is an example of a private-purpose trust fund. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- *Custodial Funds* – These funds are strictly custodial in nature and do not involve the measurement of results of operations.

D. Measurement Focus and Basis of Accounting

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on the date the Board of Education approves the tax rates. Taxes are collected during the period September 1 to October 31.

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

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

Refer to Note 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H. Use of Estimates

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

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

I. Cash (and Cash Equivalents)/Investments

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

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

J. Receivables

Receivables are shown net of an allowance for uncollectible accounts, when applicable. An allowance for uncollectible accounts represents the portion of accounts receivable that is not expected to be collected within 365 days.

K. Inventories

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the government's assigned value, which approximates market. A reserve for inventory has been recognized to indicate that this does not constitute available spendable resources.

Purchases of inventory items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

L. Other Assets/Restricted Assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the District-wide financial statements and their use is limited by applicable bond covenants. In the District-wide financial statements, bond discount and bond premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

M. Capital Assets

Capital assets are reported at actual cost for acquisitions after July 1, 2003. For assets acquired prior to July 1, 2003, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received. Capitalization thresholds of \$1,000 (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation method (straight-line), and estimated useful lives of capital assets in the district-wide statements are as follows:

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

M. Capital Assets (Cont'd.)

	<u>Estimated Useful Life</u>	<u>Method</u>
Land/site improvements	20 years	Straight line
Buildings and improvements	20 – 50 years	Straight line
Furniture, equipment and vehicles	5 – 20 years	Straight line

Land and construction in process are not depreciated.

N. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has the following items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide statement of net position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

The second item is the District's contribution to the pension systems (TRS and ERS Systems) subsequent to the measurement date. The third item relates to OPEB reporting in the district-wide statement of net position. This represents the effect of net change in the actual and expected experience.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualifies for reporting in this category. The first item is related to pensions reported in the district-wide statement of net position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide statement of net position. This represents the effect of the net changes of assumptions or other inputs.

O. Unearned Revenue

The District reports unearned revenues on the statement of net position and balance sheet. On the statement of net position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

P. Vested Employee Benefits

Compensated Absences

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

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

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

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

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

Q. Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the District and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting. (See Note 11).

R. Short-Term Debt

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

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

R. Short-Term Debt (Cont'd.)

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

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

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in a fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

S. Accrued Liabilities and Long-Term Obligations

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

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, as reported as expenditures.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

T. Net Position/Fund Balance

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the District-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

Order of Use of Fund Balance

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

The District-wide statements are comprised of the following three classes of net position:

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

Restricted Net Position – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provision or enabling legislation.

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

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

T. Net Position/Fund Balance (Cont'd.)

The fund statements are comprised of the following five classifications of fund balance:

Non-Spendable – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the general fund are classified as restricted fund balance.

The District has established the following restricted fund balances:

- *Capital Reserve* – According to Educational Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund.
- *Debt Service Reserve* – According to General Municipal Law §6-1, the mandatory reserve for debt service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the debt service fund.
- *Employee Benefit Accrued Liability* – According to General Municipal Law §6-p, must be used for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund.
- *Liability Claims and Property Loss* – According to Education Law §1709(8)(c), reserve must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts with a population under 125,000. This reserve is accounted for in the general fund.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

T. Net Position/Fund Balance (Cont'd.)

- *Retirement Contributions Reserve Fund* – According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the general fund. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provision of General Municipal Law §6-r.
- *Tax Certiorari Reserve* – According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for the general fund.
- *Unemployment Insurance Reserve* – According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund.
- *Workers' Compensation Reserve* – According to General Municipal Law §6-j, must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the general fund.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

T. Net Position/Fund Balance (Cont'd.)

- *Encumbrances* – Accounting under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditures of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.
- *Reserve for Endowments and Scholarships* – This reserve is used to account for various endowment and scholarship awards. This reserve is accounted for in the fiduciary fund.

Restricted fund balance includes the following:

Retirement contribution reserve – ERS	\$ 83,167
Retirement contribution reserve – TRS	191,424
Unemployment insurance reserve	196,928
Liability reserve	446,015
Employee benefit accrued liability reserve	589,746
Capital reserve	<u>704,574</u>
	2,211,854

Other governmental funds:

Extra-classroom activity	45,924
Debt service	<u>1,329,177</u>
 Total restricted fund balance	 <u>\$ 3,586,955</u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2021.

Assigned – Includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund subsequent year’s budget and encumbrances. All encumbrances of the general fund are classified as assigned fund balance, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned – Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

U. Events Occurring After Reporting Date

The District has evaluated subsequent events through October 13, 2021, which is the date the financial statements were available to be issued.

V. New Accounting Standards

The District has adopted and implemented the following current statement of the Governmental Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2021.

GASB Statement No. 84 – Fiduciary Activities

Future changes in accounting standards:

GASB Statement No. 87 – Leases – Effective for the year ending June 30, 2022;

GASB Statement No. 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period – Effective for the year ending June 30, 2022;

GASB Statement No. 91 – Conduct Debt Obligations – Effective for the year ending June 30, 2023;

GASB Statement No. 92 – Omnibus 2020 – Effective for the year ending June 30, 2020;

GASB Statement No. 93 – Replacement of Interbank Offered Rates – Effective for the year ending June 30, 2021 (paragraphs 11b, 13 and 14 – Effective for the year ending June 30, 2022);

GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements – Effective for the year ending June 30, 2023;

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements – Effective for the year ending June 30, 2023; and

GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans – an amendment of GASB Statements Nos. 14 and 84, and supersession of GASB Statement No. 32 – Effective for the year ending June 30, 2022 (the requirements in paragraph 4, as they apply to defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans, and paragraph 5 were effective as of June 2020).

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

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (Cont'd.)

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of five broad categories. The amounts shown represent:

- *Long-Term Revenue Differences* – Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.
- *Capital Related Differences* – Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.
- *Long-Term Debt Transaction Differences* – Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.
- *Pension Differences* – Pension differences occur as a result of changes in the District's proportion to the collective net pension assets/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.
- *Employee Benefit Allocation* – Expenditures for employee benefits are not allocated to a specific function on the statement of revenues, expenditures and changes in fund equity based on the requirements of New York State. These costs have been allocated based on total salary expense for each function.
- *OPEB Differences* – OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 3 IMPLEMENTATION OF GASB STATEMENT NO. 84 – FIDUCIARY ACTIVITIES

For fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84 – Fiduciary Activities. The implementation of the statement establishes criteria used by school districts (and other municipal governments) in identifying fiduciary activities. This primarily impacts two types of transactions; extra-classroom activity funds and payroll related withholdings; and defines new terminology and additional financial statement presentation requirements. As such, beginning of year net position and fund balances has been increased by \$57,968 to account for the extra-classroom fund.

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The voters of the District approved the proposed appropriation budget for the General Fund. Appropriations are adopted at the program line item level.

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

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

The general fund is the only fund with a legally approved budget for fiscal year ended June 30, 2021.

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

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

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont'd.)

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

At June 30, 2021, the District had an unassigned fund balance in the general fund of \$1,450,576, which is approximately 12.97% of the 2021-2022 budget.

NOTE 5 CUSTODIAL AND CONCENTRATION OF CREDIT RISKS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these notes. As of June 30, 2021, the District's total bank balances of \$5,426,996 were entirely collateralized or insured by the Federal Deposit Insurance Corporation (FDIC). Of this amount, \$376,317 of the deposits were covered by FDIC and \$5,050,679 of the deposits were collateralized with securities held by the pledging financial institution or in its trust department or placed in the District's name by the agent or custodian in FDIC insured sweep accounts.

NOTE 6 RESTRICTED CASH

Restricted cash represents cash and cash equivalents whose use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2021, consisted of:

General Fund:	
Employee benefit accrued liability	\$ 589,746
Liability reserve	446,015
Retirement contributions - TRS	191,424
Retirement contributions - ERS	83,167
Unemployment insurance reserve	196,928
Capital reserve	<u>704,574</u>
Total general fund restricted cash	<u>\$ 2,211,854</u>

- Restricted cash of \$45,924 in the extra-classroom activity fund represents amounts restricted for student activities.
- Restricted cash of \$1,259,177 in the debt service fund represents funds restricted for debt service of outstanding serial bonds.
- Restricted cash of \$37,243 in the capital fund represents amounts restricted for approved capital projects and or due to other funds.
- Restricted cash of \$45,954 in the fiduciary funds represents funds gifted to the District for scholarships to students. The funds are held in the expendable trust fund.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 7 RECEIVABLES

Receivables at year-end for individual funds are as follows:

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Total</u>
Accounts receivable	\$ 154	\$ 710	\$ -	\$ 864
Due from other governments	<u>527,314</u>	<u>49,909</u>	<u>334,625</u>	<u>911,848</u>
	<u>\$ 527,468</u>	<u>\$ 50,619</u>	<u>\$ 334,625</u>	<u>\$ 912,712</u>
Due from fiduciary funds	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>

The District has deemed these amounts to be fully collectible.

NOTE 8 CAPITAL ASSETS

Capital asset balances and activity for governmental activities for the year ended June 30, 2021 were as follows:

<u>Historical Cost</u>	<u>Beginning Balance (as Restated)</u>	<u>Additions and Reclass</u>	<u>Retirements and Reclass</u>	<u>Ending Balance</u>
Capital assets that are not depreciated:				
Land	\$ 165,000	\$ -	\$ -	\$ 165,000
Capital assets that are depreciated:				
Land improvements	503,189	-	-	503,189
Building and improvements	24,059,248	-	-	24,059,248
Furniture and equipment	1,233,149	91,869	1,224	1,323,794
Vehicles	<u>1,640,021</u>	<u>-</u>	<u>283,203</u>	<u>1,356,818</u>
Total depreciate capital assets	<u>27,435,607</u>	<u>91,869</u>	<u>284,427</u>	<u>27,243,049</u>
Less: Accumulated depreciation:				
Land improvements	502,869	207	-	503,076
Building and improvements	6,004,029	575,970	-	6,579,999
Furniture and equipment	844,027	102,322	1,092	945,257
Vehicles	<u>686,540</u>	<u>170,344</u>	<u>252,169</u>	<u>604,715</u>
Total accumulated depreciation	<u>8,037,465</u>	<u>\$ 848,843</u>	<u>\$ 253,261</u>	<u>8,633,047</u>
Net capital assets being depreciated	<u>19,398,142</u>			<u>18,610,002</u>
Net capital assets	<u>\$ 19,563,142</u>			<u>\$ 18,775,002</u>

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 8 CAPITAL ASSETS (Cont'd.)

Depreciation expense was allocated to governmental functions as follows:

General support	\$ 16,284
Instruction	647,967
Pupil transportation	170,344
School lunch	<u>14,248</u>
Total depreciation	<u>\$ 848,843</u>

During fiscal year-ending June 30, 2021, the District replaced the software program that they used to track and account for capital assets. This resulted in the beginning net capital asset balance in the new software being different than the ending net capital asset balance in the old software. As a result, the beginning of year net position was reduced and restated by \$288,631 as shown on the Statement of Activities and Changes in Net Position.

NOTE 9 LONG-TERM LIABILITIES

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

In the fund financial statements, governmental funds recognized bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

Serial Bonds

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The provisions will be in the general fund's future budgets for capital indebtedness.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 9 LONG-TERM LIABILITIES (Cont'd.)

Noncurrent liability balances and activity are as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Government activities:					
Bond payable	\$ 8,650,000	\$ -	\$ 570,000	\$ 8,080,000	\$ 595,000
Premiums on serial Bonds	1,280,406	-	91,458	1,188,948	91,458
Installment purchase debt	<u>1,110,861</u>	<u>-</u>	<u>94,691</u>	<u>1,016,170</u>	<u>98,005</u>
	<u>11,041,267</u>	<u>-</u>	<u>756,149</u>	<u>10,285,118</u>	<u>784,463</u>
Other liabilities:					
Pension – ERS	596,789	-	594,215	2,574	-
Pension – TRS	-	520,988	-	520,988	-
Compensated absences	207,242	5,615	9,575	203,282	-
OPEB liability	<u>28,249,383</u>	<u>2,100,656</u>	<u>928,992</u>	<u>29,421,047</u>	<u>-</u>
	<u>29,053,414</u>	<u>2,627,259</u>	<u>1,532,782</u>	<u>30,147,891</u>	<u>-</u>
Total non-current liabilities	<u>\$40,094,681</u>	<u>\$ 2,627,259</u>	<u>\$ 2,288,931</u>	<u>\$40,433,009</u>	<u>\$ 784,463</u>

On June 17, 2019, the District issued \$8,075,000 in 15 year general obligation serial bonds at a premium of \$1,371,864 and an interest rate ranging from 3.00% to 5.00%. Proceeds were placed in escrow until August 15, 2019 at which time the funds were released from escrow and the District redeemed the outstanding \$9,315,135 bond anticipation note. Principal payments began on June 15, 2020 and mature on June 15, 2034.

Other Debt – Installment Purchase Debt – Energy Performance Contract

The District entered into an energy performance contract during the year ended June 30, 2014, for a total amount of \$1,523,561. The contract is defined in Section 9-102(4) of the New York State Energy Law as: “an agreement for the provision of energy services, including but not limited to electricity, heating, ventilation, cooling, steam or hot water, which a person agrees to install, maintain, or manage energy systems or equipment to improve the energy efficiency of, or produce energy in connection with a building or facility in exchange for a portion of the energy savings or revenues.” The agreement required annual payments over 15 years of \$132,324, including interest at 3.47% per annum. The contract is accounted for as a capital lease. The total net present value of the lease at June 30, 2021, is \$1,016,170. See the following for future minimum lease payments on this debt.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 9 LONG-TERM LIABILITIES (Cont'd.)

The following is a summary of the existing serial bond obligations as of June 30, 2021:

<u>Payable from/ Description</u>	<u>Original Issue</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Interest Rate (5)</u>	<u>Outstanding Amount</u>
Serial bonds payable General fund School renovations	05/01/2009	\$ 1,769,400	05/01/2024	3.25 – 4.00 %	\$ 445,000
DASNY serial bonds payable General fund School renovations	06/17/2019	8,085,000	06/15/2034	3.00 – 5.00 %	<u>7,635,000</u>
Total					<u>\$ 8,080,000</u>

The following is a summary of debt service requirements:

	<u>Serial Bonds</u>		<u>Installment Purchase Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 595,000	\$ 370,850	\$ 98,005	\$ 34,418
2023	630,000	342,500	101,435	30,988
2024	655,000	312,500	104,986	27,438
2025	525,000	281,300	108,660	23,763
2026	555,000	255,050	112,464	19,960
2027 – 2030	3,210,000	831,250	490,620	39,073
Thereafter	<u>1,910,000</u>	<u>161,400</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,080,000</u>	<u>\$ 2,554,850</u>	<u>\$ 1,016,170</u>	<u>\$ 175,640</u>

Interest on long-term and short-term debt for the year ended June 30, 2021 was composed of:

Interest paid	\$ 435,732
Amortization on bond premium	(91,458)
Less: Interest accrued in the prior year	(36,883)
Plus: Interest accrued in the current year	<u>33,548</u>
Total interest expense on long-term and short-term debt	<u>\$ 340,939</u>

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 9 LONG-TERM LIABILITIES (Cont'd.)

The District has capitalized the bond premiums related to the issuance of bonds. These amounts are amortized using the straight-line method. The current year amortization is \$91,458 and is included in interest expense on the government-wide financial statement. Amortized bond premiums are as follows:

	<u>Premiums on Serial Bonds</u>
2022	\$ 91,458
2023	91,458
2024	91,458
2025	91,458
2026	91,458
2027 – 2031	457,288
Thereafter	<u>274,370</u>
 Total	 <u>\$ 1,188,948</u>

Compensated Absences

Compensated absences represent the value of earned and unused portion of the liability for compensated balances. The general fund has typically been used to liquidate long-term liabilities such as compensated absences.

NOTE 10 PENSION PLANS

A. General Information

The District participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the "Systems"). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

B. Provisions and Administration

A 10-member board of trustees of the New York State Teacher's Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the selection is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State Statute.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 10 PENSION PLANS (Cont'd.)

B. Provisions and Administration (Cont'd.)

The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

ERS provides retirement benefits as well as death and disability benefits. The net position of the system is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as trustee of the Fund and is the administrative head of the System. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employee' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. The system maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair values. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

C. Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employer's contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 10 PENSION PLANS (Cont'd.)

C. Funding Policies (Cont'd.)

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

	<u>ERS</u>	<u>TRS</u>
2021	\$ 96,431	\$ 283,531
2020	92,222	336,227
2019	89,038	309,915

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

At June 30, 2021, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2021 for ERS and June 30, 2020 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2020	June 30, 2019
District's net pension liability	\$ 2,574	\$ 520,988
District's portion of the Plan's total net pension (asset) liability	.0025854 %	.018854 %

For the year ended June 30, 2021, the District recognized its proportionate share of pension expense of \$65,816 for ERS and \$701,973 for TRS. At June 30, 2021, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 10 PENSION PLANS (Cont'd.)

D. Pension, Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd.)

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 31,440	\$ 456,490	\$ -	\$ 26,700
Change of assumptions	473,346	658,929	8,927	234,874
Net difference between projected and actual earnings on pension plan investments	-	340,251	739,515	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	36,400	41,088	8,329	34,542
District's contributions subsequent to the measurement date	<u>-</u>	<u>283,531</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 541,186</u>	<u>\$ 1,780,289</u>	<u>\$ 756,771</u>	<u>\$ 296,116</u>

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability/asset in the year ended March 31, 2021 (ERS) and June 30, 2020 (TRS). Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	Deferred Outflows/Inflows ERS	Deferred Outflows/Inflows TRS
2021	\$ -	\$ 203,493
2022	(37,043)	410,234
2023	(8,177)	338,241
2024	(33,404)	208,857
2025	(136,961)	14,207
Thereafter	<u>-</u>	<u>25,610</u>
Total	<u>\$ (215,585)</u>	<u>\$ 1,200,642</u>

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 10 PENSION PLANS (Cont'd.)

E. Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.9 %	7.10 %
Salary scale	4.4% indexed by service	1.90 % – 4.72 %
Decrement tables	April 1, 2010 - March 31, 2015 System Experience	July 1, 2009 – June 30, 2014 System Experience
Inflation rate	2.7 %	2.2 %

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2020. For TRS, annuitant mortality rates are based on plan member's experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2019 applied on a generational basis. Active member mortality rates are based on plan member experience.

For ERS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 10 PENSION PLANS (Cont'd.)

E. Actuarial Assumptions (Cont'd.)

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

Asset Class	Target Allocation	Long-term expected real rate of return
Domestic equity	32.0 %	4.05 %
International equity	15.0 %	6.30 %
Private equity	10.0 %	6.75 %
Real estate	9.00 %	4.95 %
Opportunistic/ARS portfolio	3.00 %	4.50 %
Credit	4.00 %	3.63 %
Real assets	3.00 %	5.95 %
Fixed income	23.0 %	0.00 %
Cash	1.00 %	0.50 %
	100.0 %	

The real rate of return is net of the long-term inflation assumption of 2.0%

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

Asset Class	Target Allocation	Long-term expected real rate of return*
Domestic equities	33.0 %	7.10 %
International equities	16.0 %	7.70 %
Global equities	4.00 %	7.40 %
Real estate equities	11.0 %	6.80 %
Private equities	8.00 %	10.4 %
Domestic fixed income	16.0 %	1.80 %
Global bonds	2.00 %	1.00 %
High-yield bonds	1.00 %	3.90 %
Private debt	1.00 %	5.20 %
Real estate debt	7.00 %	3.60 %
Cash equivalents	1.00 %	0.70 %
	100.0 %	

* Real rates of return are net of long-term inflation assumption of 2.2% for 2020.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 10 PENSION PLANS (Cont'd.)

F. Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.10% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.9% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension (assets) liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.9% for ERS and 6.10% for TRS) or 1 percentage point higher (6.9% for ERS and 8.10% for TRS) than the current rate:

<u>ERS</u>	1% Decrease <u>(4.9%)</u>	Current Assumption <u>(5.9%)</u>	1% Increase <u>(6.9%)</u>
Employer's proportionate share of net pension (assets) liability	\$ <u>714,550</u>	\$ <u>2,574</u>	\$ <u>(654,034)</u>
	1% Decrease <u>(6.10%)</u>	Current Assumption <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
Employer's proportionate share of net pension (assets) liability	\$ <u>3,290,903</u>	\$ <u>520,988</u>	\$ <u>(1,803,672)</u>

H. Pension Plan Fiduciary Net Position

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

	<u>ERS</u>	<u>TRS</u>
	<u>(Dollars in Thousands)</u>	
Measurement date	March 31, 2021	June 30, 2020
Employers' total pension liability	\$ 220,680,157	\$ 123,242,776
Plan fiduciary net position	<u>220,580,583</u>	<u>120,479,505</u>
Employers' net pension liability	\$ <u>99,574</u>	\$ <u>2,763,271</u>
Ratio of plan fiduciary net position to the employers' total pension liability	99.95 %	97.8 %

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 10 PENSION PLANS (Cont'd.)

I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$27,659 of employer contributions. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2021 amounted to \$358,825.

NOTE 11 INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net assets. The District typically loans resources between funds for the purpose of mitigating the effects of temporary cash flow issues. All interfund payables are expected to be repaid within one year. Interfund revenue and expenses, other than between governmental activities and fiduciary funds are eliminated on the statement of activities.

Interfund activity at June 30, 2021 was as follows:

	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General	\$ 85,005	\$ -	\$ 1	\$ 2,221
Special aid	-	45,002	1,380	-
School food service	-	-	840	-
Debt service	70,000	40,000	1,425	-
Capital projects	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>1,425</u>
Total governmental activities	155,005	155,002	3,646	3,646
Fiduciary custodial funds	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>
Total interfund activity	<u>\$ 155,005</u>	<u>\$ 155,005</u>	<u>\$ 3,646</u>	<u>\$ 3,646</u>

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District board. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of Statement 75.

B. Benefits Provided

The District provides medical and prescription drug benefits to its eligible retirees. Dental, vision, and life insurance benefits are available with select classes of employees. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. The Plans can be amended by action of the District through agreements with the bargaining units.

- Plan Types – The District provides medical, Medicare Part B, dental, and vision benefits to its eligible retirees. The benefits are provided through fully insured plans that are sponsored by a regional health insurance consortium.
- Eligibility – Employees are required to reach age 55 and have 10 years of service to the District to qualify for benefits.
- Benefit Cost Sharing – The District pays from 90% to 95% of the retiree's benefits depending on the employee group. The District also reimburses the employees and dependent spouse for the full cost of Medicare Part B.
- Spouse Benefit – The District contributes towards the cost of eligible spouses during the retiree's lifetime.
- Surviving Spouse Benefit – The spouse will be required to pay 100% of the cost of coverage one year after the death of a retiree.

Employees Covered by Benefit Terms – At July 1, 2019, the following employees were covered by the benefit terms:

Activities	77
Retirees	66
Beneficiaries	1
Spouses of retirees	<u>33</u>
Total	<u>177</u>

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (Cont'd.)

C. Total OPEB Liability

The total OPEB liability of \$29,421,047, was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 75.

<u>Discount Rate</u>	<u>2021</u>	<u>2020</u>
Discount rate	2.16 %	2.21 %
20 Year tax exempt municipal bond yield	2.16 %	2.21 %

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Other Key Actuarial Assumptions

The Plan has not had a formal actuarial experience study performed.

Valuation date	July 1, 2019	July 1, 2019
Measurement date	June 30, 2021	June 30, 2020
Actuarial cost method	Entry Age	Entry Age
	Normal	Normal
Salary increases including inflation	2.60 %	2.60 %
Medical trend rate	6.6% - 4.1%	6.6% - 4.1%
	Over 56 years	Over 56 years

D. Changes in the Total OPEB Liability

Balance, June 30, 2020	\$ 28,249,383
Changes for the year:	
Service cost	1,213,599
Interest on total OPEB liability	640,923
Effect of plan changes	-
Effect of demographic gains or losses	-
Effect of assumption or changes inputs	246,134
Benefit payments	<u>(928,992)</u>
Balance, June 30, 2021	<u>\$ 29,421,047</u>

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (Cont'd.)

D. Changes in the Total OPEB Liability (Cont'd.)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, calculated using the discount rate of 2.16%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current discount rate:

	(1.16%) <u>1% Decrease</u>	(2.16%) <u>Discount Rate</u>	(3.16%) <u>1% Increase</u>
Total OPEB Liability	\$ <u>35,025,456</u>	\$ <u>29,421,047</u>	\$ <u>25,009,412</u>

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

	(1.16%) <u>1% Decrease</u>	(2.16%) <u>Healthcare Trend Rates</u>	(3.16%) <u>1% Increase</u>
Total OPEB Liability	\$ <u>24,643,173</u>	\$ <u>29,421,047</u>	\$ <u>35,865,972</u>

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,905,338.

	<u>July 1, 2020 – June 30, 2021</u>	<u>July 1, 2019 – June 30, 2020</u>
Service cost	\$ 1,213,599	\$ 955,833
Interest on total OPEB liability	640,923	897,310
Effect of plan changes	-	-
Recognition of deferred inflows/outflows of resources:		
Recognition of demographic gains or losses	(12,845)	(12,845)
Recognition of assumption changes or inputs	<u>63,661</u>	<u>29,476</u>
Total	<u>\$ 1,905,338</u>	<u>\$ 1,869,774</u>

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS (Cont'd.)

E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd.)

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 109,619	\$ (186,827)
Changes of assumptions or other inputs	<u>2,058,489</u>	<u>(1,266,259)</u>
Total	<u>\$ 2,168,108</u>	<u>\$ (1,453,086)</u>

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

<u>Year ended June 30,</u>	<u>Amount</u>
2022	\$ 50,816
2023	50,816
2024	50,816
2025	50,816
2026	256,947
Thereafter	<u>254,811</u>
	<u>\$ 715,022</u>

NOTE 13 CAPITAL PROJECTS UNASSIGNED DEFICIT FUND BALANCE

The capital fund had a deficit fund balance at June 30, 2021 of \$32,757.

NOTE 14 NET POSITION DEFICIT – DISTRICT-WIDE

The District-wide net position had total net position deficit of \$13,279,444. The deficit is primarily the result of the implementation of GASB Statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The OPEB liability at June 30, 2021 is \$29,421,047. Since New York State laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE 15 CONTINGENCIES AND COMMITMENTS

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

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees, errors and omissions, and nature disasters, etc. The risks are covered by commercial insurance purchased from independent third parties.

Encumbrance accounting is employed as an extension of formal budgetary integration for the general fund, special revenue funds, and capital projects funds. At June 30, 2021, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. The general fund encumbrances are reflected as part of the assigned fund balance. The other encumbrances are not reflected on the fund financial statements because the assignment would result in a negative unassigned fund balance.

Significant encumbrances included in governmental fund balances are as follows:

	<u>General Fund</u>
Encumbrances:	
General support	\$ 23,004
Instruction	186
Pupil transportation	<u>135,512</u>
	<u>\$ 158,702</u>

NOTE 16 UNCERTAINTY RELATED TO THE WORLDWIDE COVID-19 PANDEMIC

The District has been negatively impacted by the effects of the worldwide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation.

As of the date of the issuance of these financial statements, the full impact to the District's financial position and operations is unknown.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

MADISON CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) - AND ACTUAL - GENERAL FUND (UNAUDITED)

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual Revenues (Budgetary Basis)	Over (Under) Final Budget
REVENUES				
Local sources:				
Real property taxes	\$ 2,894,627	\$ 2,894,627	\$ 2,910,084	\$ 15,457
STAR and other real property tax items	606,000	606,000	595,625	(10,375)
Charges for services	5,000	5,000	5,302	302
Use of money and property	5,000	5,000	8,414	3,414
Sale of property and compensation for loss	-	-	653	653
Miscellaneous	99,000	99,000	286,843	187,843
Interfund revenues	198,544	198,544	4,232	(194,312)
	<u>3,808,171</u>	<u>3,808,171</u>	<u>3,811,153</u>	<u>2,982</u>
State sources	6,617,544	6,617,544	6,482,164	(135,380)
Federal sources	-	-	239,065	239,065
Interfund transfers	100,000	100,000	1	(99,999)
	<u>6,717,544</u>	<u>6,717,544</u>	<u>6,721,230</u>	<u>3,686</u>
 Total revenues	 <u>10,525,715</u>	 <u>10,525,715</u>	 <u>\$ 10,532,383</u>	 <u>\$ 6,668</u>
Other financing sources:				
Appropriated fund equity	450,000	450,000		
Carryover encumbrance	-	30,535		
	<u>450,000</u>	<u>480,535</u>		
 Total revenues and other financing sources	 <u>\$ 10,975,715</u>	 <u>\$ 11,006,250</u>		

See accompanying notes.

MADISON CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP) - AND ACTUAL - GENERAL FUND (UNAUDITED)

Year Ended June 30, 2021

<u>EXPENDITURES</u>	<u>Original Budget</u>	<u>Final Budget</u>
General support:		
Board of education	\$ 9,071	\$ 12,158
Central administration	302,935	300,486
Finance	81,746	81,391
Staff	44,310	44,310
Central services	598,662	602,059
Special items	130,046	130,046
Total general support	<u>1,166,770</u>	<u>1,170,450</u>
Instruction:		
Instruction, administration and improvement	252,859	252,859
Teaching - Regular school	2,383,243	2,372,112
Programs for children with special needs	1,459,096	1,481,748
Occupational education	393,377	392,577
Teaching - Special schools	65,682	61,740
Instructional media	120,742	136,433
Pupil services	406,023	409,833
Total instruction	<u>5,081,022</u>	<u>5,107,302</u>
Pupil transportation	411,743	547,830
Employee benefits	3,201,257	3,065,745
Debt service - Principal	664,691	664,691
Debt service - Interest	448,232	446,852
	<u>4,725,923</u>	<u>4,725,118</u>
Total expenditures	10,973,715	11,002,870
<u>OTHER FINANCING USES</u>		
Transfers to other funds	<u>2,000</u>	<u>3,380</u>
Total expenditures and other financing uses	<u>\$ 10,975,715</u>	<u>\$ 11,006,250</u>
Net change in fund balance		
Fund balance - Beginning of year		
Fund balance - End of year		

See accompanying notes.

Actual Expenditures (Budgetary Basis)	Encumbrances	(Over) Under Final Budget
\$ 11,531	\$ -	\$ 627
295,836	-	4,650
65,481	-	15,910
26,734	-	17,576
517,615	23,004	61,440
124,559	-	5,487
<u>1,041,756</u>	<u>23,004</u>	<u>105,690</u>
239,273	-	13,586
2,041,666	-	330,446
980,143	-	501,605
371,526	-	21,051
32,314	-	29,426
131,042	65	5,326
330,362	121	79,350
<u>4,126,326</u>	<u>186</u>	<u>980,790</u>
330,842	135,512	81,476
2,851,319	-	214,426
664,691	-	-
435,732	-	11,120
<u>4,282,584</u>	<u>135,512</u>	<u>307,022</u>
9,450,666	158,702	1,393,502
2,221	-	1,159
<u>9,452,887</u>	<u>\$ 158,702</u>	<u>\$ 1,394,661</u>
1,079,496		
<u>2,891,636</u>		
<u>\$ 3,971,132</u>		

MADISON CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)

Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability:			
Service cost at end of year	\$ 1,213,599	\$ 955,833	\$ 1,040,227
Interest on total OPEB liability	640,923	897,310	808,632
Effect on plan changes	-	-	-
Effect on demographic gains or losses	-	(252,379)	-
Effect of assumption changes or inputs	246,134	2,494,448	(2,149,693)
Benefit payments	<u>(928,992)</u>	<u>(1,045,819)</u>	<u>(820,607)</u>
Net change in total OPEB liability	1,171,664	3,049,393	(1,121,441)
Total OPEB liability - Beginning	<u>28,249,383</u>	<u>25,199,990</u>	<u>26,321,431</u>
Total OPEB liability - Ending	<u><u>\$ 29,421,047</u></u>	<u><u>\$ 28,249,383</u></u>	<u><u>\$ 25,199,990</u></u>
Covered employee payroll	\$ 3,739,762	\$ 3,739,762	\$ 3,734,280
Total OPEB liability as a percentage of covered-employee payroll	786.71%	755.38%	674.83%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

The District has no net assets accumulated in a trust that meets the criterion in paragraph 4 of GASB Statement No. 75, to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

See accompanying notes.

MADISON CENTRAL SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSETS) (UNAUDITED)

Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>
NYSLRS Pension Plan		
District's proportion of the net pension liability (asset)	0.2585400%	0.2253700%
District's proportionate share of the net pension liability (asset)	\$ 2,574	\$ 596,789
District's covered-employee payroll	729,826	681,004
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.35%	87.63%
Plan fiduciary net position as a percentage of total pension liability	99.95%	86.39%
	<u>2021</u>	<u>2020</u>
TRS Pension Plan		
District's proportion of the net pension liability (asset)	0.0188540%	0.0189670%
District's proportionate share of the net pension liability (asset)	\$ 520,988	\$ (492,776)
District's covered-employee payroll	3,247,878	3,165,976
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	16.04%	-15.56%
Plan fiduciary net position as a percentage of total pension liability	97.80%	102.20%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See accompanying notes.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0021966%	0.0022000%	0.0023250%	0.0023600%	0.0025544%
\$ 155,633	\$ 71,015	\$ 218,435	\$ 378,835	\$ 76,158
638,785	634,102	626,632	579,149	523,198
24.36%	11.20%	34.86%	65.41%	14.56%
96.27%	98.24%	94.70%	90.70%	97.90%

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0194140%	0.0190660%	0.0019458%	0.0192030%	0.0180090%
\$ (351,065)	\$ (144,922)	\$ 208,402	\$ (1,994,611)	\$ (2,006,123)
3,286,630	3,021,357	3,813,499	2,466,007	1,928,388
-10.68%	-4.80%	5.46%	-80.88%	-104.03%
99.01%	100.66%	99.01%	110.46%	111.48%

MADISON CENTRAL SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS (UNAUDITED)

Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>
NYSLRS Pension Plan		
Contractually required contribution	\$ 96,431	\$ 92,222
Contributions in relation to the contractually required contribution	<u>96,431</u>	<u>92,222</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 729,826	\$ 681,004
Contributions as a percentage of covered-employee payroll	13.21%	13.54%
	<u>2021</u>	<u>2020</u>
TRS Pension Plan		
Contractually required contribution	\$ 322,012	\$ 283,531
Contributions in relation to the contractually required contribution	<u>322,012</u>	<u>283,531</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,376,418	\$ 3,247,878
Contributions as a percentage of covered-employee payroll	9.54%	8.73%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See accompanying notes.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 89,794	\$ 89,840	\$ 87,769	\$ 109,490	\$ 94,997	\$ 125,136
<u>89,794</u>	<u>89,840</u>	<u>87,769</u>	<u>109,490</u>	<u>94,997</u>	<u>125,136</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 638,785	\$ 634,102	\$ 626,632	\$ 579,149	\$ 523,198	\$ 604,505
14.06%	14.17%	14.01%	18.91%	18.16%	20.70%

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 336,227	\$ 322,090	\$ 354,103	\$ 505,670	\$ 432,291	\$ 313,363
<u>336,227</u>	<u>322,090</u>	<u>354,103</u>	<u>505,670</u>	<u>432,291</u>	<u>313,363</u>
<u>\$ -</u>					
\$ 3,165,976	\$ 3,286,633	\$ 3,021,357	\$ 3,813,499	\$ 2,466,007	\$ 1,928,388
10.62%	9.80%	11.72%	13.26%	17.53%	16.25%

OTHER SUPPLEMENTAL SCHEDULES

MADISON CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LAW LIMIT

Year Ended June 30, 2021

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget	\$ 10,975,715
Prior year encumbrances	<u>30,535</u>
Original budget	\$ 11,006,250
Budget revisions:	<u>-</u>
Final budget	<u><u>\$ 11,006,250</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT
CALCULATION:

2021-2022 expenditure budget (unaudited)	<u>\$ 11,181,980</u>
Maximum allowed (4% of 2021-2021 budget)	<u>447,279</u>

General fund balance subject to Section 1318 of Real Property Tax Law:

Unrestricted fund balance:	
Assigned fund balance	308,702
Unassigned fund balance	<u>1,450,576</u>
Total unrestricted fund balance	<u>1,759,278</u>

Less:

Appropriated fund balance	150,000
Encumbrances included in assigned fund balance	<u>158,702</u>
Total adjustments	<u>308,702</u>

General Fund balance amount subject to 4% limit pursuant to Section 1318 of
Real Property Tax Law

\$ 1,450,576

Actual percentage

12.97%

See accompanying notes.

MADISON CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL FUND

Year Ended June 30, 2021

Project Title	Appropriations		Expenditures and Transfers			Unexpended (Overexpended) Balance
	Original	Revised	Accumulated Prior Years	Current Year	Total To Date	
Smart Schools Bond Act Tank Project	\$ 498,604 100,000	\$ 498,604 100,000	\$ 342,501 98,575	\$ 32,757 1,425	\$ 375,258 100,000	\$ 123,346 -
Total	<u>\$ 598,604</u>	<u>\$ 598,604</u>	<u>\$ 441,076</u>	<u>\$ 34,182</u>	<u>\$ 475,258</u>	<u>\$ 123,346</u>

Project Title	Method of Financing			Total	Ending Fund Balance
	Proceeds of Obligations	Federal and State Aid	Local Sources		
Smart Schools Bond Act Tank Project	\$ - -	\$ 342,501 -	\$ - 100,000	\$ 342,501 100,000	\$ (32,757) -
Total	<u>\$ -</u>	<u>\$ 342,501</u>	<u>\$ 100,000</u>	<u>\$ 442,501</u>	<u>\$ (32,757)</u>

See accompanying notes.

MADISON CENTRAL SCHOOL DISTRICT

SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT

Year Ended June 30, 2021

Capital assets - Net	<u>\$ 18,775,002</u>
Adjustments:	
Capital cash unexpended	37,243
Serial bonds payable	(8,080,000)
Premium on serial bonds	(1,188,948)
Installment purchase debt	<u>(1,016,170)</u>
Total adjustments	<u>(10,247,875)</u>
Investment in capital assets - Net of related debt	<u><u>\$ 8,527,127</u></u>

See accompanying notes.

MADISON CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Grantor's Number</u>	<u>Disbursement/ Expenditure</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
REAP			
Rural School Achievement Program	84.358A	S358A203985	\$ 15,885
<u>Pass-through NYS Education Department</u>			
Special Education Cluster (IDEA)			
Part B, Section 611	84.027A	0032-21-0349	121,401
Part B, Section 619	84.173A	0033-21-0349	3,675
Total Special Education Cluster (IDEA)			<u>125,076</u>
ESEA Title IA			
Part A Improving Academic Achievement	84.010A	0021-20-1310	176
Part A Improving Academic Achievement	84.010A	0021-21-1310	164,927
School Improvement	84.010A	0011-20-2122	116,323
School Improvement	84.010A	0011-21-2122	233,247
School Improvement Enhanced	84.010A	0011-21-2322	2,492
NCLB-2001-Title II			
Part A Improving Teacher Quality	84.367A	0147-21-1310	18,246
ESEA Title IV			
Student Support and Academic Enrichment Program (SSAE)	84.424A	0204-21-1310	13,313
PL 116-136 CARES Act			
GEER	84.425C	251101040000	27,218
ESSERF	84.425D	5890211310	160,592
ESSERF II	84.425		34,147
Total Department of Education			<u>911,642</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Pass-through NYS of Education Department - Child Nutrition Cluster</u>			
Summer Food Service Program for Children (SFSP)	10.559	251101040000	172,814
National School Lunch Program - Noncash Assistance (Commodities)	10.555		16,027
Total Child Nutrition Cluster			<u>188,841</u>
Total U.S. Department of Agriculture			<u>188,841</u>
Total expenditures of federal awards			<u>\$ 1,100,483</u>

MADISON CENTRAL SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are passed through from other government agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source of data presented. The District has not elected to use the 10 percent De Minimis indirect cost rate as allowed under Uniform Guidance.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

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

NOTE 3 SUBRECIPIENTS

There were no subrecipients.

NOTE 4 OTHER DISCLOSURES

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

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. At June 30, 2021, the District had food commodities totaling \$5,749 in inventory.

INTERNAL CONTROL AND COMPLIANCE

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MOSTERT, MANZANERO & SCOTT, LLP
Certified Public Accountants

Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Mary E. Manzanero, CPA
David E. Brownell, CPA

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*

To the Board of Education of
Madison Central School District
Madison, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Central School 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 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

MEMBERS: American Institute of Certified Public Accountants, New York State Society of Certified Public Accountants
National Conference of CPA Practitioners

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings as item 2021-001 that we consider to be a material weakness.

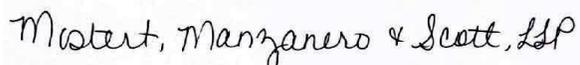
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Madison Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Oneonta, New York
October 13, 2021

A handwritten signature in black ink that reads "Mostert, Manzanero & Scott, LLP". The signature is written in a cursive style and is positioned on a light blue rectangular background.

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

To the Board of Education of
Madison Central School District
Madison, New York

Report on Compliance for Each Major Federal Program

We have audited the Madison Central School District (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.

MEMBERS: American Institute of Certified Public Accountants, New York State Society of Certified Public Accountants; National Conference of CPA Practitioners

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 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.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
October 13, 2021

MADISON CENTRAL SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS

Year Ended June 30, 2021

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a qualified opinion on the District's financial statements.
2. A significant deficiency was noted during the audit of the financial statements that we consider a material weakness.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. There were no significant deficiencies or material weaknesses relating to the audit of the major federal award programs reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The Independent Auditors' Report on Compliance with Requirements of the Major Federal Award Programs for the District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs reported in this schedule.
7. The program tested as a major program was the ESEA Title 1A Grants to Local Educational Agencies, CFDA #84.010A.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The District was determined not be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT – INTERNAL CONTROL

2021-001 Capital Asset Accounting

Criteria: GASB No 34 requires governments to present detailed information in the notes to the financial statements about the government's capital assets reported in the government-wide statement of net position. This includes the beginning balance, increases (capital acquisitions), decreases (sales or other dispositions), ending balance, and depreciation. This requires the government to track this information in the appropriate detail and to make sure all capital assets that should be accounted are accounted for.

MADISON CENTRAL SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS

Year Ended June 30, 2021

Condition: In fiscal year ending June 30, 2021, the District replaced its capital asset accounting software. During our audit, we found that the beginning capital asset balance from the new software did not agree to the prior year capital asset ending balance in the old software by a net total of \$288,631. When taking on such a large project (moving hundreds of capital asset records with varying costs and depreciations to a new capital assets software program), the District should have an internal control procedure or process along with oversight to make sure that the capital assets from the existing software program agree with the capital assets within the new software program. A detailed reconciliation should be performed to determine any differences. This process should be undertaken before external auditors arrive.

Cause: This resulted in a \$288,631 difference between the year-end balance in the CBIZ (old) software, and the opening balance in the AMP (new) software. As well as uncertainty as to the correct amount of current fiscal year depreciation and ending net capital assets.

Effect or

Potential Effect: The opening capital asset balance did not agree with the prior year ending balance. As a result, the District recorded a \$288,631 decreasing restatement adjustment to beginning of year net assets on the Statement of Activities and Changes in Net Position.

Recommendation: We recommend that the District review its internal control procedures and processes over the accounting and tracking of capital assets. Additionally, the District should perform a thorough detailed reconciliation of capital assets, comparing the June 30, 2020 detailed ending capital assets from the CBIZ (old) software to the beginning detailed capital asset balance from the AMP (new) software to determine what the variances are.

Management

Response: The District will review the reports provided by the two different software systems and balance the capital assets to the correct beginning balance. The process should be complete by December 30, 2021.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

- NONE -

MADISON CENTRAL SCHOOL DISTRICT

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2021

- NONE -