

LANCASTER CENTRAL
SCHOOL DISTRICT, NEW YORK
*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Federal
Awards Information for the Year Ended
June 30, 2023 and Independent Auditors' Reports*

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Table of Contents
Year Ended June 30, 2023

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet—Governmental Funds	14
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities	17
Statement of Fiduciary Net Position—Fiduciary Funds	18
Statement of Changes in Fiduciary Net Position—Fiduciary Funds	19
Notes to the Financial Statements	20
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)— Teachers' Retirement System	47
Schedule of the District's Contributions—Teachers' Retirement System	48
Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)— Employees' Retirement System	49
Schedule of the District's Contributions—Employees' Retirement System	50
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	51
Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget (Non-GAAP Basis) and Actual—General Fund	52
Notes to the Required Supplementary Information	54

(continued)

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Table of Contents
Year Ended June 30, 2023

(concluded)

Page

Supplementary Information:

Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit—General Fund.....	55
Schedule of Capital Project Expenditures	56
Net Investment in Capital Assets	57

Federal Awards Information:

Schedule of Expenditures of Federal Awards	58
Notes to the Schedule of Expenditures of Federal Awards	59
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>	60
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	62
Schedule of Findings and Questioned Costs	65
Summary Schedule of Prior Year Audit Findings.....	67

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Lancaster Central School District, New York:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lancaster Central School District, New York, (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The 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 Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Daescher & Malachuk LLP

October 10, 2023

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2023

As management of the Lancaster Central School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the District's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$121,658,418 (*net position*). Net position consists of \$70,852,570 net investment in capital assets, \$48,473,395 restricted for specific purposes, and an unrestricted net position of \$2,332,453.
- The District's net position increased by \$11,537,100 during the year ended June 30, 2023.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$38,552,767, a decrease of \$7,315,721 in comparison with the prior year's fund balance of \$45,868,488.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$13,624,704, or approximately 12.6 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 21.9 percent of the General Fund's total fund balance of \$62,212,904 at June 30, 2023.
- During the year ended June 30, 2023, the District's total bonded indebtedness decreased by \$4,465,000 as a result of scheduled principal payments. Additionally, the District has \$52,540,000 of bond anticipation notes outstanding at June 30, 2023, as compared to \$28,720,000 in the prior year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general support, instruction, pupil transportation, community services, school food service, and interest on long-term debt. The District does not engage in any business-type activities.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements—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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Debt Service Fund, School Lunch Fund, Special Aid Fund, and Student Activities Fund, all of which are considered major funds.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District maintains two fiduciary funds, the Custodial Fund and the Private Purpose Trust Fund.

The fiduciary fund financial statements can be found on pages 18-19 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-46 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District’s net pension liability/(asset), the changes in the District’s total other postemployment benefits (“OPEB”) obligation, and the District’s budgetary comparison for the General Fund. Required Supplementary Information and related notes to the required supplementary information can be found on pages 47-54 of this report.

Other supplementary information is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 55-57 of this report.

The Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found on pages 58-67 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$121,658,418 at June 30, 2023, as compared to \$110,121,318, at the close of the fiscal year ended June 30, 2022.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position

	June 30,	
	2023	2022
Current assets	\$ 97,311,483	\$ 81,914,938
Noncurrent assets	137,925,497	163,398,632
Total assets	235,236,980	245,313,570
Deferred outflows of resources	31,327,852	31,544,352
Current liabilities	59,972,360	36,636,474
Noncurrent liabilities	80,945,233	72,905,967
Total liabilities	140,917,593	109,542,441
Deferred inflows of resources	3,988,821	57,194,163
Net position:		
Net investment in capital assets	70,852,570	65,151,310
Restricted	48,473,395	43,438,335
Unrestricted	2,332,453	1,531,673
Total net position	\$ 121,658,418	\$ 110,121,318

The largest portion of the District’s net position, \$70,852,570, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), net of accumulated depreciation/amortization and less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, \$48,473,395, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining balance reflects unrestricted net position of \$2,332,453, and represents resources that may be used to meet the District's ongoing obligations.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2023 and June 30, 2022:

Table 2—Condensed Statements of Changes in Net Position

	Year Ended June 30,	
	2023	2022
Program revenues:		
Charges for services	\$ 2,408,198	\$ 1,184,116
Operating grants and contributions	10,919,118	10,057,040
Capital grants and contributions	31,684	72,574
General revenues	118,699,818	111,626,972
Total revenues	132,058,818	122,940,702
Program expenses	120,521,718	105,023,610
Change in net position	11,537,100	17,917,092
Net position—beginning	110,121,318	92,204,226
Net position—ending	\$ 121,658,418	\$ 110,121,318

Overall revenues increased 7.4 percent from the prior year, primarily due to an increase in state aid and use of money and property. Total expenses increased 14.8 percent from the prior year, mainly due to an increase in instruction related to allowable expenses from the changes in the District's net pension liabilities.

A summary of sources of revenues for the years ended June 30, 2023 and June 30, 2022 is presented below in Table 3:

Table 3—Summary of Sources of Revenues

	Year Ended June 30,		Increase/(Decrease)	
	2023	2022	Dollars	Percent (%)
Charges for services	\$ 2,408,198	\$ 1,184,116	\$ 1,224,082	103.4
Operating grants and contributions	10,919,118	10,057,040	862,078	8.6
Capital grants and contributions	31,684	72,574	(40,890)	(56.3)
Taxes	69,544,111	68,013,384	1,530,727	2.3
Use of money and property	2,215,134	131,435	2,083,699	1585.3
Sale of property and compensation for loss	70,901	105,964	(35,063)	(33.1)
Miscellaneous	1,519,795	1,904,999	(385,204)	(20.2)
State sources—unrestricted	45,349,877	41,471,190	3,878,687	9.4
Total revenues	\$ 132,058,818	\$ 122,940,702	\$ 9,118,116	7.4

The most significant sources of revenues for the year ended June 30, 2023 were taxes of \$69,544,111, or 52.7 percent of total revenues, and unrestricted state sources of \$45,349,877, or 34.3 percent of total revenues. Similarly, for the year ended June 30, 2022, the most significant sources of revenues were taxes of \$68,013,384, or 55.3 percent of total revenues, and unrestricted state sources of \$41,471,190, or 33.7 percent of total revenues.

A summary of program expenses for the years ended June 30, 2023 and June 30, 2022 is presented below in Table 4:

Table 4—Summary of Program Expenses

	Year Ended June 30,		Increase/(Decrease)	
	2023	2022	Dollars	Percent (%)
General support	\$ 18,376,863	\$ 14,847,115	\$ 3,529,748	23.8
Instruction	86,890,927	77,258,521	9,632,406	12.5
Pupil transportation	9,691,808	8,316,746	1,375,062	16.5
Community services	7,865	4,382	3,483	79.5
School food service	2,312,156	2,489,079	(176,923)	(7.1)
Student activities	810,307	490,227	320,080	65.3
Interest and other fiscal charges	2,431,792	1,617,540	814,252	50.3
Total program expenses	<u>\$ 120,521,718</u>	<u>\$ 105,023,610</u>	<u>\$ 15,498,108</u>	14.8

The most significant expense items for the year ended June 30, 2023 were instruction of \$86,890,927, or 72.1 percent of total expenses, and general support of \$18,376,863, or 15.2 percent of total expenses. Similarly, for the year ended June 30, 2022 the most significant expense items were instruction of \$77,258,521, or 73.6 percent of total expenses, and general support of \$14,847,115, or 14.1 percent of total expenses.

Financial Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the District itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Board of Education.

At June 30, 2023, the District’s governmental funds reported combined ending fund balances of \$38,552,767, a decrease of \$7,315,721 from the prior year. Excluding the effects of a \$34,251,167 fund balance deficit in the Capital Projects Fund, approximately 18.7 percent of this amount, \$13,624,704 constitutes *unassigned fund balance* which is considered available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$74,450, (2) restricted for particular purposes, \$53,400,966, or (3) assigned for particular purposes, \$5,703,814.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,624,704, while the total fund balance increased to \$62,212,904. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 12.6 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 57.7 percent of that same amount.

The total fund balance of the District's General Fund increased \$11,350,566 during the current fiscal year. During the annual budget process, the District appropriated \$4,340,680 of unrestricted fund balance (this included funds appropriated from fund balance, \$3,682,670, and the re-appropriation of prior year's encumbrances, \$658,010) in addition to the planned use of \$4,573,707 of restricted fund balance for spending in the District's 2022-2023 fiscal year and a budgetary amendment of \$869,346 for the purchase of school buses. As a result of spending less than anticipated in employee benefits and teaching-regular school, the District's fund balance ended \$16,560,592 higher than anticipated.

The fund balance in the Capital Projects Fund decreased \$19,460,898 from the prior year, resulting in an ending fund balance deficit of \$34,251,167 as of June 30, 2023. The decrease in the Capital Projects Fund is primarily due to capital outlay costs of \$20,245,317, which exceeded transfers in from the General Fund and miscellaneous revenues and state sources. This deficit is anticipated to be remedied with the conversion of the outstanding short-term bond anticipation notes to long-term debt.

At June 30, 2023, the District's Debt Service Fund reports a fund balance of \$8,124,845, an increase of \$349,682 from the prior year. This total fund balance amount is classified as restricted fund balance for the future payment of debt principal and interest.

At June 30, 2023, the District's School Lunch Fund reports a fund balance of \$2,094,268, an increase of \$391,056 from the prior year. Nonspendable fund balance of \$74,450 is reported to reflect the amounts of inventory not in spendable form, and the remaining \$2,019,818 is reported as fund balance assigned for specific school lunch use.

The Special Aid Fund maintains funds that are received from the State and Federal governments. Total revenues amounted to \$8,347,886 and were comprised of State and Federal sources. Expenditures totaled \$8,695,099 and were used toward the instruction of students. The remaining balance was funded by a transfer from the General Fund of \$347,213.

The Student Activities Fund reports a fund balance of \$371,917 at June 30, 2023, an increase of \$53,873 from the prior year. This total fund balance amount is classified as restricted fund balance for the future payment of extraclassroom activities on behalf of the students.

General Fund Budgetary Highlights

The District's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose. Additionally, there was a \$869,337 increase in appropriations between the original and final amended budget for a voter-approved purchase of buses.

A summary of revisions from adopted budget to final budget is presented in Table 5 on the following page.

Table 5—General Fund Budget

Adopted budget, 2022-2023	\$ 122,268,735
Add: Prior year's encumbrances	<u>658,010</u>
Original budget, 2022-2023	122,926,745
Budget revisions:	
Purchase of buses	<u>869,337</u>
Final budget, 2022-2023	<u>\$ 123,796,082</u>

More detailed information regarding the District's General Fund budget is presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget (Non-GAAP Basis) and Actual—General Fund within the Required Supplementary Information section of this report.

Capital Asset and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of June 30, 2023, amounted to \$137,925,497 (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, site improvements, buildings, equipment and vehicles, and right-to-use leased assets. All depreciable capital assets were depreciated/amortized from acquisition date to the end of the current year, as outlined in the District's capital asset policy.

Capital assets, net of depreciation and amortization for the governmental activities at June 30, 2023 and June 30, 2022 are presented below in Table 6:

Table 6—Summary of Capital Assets (Net of Accumulated Depreciation/Amortization)

	June 30,	
	2023	2022
Land	\$ 283,541	\$ 283,541
Construction in progress	31,240,122	16,149,110
Site improvements	292,413	981,253
Buildings	96,535,399	95,593,736
Equipment and vehicles	8,561,139	5,857,466
Right-to-use leased assets	<u>1,012,883</u>	<u>914,456</u>
Total	<u>\$ 137,925,497</u>	<u>\$ 119,779,562</u>

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Long-term liabilities—At June 30, 2023, the District had total long-term liabilities outstanding of \$80,945,233, as compared to \$72,905,967 in the prior year. Of the long-term liabilities outstanding at June 30, 2023, \$43,175,000 represents serial bonds issued by the District.

A summary of the District's long-term liabilities at June 30, 2023 and June 30, 2022 is presented in Table 7 on the following page.

Table 7—Summary of Long-Term Liabilities

	June 30,	
	2023	2022
Serial bonds	\$ 43,175,000	\$ 47,640,000
Premiums on serial bonds	4,770,554	5,329,684
Bonds payable, net	47,945,554	52,969,684
Compensated absences	10,844,446	10,837,062
OPEB obligation	7,951,334	9,099,221
Net pension liability	14,203,899	-
Total	<u>\$ 80,945,233</u>	<u>\$ 72,905,967</u>

Additional information on the District's long-term liabilities can be found in Note 10 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate, not seasonally adjusted, for the region at June 30, 2023 was 3.2 percent. This compares to New York State's unemployment rate of 3.9 percent. These factors are considered in preparing the District's budget.

During the current fiscal year, the District appropriated \$3,120,453 of the General Fund's unassigned fund balance in addition to the use of \$4,353,524 of restricted fund balance for spending in the District's 2023-2024 fiscal year budget. The 2023-2024 adopted budget appropriations total of \$130,704,018 represents an approximate increase of 6.9 percent as compared to \$122,268,735 in 2022-2023. The District's total tax levy in 2023-2024 is \$61,232,869, which is an approximate increase of 3.3 percent as compared to \$59,269,225 levied during the 2022-2023 year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Assistant Superintendent for Business and Support Services, 177 Central Avenue, Lancaster, New York 14086.

BASIC FINANCIAL STATEMENTS

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LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2023

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,330,877
Restricted cash and cash equivalents	81,733,475
Receivables	236,117
Due from fiduciary funds	173,526
Intergovernmental receivables	7,763,038
Inventories	74,450
Capital assets not being depreciated/amortized	31,523,663
Capital assets, net of accumulated depreciation/amortization	106,401,834
Total assets	<u>235,236,980</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pension plans	31,025,556
Deferred outflows—relating to OPEB	292,221
Deferred charge on refunding	10,075
Total deferred outflows of resources	<u>31,327,852</u>
LIABILITIES	
Accounts payable	76,606
Retainages payable	938,661
Accrued liabilities	957,653
Intergovernmental payables	71
Due to retirement systems	5,352,213
Unearned revenue	107,156
Bond anticipation notes payable	52,540,000
Noncurrent liabilities:	
Due within one year	5,766,542
Due within more than one year	75,178,691
Total liabilities	<u>140,917,593</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pension plans	2,674,977
Deferred inflows—relating to OPEB	1,313,844
Total deferred inflows of resources	<u>3,988,821</u>
NET POSITION	
Net investment in capital assets	70,852,570
Restricted for:	
Retirement contribution	7,626,423
Liability and casualty	807,553
Bus purchase	8,563,653
Tax certiorari	1,333,675
Unemployment	59,613
Workers' compensation	46,759
Property loss	165,942
Employee benefit accrued liabilities	10,844,448
Capital projects	16,394,799
Debt service	2,258,613
Student activities	371,917
Unrestricted	<u>2,332,453</u>
Total net position	<u>\$ 121,658,418</u>

The notes to the financial statements are an integral part of this statement.

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary
					Governmental Activities
Governmental activities:					
General support	\$ 18,376,863	\$ -	\$ -	\$ -	\$ (18,376,863)
Instruction	86,890,927	498,388	9,363,000	31,684	(76,997,855)
Pupil transportation	9,691,808	-	-	-	(9,691,808)
Community services	7,865	-	-	-	(7,865)
School food service	2,312,156	1,045,630	1,556,118	-	289,592
Student activities	810,307	864,180	-	-	53,873
Interest and other fiscal charges	2,431,792	-	-	-	(2,431,792)
Total primary government	<u>\$ 120,521,718</u>	<u>\$ 2,408,198</u>	<u>\$ 10,919,118</u>	<u>\$ 31,684</u>	<u>\$ (107,162,718)</u>
General revenues:					
Real property taxes and other tax items					60,720,227
Non-property tax items					8,823,884
Use of money and property					2,215,134
Sale of property and compensation for loss					70,901
Miscellaneous					1,519,795
State sources—unrestricted					<u>45,349,877</u>
Total general revenues					<u>118,699,818</u>
Change in net position					11,537,100
Net position—beginning					<u>110,121,318</u>
Net position—ending					<u>\$ 121,658,418</u>

The notes to the financial statements are an integral part of this statement.

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2023

				Special Revenue			Total
	General	Capital Projects	Debt Service	School Lunch	Special Aid	Student Activities	Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 5,273,179	\$ -	\$ -	\$ 2,057,698	\$ -	\$ -	\$ 7,330,877
Restricted cash and cash equivalents	44,937,326	28,474,981	7,866,232	41,140	41,879	371,917	81,733,475
Receivables	232,415	-	-	3,702	-	-	236,117
Intergovernmental receivables	1,783,252	-	-	72,694	5,907,092	-	7,763,038
Due from other funds	16,101,904	-	258,613	16,953	-	-	16,377,470
Inventories	-	-	-	74,450	-	-	74,450
Total assets	<u>\$ 68,328,076</u>	<u>\$ 28,474,981</u>	<u>\$ 8,124,845</u>	<u>\$ 2,266,637</u>	<u>\$ 5,948,971</u>	<u>\$ 371,917</u>	<u>\$ 113,515,427</u>
LIABILITIES							
Accounts payable	\$ 76,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,606
Accrued liabilities	636,278	-	-	26,761	19,631	-	682,670
Intergovernmental payables	-	-	-	71	-	-	71
Due to other funds	16,953	10,186,148	-	104,397	5,896,446	-	16,203,944
Due to retirement systems	5,352,213	-	-	-	-	-	5,352,213
Unearned revenue	33,122	-	-	41,140	32,894	-	107,156
Bond anticipation notes payable	-	52,540,000	-	-	-	-	52,540,000
Total liabilities	<u>6,115,172</u>	<u>62,726,148</u>	<u>-</u>	<u>172,369</u>	<u>5,948,971</u>	<u>-</u>	<u>74,962,660</u>
FUND BALANCES (DEFICIT)							
Nonspendable	-	-	-	74,450	-	-	74,450
Restricted	44,904,204	-	8,124,845	-	-	371,917	53,400,966
Assigned	3,683,996	-	-	2,019,818	-	-	5,703,814
Unassigned	13,624,704	(34,251,167)	-	-	-	-	(20,626,463)
Total fund balances (deficit)	<u>62,212,904</u>	<u>(34,251,167)</u>	<u>8,124,845</u>	<u>2,094,268</u>	<u>-</u>	<u>371,917</u>	<u>38,552,767</u>
Total liabilities and fund balances (deficit)	<u>\$ 68,328,076</u>	<u>\$ 28,474,981</u>	<u>\$ 8,124,845</u>	<u>\$ 2,266,637</u>	<u>\$ 5,948,971</u>	<u>\$ 371,917</u>	<u>\$ 113,515,427</u>

The notes to the financial statements are an integral part of this statement.

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2023

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances (deficit)—governmental funds (page 14)		\$ 38,552,767
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$212,201,251 and the accumulated depreciation/amortization is \$74,275,754.		137,925,497
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 5,352,213	
Deferred outflows related to experience, changes in assumptions, investment earnings, and changes in proportion	25,673,343	
Deferred inflows of resources related to pension plans	<u>(2,674,977)</u>	28,350,579
Deferred outflows and inflows of resources related to other post employment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to experience and changes in assumptions	\$ 292,221	
Deferred inflows related to experience and changes in assumptions	<u>(1,313,844)</u>	(1,021,623)
For refunding bonds, the difference between the reacquisition price and the net carrying amount of the refunded debt should be reported as a deferred charge and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements.		10,075
Retained percentages are not a current liability and, therefore, are not reported in the fund statements.		(938,661)
Net accrued interest expense for bond anticipation notes and serial bonds is not reported in the fund statements.		(274,983)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Serial bonds	\$ (43,175,000)	
Premiums on serial bonds	(4,770,554)	
Compensated absences	(10,844,446)	
OPEB obligation	(7,951,334)	
Net pension liability	<u>(14,203,899)</u>	<u>(80,945,233)</u>
Net position of governmental activities		<u><u>\$ 121,658,418</u></u>

The notes to the financial statements are an integral part of this statement.

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds
Year Ended June 30, 2023

				Special Revenue			Total
	General	Capital Projects	Debt Service	School Lunch	Special Aid	Student Activities	Governmental Funds
REVENUES							
Real property taxes	\$ 53,973,510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,973,510
Real property tax items	6,746,717	-	-	-	-	-	6,746,717
Non-property tax items	8,823,884	-	-	-	-	-	8,823,884
Charges for services	498,388	-	-	-	-	-	498,388
Use of money and property	1,811,790	-	349,682	53,662	-	-	2,215,134
Sale of property and compensation for loss	70,901	-	-	-	-	-	70,901
Miscellaneous	848,483	640,463	-	30,849	-	-	1,519,795
State sources	45,854,088	31,684	-	41,712	1,059,092	-	46,986,576
Federal sources	510,903	-	-	1,514,406	7,288,794	-	9,314,103
Sales - food service	-	-	-	1,045,630	-	-	1,045,630
Student activity collections	-	-	-	-	-	864,180	864,180
Total revenues	<u>119,138,664</u>	<u>672,147</u>	<u>349,682</u>	<u>2,686,259</u>	<u>8,347,886</u>	<u>864,180</u>	<u>132,058,818</u>
EXPENDITURES							
Current:							
General support	12,617,484	-	-	-	306,701	-	12,924,185
Instruction	57,886,372	-	-	-	8,202,739	-	66,089,111
Pupil transportation	7,387,873	-	-	-	185,659	-	7,573,532
Community services	6,064	-	-	-	-	-	6,064
Employee benefits	22,026,199	-	-	312,151	-	-	22,338,350
Debt service:							
Principal	-	-	4,465,000	-	-	-	4,465,000
Interest and other fiscal charges	-	-	2,922,668	-	-	-	2,922,668
Cost of sales (school lunch)	-	-	-	2,000,005	-	-	2,000,005
Student activities	-	-	-	-	-	810,307	810,307
Capital outlay	-	20,245,317	-	-	-	-	20,245,317
Total expenditures	<u>99,923,992</u>	<u>20,245,317</u>	<u>7,387,668</u>	<u>2,312,156</u>	<u>8,695,099</u>	<u>810,307</u>	<u>139,374,539</u>
Excess (deficiency) of revenues over expenditures	<u>19,214,672</u>	<u>(19,573,170)</u>	<u>(7,037,986)</u>	<u>374,103</u>	<u>(347,213)</u>	<u>53,873</u>	<u>(7,369,594)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	112,272	7,387,668	16,953	347,213	-	7,864,106
Transfers out	(7,864,106)	-	-	-	-	-	(7,864,106)
Total other financing sources (uses)	<u>(7,864,106)</u>	<u>112,272</u>	<u>7,387,668</u>	<u>16,953</u>	<u>347,213</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficit)	11,350,566	(19,460,898)	349,682	391,056	-	53,873	(7,315,721)
Fund balances (deficit)—beginning	<u>50,862,338</u>	<u>(14,790,269)</u>	<u>7,775,163</u>	<u>1,703,212</u>	<u>-</u>	<u>318,044</u>	<u>45,868,488</u>
Fund balances (deficit)—ending	<u>\$ 62,212,904</u>	<u>\$ (34,251,167)</u>	<u>\$ 8,124,845</u>	<u>\$ 2,094,268</u>	<u>\$ -</u>	<u>\$ 371,917</u>	<u>\$ 38,552,767</u>

The notes to the financial statements are an integral part of this statement.

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances (deficit)—total governmental funds (page 16) \$ (7,315,721)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation expense and loss on disposals in the current period.

Capital asset additions	\$ 26,757,603	
Depreciation/amortization expense	(7,854,177)	
Loss on disposal of assets	<u>(757,491)</u>	18,145,935

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

District pension contributions	\$ 5,800,279	
Employee contributions net of benefits earned	<u>(9,247,341)</u>	(3,447,062)

Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year amortization. (1,382,028)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (5,037)

Governmental funds report retained percentages expenditures on construction contracts when such retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues. (560,403)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (63,217)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Repayment of serial bonds	\$ 4,465,000	
Amortization of premiums on serial bonds	559,130	
Change in compensated absences	(7,384)	
Change in OPEB obligation	<u>1,147,887</u>	6,164,633

Change in net position of governmental activities		<u>\$ 11,537,100</u>
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The notes to the financial statements are an integral part of this statement.

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Fiduciary Net Position—Fiduciary Funds
June 30, 2023

	Custodial Fund	Private Purpose Trust
ASSETS		
Restricted cash and cash equivalents	\$ 3,259,295	\$ 660,971
Total assets	<u>3,259,295</u>	<u>660,971</u>
LIABILITIES		
Due to other funds	<u>170,449</u>	<u>3,077</u>
Total liabilities	<u>170,449</u>	<u>3,077</u>
NET POSITION		
Restricted for:		
Retiree escrow	3,088,846	-
Scholarships	-	590,644
Flexible benefits	-	67,250
Total net position	<u>\$ 3,088,846</u>	<u>\$ 657,894</u>

The notes to the financial statements are an integral part of this statement.

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Changes in Fiduciary Net Position—Fiduciary Funds
Year Ended June 30, 2023

	Custodial Fund	Private Purpose Trust
ADDITIONS		
Contributions	\$ 546,559	\$ 322,014
Total additions	<u>546,559</u>	<u>322,014</u>
DEDUCTIONS		
Distributions	<u>429,800</u>	<u>438,533</u>
Total deductions	<u>429,800</u>	<u>438,533</u>
Change in fiduciary net position	116,759	(116,519)
Net position—beginning	<u>2,972,087</u>	<u>774,413</u>
Net position—ending	<u><u>\$ 3,088,846</u></u>	<u><u>\$ 657,894</u></u>

The notes to the financial statements are an integral part of this statement.

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LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Lancaster Central School District, New York (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The District reports no business-type activities or component units.

Reporting Entity

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations, and are governed by, or significantly influenced by, the Board of Education.

Essentially, the primary function of the District is to provide education for pupils. Support services such as transportation of pupils, food service, administration, finance and plant maintenance are also included.

The financial reporting entity includes all funds, functions and organizations over which the District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Extraclassroom Activity Funds—The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management; however, since the District has administrative involvement with these funds they are reported within the District’s Student Activities Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office.

Joint Venture—The District is one of 21 participating school districts in the Erie 1 Board of Cooperative Education Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES. All BOCES property is held by the BOCES Board as a corporation under Section 1950(6) of Education Law.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of General Municipal Law.

The BOCES budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of June 30, 2023, there was no debt issued by the District on behalf of BOCES.

During the fiscal year ended June 30, 2023, the District was billed \$8,752,206 for BOCES administrative and program costs. The District’s share of BOCES aid and refunds amounted to \$3,363,065 for the year ended June 30, 2023. Audited financial statements are available from the Erie 1 BOCES administrative offices.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the District’s various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

- ***General Fund***—The General Fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal sources of revenues for the General Fund are real property taxes and state sources.

- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.
- *Debt Service Fund*—The Debt Service Fund is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term obligations of governmental funds.
- *School Lunch Fund*—The School Lunch Fund is used to account for transactions of the District's food service operations.
- *Special Aid Fund*—The Special Aid Fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.
- *Student Activities Fund*—The Student Activities Fund is used to account for extraclassroom transactions, which represents funds of the students of the District. The District exercises administrative involvement with these funds.

Additionally, the District reports the following fund types:

Fiduciary Funds—These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Custodial funds and Private Purpose Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. The District's fiduciary funds are:

- *Custodial Fund*—Activities reported in the fiduciary funds include monies from pension arrangements and retirement incentives held by the District for the benefit of others.
- *Private Purpose Trust Fund*—This fund is used to account for assets held by the District for the Lancaster Family Support Center, certain grants, and funds withheld from current and retired employees related to the District's flexible spending plan.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The 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 government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period and certain grant revenues to be available if they are expected to be collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and pensions are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The Custodial Fund and Private Purpose Trust Fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The District's cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. New York State law governs the District's investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The District had no investments at June 30, 2023; however, when the District does have investments they are recorded at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent unspent debt proceeds and amounts to support unearned revenues, restricted fund balances, special operating programs, and amounts held on behalf of others.

Receivables—Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance or uncollectible accounts has been provided since it is believed that such allowance would not be material.

Inventories—Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Capital Assets—Capital assets, which include land, construction in progress, site improvements, buildings, and equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than an established threshold (\$1,000) for the type of asset and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are completed. Right-to-use leased assets are initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Those assets are amortized over the shorter of the lease term or its useful life.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	Capitalization Threshold	Estimated Useful Life (Years)
Site improvements	\$ 1,000	15-20
Buildings	1,000	50
Equipment and vehicles	1,000	2-10
Right-to-use leased assets	1,000	5

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new school bus included as part of *expenditures—pupil transportation*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Leases—The District recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the District initially measures the lease liability at the present value of any remaining payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made, as applicable. As of June 30, 2023, all lease payments were made before commencement of the respective leases. Accordingly, there are no remaining payments expected and the District reports no lease liability at June 30, 2023.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial statement purposes. At June 30, 2023, the District reported \$33,122, \$41,140 and \$32,894 of unearned revenue in the General Fund, School Lunch Fund, and Special Aid Fund

respectively. The District received monies for the purchase of school lunches in advance but has not performed the services and therefore recognizes a liability. Additionally, the District reported unearned revenue in the Special Aid Fund for unspent funds related to the pandemic.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial 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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2023, the District has three items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements. This represents the effect of the net change in the District's proportion of the collective net pension liability/(asset), and the difference during the measurement period between the District's contributions, its proportionate share of total contribution to the pension systems not included in pension expense, and any contributions to the pension systems subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the District's proportion of the collective OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability. The final item is a deferred charge on refunding which the District reports within its governmental activities. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial 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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2023, the District reports two deferred inflows of resources on the government-wide financial statements related to pensions and OPEB, respectively. The first item represents the effect of the net change in the District's proportion of the collective net pension liability/(asset) and the difference during the measurement periods between the District's contributions, and its proportionate share of total contributions to the pension systems not included in pension expense. The second represents the effects of the change in the District's proportion of the collective OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability.

Net Position Flow Assumptions—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 government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—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. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for

the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Assistant Superintendent for Business and Support Services to assign fund balance. The Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied annually as of July 1st by the Board of Education and attached as an enforceable lien. Uncollected real property taxes are subsequently enforced by the County of Erie. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the District no later than April 1st.

Compensated Absences—The District labor agreements and District rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Pension Plans—The District is mandated by New York State law to participate in the New York State Teachers’ Retirement System (“TRS”) and the New York State Local Employees’ Retirement System (“ERS”). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due

and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Other Postemployment Benefits—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees, as disclosed in Note 7.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”), requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2023, the District implemented GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and a portion of No. 99, *Omnibus 2022*. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnerships arrangements (“PPPs”). GASB Statement No. 96 improves financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements (“SBITAs”) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and improves the consistency of authoritative literature related to GASB Statements No. 94 and 96. The implementation of GASB Statements No. 94, 96, and a portion of 99 did not have a material impact on the District’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The District has not completed the process of evaluating the impact that will result from adopting the remainder of GASB Statement No. 99, *Omnibus 2022*; and No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective for the year ending June 30, 2024, and No. 101, *Compensated Absences*, effective for the year ending June 30, 2025. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 99, 100, and 101 will have on its financial position and results of operations when such statements are adopted.

Deficit Fund Balance—The Capital Projects Fund has a deficit fund balance at June 30, 2023 totaling \$34,251,167. The deficit exists because the District issued bond anticipation notes (“BANs”), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an other financing source on the statement of revenues, expenses, and fund balances.) When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District's investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The District's Assistant Superintendent of Business and Support Services is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit, time deposit and certificates of deposit at 100 percent of all deposits not covered by Federal deposit insurance. The District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents at June 30, 2023, are presented below:

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 1,400	\$ -	\$ 1,400
Deposits	89,062,952	3,920,266	92,983,218
Total	<u>\$ 89,064,352</u>	<u>\$ 3,920,266</u>	<u>\$ 92,984,618</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2023 as shown below:

	Bank Balance	Carrying Amount
FDIC insured	\$ 1,000,000	\$ 1,000,000
Uninsured:		
Collateral held by pledging bank's agent in the District's name	98,901,458	91,983,218
Total	<u>\$ 99,901,458</u>	<u>\$ 92,983,218</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2023, the District's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the District's name.

Restricted Cash and Cash Equivalents—The District reports unspent proceeds of debt and amounts to support unearned revenues, restricted fund balances, special operating programs, and amounts held on behalf of others as restricted cash and cash equivalents. At June 30, 2023, the District reported \$81,733,475 and \$3,920,266 of restricted cash within its governmental and fiduciary funds, respectively.

Investments—The District had no investments at June 30, 2023.

Interest Rate Risk—In accordance with its investment policy, the District manages exposures by limiting investments to low risk type investments governed by New York State statutes.

3. RECEIVABLES

Revenues accrued by the District at June 30, 2023 consisted of the following:

Receivables—Primarily represents amounts due from various sources for out-of-District tuition, commissions, reimbursements and other services provided. The District reported amounts of \$232,415 and \$3,702 in the General Fund and School Lunch Fund, respectively.

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2023 are presented below:

General Fund:

New York State - Medicaid reimbursement	\$	32,668	
New York State - BOCES aid		1,222,820	
New York State - Excess Cost aid		93,453	
Erie County - sales tax		400,000	
Buffalo Public Schools - Foster Care Child tuition		23,870	
Nonresident health billing		<u>10,441</u>	\$ 1,783,252

School Lunch Fund:

New York State - breakfast and lunch programs			72,694
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Special Aid Fund:

New York State - Chapter 683 program		309,082	
New York State - IDEA Part B 94-142		541,129	
New York State - ESEA Title I		119,349	
New York State - ESEA Title II, Part A		40,481	
New York State - Title IV A		16,031	
Federal - ARP - ESSER		3,432,961	
Federal - ARP - GEER		359,232	
Federal - ARP - IDEA		143,159	
Federal - ARP - Learning Loss		474,581	
Federal - ARP - UPK Program		<u>471,087</u>	<u>5,907,092</u>
Total governmental funds			<u>\$ 7,763,038</u>

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2023 was as follows:

	Balance 7/1/2022	Increases/ Reclassifications	Decreases/ Reclassifications	Balance 6/30/2023
Capital assets, not being depreciated/amortized:				
Land	\$ 283,541	\$ -	\$ -	\$ 283,541
Construction in progress	16,149,110	20,245,317	5,154,305	31,240,122
Total capital assets, not being depreciated/amortized	16,432,651	20,245,317	5,154,305	31,523,663
Capital assets, being depreciated/amortized:				
Site improvements	5,625,139	-	869,655	4,755,484
Buildings	140,405,275	5,131,075	38,522	145,497,828
Equipment and vehicles	23,976,392	6,121,549	1,297,039	28,800,902
Right-to-use leased assets	1,544,444	413,967	335,037	1,623,374
Total capital assets, being depreciated/amortized	171,551,250	11,666,591	2,540,253	180,677,588
Less accumulated depreciation/amortization for:				
Site improvements	4,643,886	41,496	222,311	4,463,071
Buildings	44,811,539	4,150,890	-	48,962,429
Equipment and vehicles	18,118,926	3,413,254	1,292,417	20,239,763
Right-to-use leased assets	629,988	248,537	268,034	610,491
Total accumulated depreciation/amortization	68,204,339	7,854,177	1,782,762	74,275,754
Total capital assets, being depreciated/amortized, net	103,346,911	3,812,414	757,491	106,401,834
Governmental activities capital assets, net	\$ 119,779,562	\$ 24,057,731	\$ 5,911,796	\$ 137,925,497

During the fiscal year ending June 30, 2023, the District performed a full physical inventory count of their capital assets. As a result, certain items have been reclassified during the current fiscal year.

Depreciation and amortization expenses were charged to the functions and programs of governmental activities as follows:

General support	\$ 1,094,314
Instruction	5,844,420
Pupil transportation	915,443
Total	<u>\$ 7,854,177</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds a June 30, 2023 were as follows:

	General Fund	School Lunch Fund	Special Aid Fund	Total Governmental Funds
Salaries and employee benefits	<u>\$ 636,278</u>	<u>\$ 26,761</u>	<u>\$ 19,631</u>	<u>\$ 682,670</u>

6. PENSION PLANS

The District participates in the New York State Teachers' Retirement System ("TRS") and the New York State and Local Employees' Retirement System ("ERS") (the "Systems"). These cost-sharing multiple-employer public employee retirement systems compute contribution retirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

Plan Descriptions and Benefits Provided

Teachers' Retirement System—TRS provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding TRS, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Annual Comprehensive Financial Report which can be found at the TRS website at www.nystrs.org.

Employees' Retirement System—ERS provides retirement benefits as well as death and disability benefits. The net position of ERS 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 ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3.0%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute three percent (3.0%) to three and one half percent (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 employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2023, the District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of June 30, 2022 for TRS and March 31, 2023 for ERS. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2021 and April 1, 2022, respectively, with update procedures used to rollforward the total pension liability to the measurement dates. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the 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.

	TRS	ERS
Measurement date	June 30, 2022	March 31, 2023
Net pension liability	\$ 4,409,826	\$ 9,794,073
District's portion of the Plan's total net pension liability	0.229811%	0.0456727%

For the year ended June 30, 2023, the District recognized pension expenses of \$5,446,914 and \$3,827,229 for TRS and ERS, respectively. At June 30, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Difference between expected and actual experiences	\$ 4,620,940	\$ 1,043,145	\$ 88,365	\$ 275,055
Changes of assumptions	8,554,317	4,756,634	1,776,403	52,570
Net difference between projected and actual earnings on pension plan investments	5,697,914	-	-	57,540
Changes in proportion and differences between the District's contributions and proportionate share of contributions	119,465	880,928	408,781	16,263
District contributions subsequent to the measurement date	4,843,932	508,281	-	-
Total	<u>\$ 23,836,568</u>	<u>\$ 7,188,988</u>	<u>\$ 2,273,549</u>	<u>\$ 401,428</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	TRS	ERS
2024	\$ 3,160,791	\$ 1,618,622
2025	1,614,821	(265,759)
2026	(779,681)	2,165,183
2027	11,198,411	2,761,233
2028	1,444,744	-
Thereafter	80,001	-

Actuarial Assumptions—The total pension liability as of the measurement dates were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liability to the respective measurement dates. The actuarial valuations used the actuarial assumptions below:

	TRS	ERS
Measurement date	June 30, 2022	March 31, 2023
Actuarial valuation date	June 30, 2021	April 1, 2022
Interest rate	6.95%	5.90%
Salary scale	1.95% - 5.18%	4.40%
Decrement tables	July 1, 2015 - June 30, 2020	April 1, 2015 - March 31, 2020
Inflation rates	2.40%	2.90%
Cost-of-living adjustments	1.30%	1.50%

For TRS, annuitant mortality rates are based on July 1, 2015 – June 30, 2020 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2020, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2021.

For TRS, the actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. For ERS, the actuarial assumptions used in the April 1, 2022 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as shown on the following page.

Measurement date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2022	March 31, 2023
Asset class:				
Domestic equities	33.0 %	32.0 %	6.5 %	4.3 %
International equities	16.0	15.0	7.2	6.9
Global equities	4.0	0.0	6.9	0.0
Private equity	8.0	10.0	9.9	7.5
Real estate	11.0	9.0	6.2	4.6
Opportunistic portfolio/Absolute return strategies	0.0	3.0	0.0	5.4
Credit	0.0	4.0	0.0	5.4
Domestic fixed income securities	16.0	0.0	1.1	0.0
Global bonds	2.0	0.0	0.6	0.0
High-yield bonds	1.0	0.0	3.3	0.0
Private debt	2.0	0.0	5.3	0.0
Real assets	0.0	3.0	0.0	5.8
Real estate debt	6.0	0.0	2.4	0.0
Fixed income	0.0	23.0	0.0	1.5
Cash	1.0	1.0	(0.3)	0.0
Total	100.0 %	100.0 %		

Discount Rate—The discount rate used to calculate the total pension liability was 6.95% for TRS and 5.90% for ERS. 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 Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart on the following page presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.95% for TRS and 5.90% for ERS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (5.95% for TRS and 4.90% for ERS) or one percentage-point higher (7.95% for TRS and 6.90% for ERS) than the current assumption.

TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's proportionate share of the net pension liability/(asset)	\$ 40,660,666	\$ 4,409,826	\$ (26,076,892)
ERS	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension liability/(asset)	\$ 23,668,074	\$ 9,794,073	\$ (1,799,269)

Pension Plan Fiduciary Net Position—The components of the current-year net pension asset of the employers as of the respective valuation dates, were as follows:

	(Dollar in Thousands)	
	TRS	ERS
Valuation date	June 30, 2021	April 1, 2022
Employers' total pension liability	\$ 133,883,474	\$ 232,627,259
Plan fiduciary net position	131,964,582	211,183,223
Employers' net pension liability	<u>\$ 1,918,892</u>	<u>\$ 21,444,036</u>
System fiduciary net position as a percentage of total pension liability	98.6%	90.8%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2023 are paid to the System in September, October and November 2023 through a state aid intercept. Accrued retirement contributions as of June 30, 2023 represent employee and employer contributions for the fiscal year ended June 30, 2023 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, 2023 amounted to \$4,843,932.

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, 2023 represent the projected employer contribution for the period of April 1, 2023 through June 30, 2023 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2023 amounted to \$508,281.

7. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") OBLIGATION

Plan Description—In addition to pension benefits, the District provides group health, vision, and dental insurance benefits to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. The estimated cost of such benefits totaled \$412,122 for the year ended June 30, 2023.

Employees Covered by Benefit Terms—At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	348
Active employees	<u>968</u>
Total	<u>1,316</u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or "earned"), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability ("AAL") under GASB Statement No. 45.

Total OPEB Liability

The District's total OPEB liability of \$7,951,334 was measured as of June 30, 2023, and was determined by an actuarial valuation as of May 12, 2023.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the May 12, 2023 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 2.83% to 3.78% effective June 30, 2023. The salary scale changed from 3.44% to 3.53% effective June 30, 2023. The mortality rates changed to MP-2021, fully generational tables, while the retirement rates remained unchanged using the Pub-2010 Public Retirement Plan. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 5.50%, while the ultimate healthcare cost trend rate is 4.00%.

The actuarial assumptions used in the May 12, 2023 valuation were based on the results of an actuarial experience study of plan participants for the period July 1, 2022 through March 30, 2023.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability
Balance at June 30, 2022:	<u>\$ 9,099,221</u>
Changes for the year:	
Service cost	302,517
Interest	254,406
Changes of assumptions	(302,250)
Differences between expected and actual experience	(990,438)
Benefit payments	<u>(412,122)</u>
Net changes	<u>(1,147,887)</u>
Balance at June 30, 2023	<u><u>\$ 7,951,334</u></u>

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the total OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the total OPEB liability:

	1% Decrease (2.78%)	Current Discount Rate (3.78%)	1% Increase (4.78%)
Total OPEB liability	\$ 8,520,368	\$ 7,951,334	\$ 7,419,003

Additionally, healthcare costs can be subject to considerable volatility over time. The table below presents the effect on the total OPEB liability of a 1% change in the initial (5.50%) and ultimate (4.00%) healthcare cost trend rates.

	1% Decrease (4.50% / 3.00%)	Healthcare Cost Trend Rates (5.50% / 4.00%)	1% Decrease (6.50% / 5.00%)
Total OPEB liability	\$ 7,247,346	\$ 7,951,334	\$ 8,755,717

Funding Policy—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various contracts, which were ratified by the District’s Board of Education. Upon retirement, the District generally pays a portion of the cost of the employee’s current coverage at the time of retirement until an employee reaches the age of 65. At 65, retirees are assumed to elect the Encompass 65 plan. The District recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. The District’s governmental activities contributed \$412,122 for the fiscal year ended June 30, 2023.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The District reports deferred outflows of resources due to differences during the measurement period between the employer’s contributions and its proportionate share of the total contributions from employers included in the collective total OPEB liability are required to be determined. The table below presents the District’s deferred outflows of resources at June 30, 2023.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 292,221	\$ 860,117
Changes of assumptions	-	453,727
Total	\$ 292,221	\$ 1,313,844

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

Year Ending June 30,		
2024	\$	(21,707)
2025		(191,643)
2026		(191,643)
2027		(174,397)
2028		(170,091)
Thereafter		(272,142)

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District purchases commercial insurance to cover such potential risks. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance

coverage in the past three fiscal years. At June 30, 2023, \$46,759 of the General Fund's fund balance was restricted for workers' compensation for purposes of funding the District's future claim liabilities. At June 30, 2023, management believes that there are no material outstanding liabilities for workers' compensation.

The various primary liability insurance policies of the District are limited to \$1 million per occurrence and \$3 million in the aggregate. The District carries an umbrella liability policy that adds coverage limits of \$15 million over the underlying primary policies. The District carries property insurance that is limited to 90 percent of the total replacement cost values as determined by a contracted appraisal company. The deductibles applicable to the District include \$2,500 for legal liability and \$5,000 for property coverage.

9. SHORT-TERM DEBT

Liabilities for bond anticipation notes ("BANs") are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. A summary of the District's short-term debt for the fiscal year ended June 30, 2023 follows:

Description	Interest Rate	Maturity Date	Balance 7/1/2022	Issues	Redemptions	Balance 6/30/2023
Capital Projects Fund:						
Various capital projects - 2022	4.00%	6/9/2023	\$ 28,720,000	\$ -	\$ 28,720,000	\$ -
Various capital projects - 2023	5.00%	6/7/2024	-	52,540,000	-	52,540,000
Total			<u>\$ 28,720,000</u>	<u>\$ 52,540,000</u>	<u>\$ 28,720,000</u>	<u>\$ 52,540,000</u>

10. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize 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.

The District's outstanding long-term liabilities include bonds payable, compensated absences, OPEB obligation and net pension liability. The bonds payable of the District are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the District's long-term liabilities for the year ended June 30, 2023 follows:

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Due Within One Year
Serial bonds	\$ 47,640,000	\$ -	\$ 4,465,000	\$ 43,175,000	\$ 4,685,000
Premium on serial bonds	5,329,684	-	559,130	4,770,554	559,130
Bonds payable, net	52,969,684	-	5,024,130	47,945,554	5,244,130
Compensated absences*	10,837,062	7,384	-	10,844,446	522,412
OPEB obligation	9,099,221	556,923	1,704,810	7,951,334	-
Net pension liability*	-	14,203,899	-	14,203,899	-
Total	<u>\$ 72,905,967</u>	<u>\$ 14,768,206</u>	<u>\$ 6,728,940</u>	<u>\$ 80,945,233</u>	<u>\$ 5,766,542</u>

(*Additions to compensated absences and net pension liability are shown net of reductions.)

Serial Bonds—The District issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with original maturities that range from 7 to 15 years.

Principal is paid annually, interest is paid semi-annually; these payments are recorded in the Debt Service Fund. A summary of additions and payments for the year ended June 30, 2023 is shown below:

Description	Original Issue	Interest Rate (%)	Year of Issue/ Maturity	Balance 7/1/2022	Increase	Decrease	Balance 6/30/2023
2013 refunding bonds	\$ 10,655,000	2.00-5.00	2013/2025	\$ 3,095,000	\$ -	\$ 990,000	\$ 2,105,000
2018 serial bonds	11,135,000	3.00-5.00	2018/2031	8,025,000	-	860,000	7,165,000
2020 serial bonds	37,690,000	1.75-5.00	2020/2035	33,955,000	-	1,990,000	31,965,000
2020 refunding bonds	3,725,000	5.00	2020/2027	2,565,000	-	625,000	1,940,000
Total				<u>\$ 47,640,000</u>	<u>\$ -</u>	<u>\$ 4,465,000</u>	<u>\$ 43,175,000</u>

Premiums on Serial Bonds—Premiums on bond issuances are being amortized on a straight-line basis over the life of their respective bonds. The unamortized premium as of June 30, 2023 was \$4,770,554.

Compensated Absences—The District records the value of compensated absences in the government-wide financial statements. The liability for compensated absences consists of unpaid accumulated annual sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and other employees expected to become eligible in the future to receive such payments are included. The annual budgets of the operating funds provide for these benefits as they become due. The liability for compensated absences at June 30, 2023 amounts to \$10,844,446, of which \$522,412 has been included within the current portion of long-term debt. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

OPEB Obligation—As explained in Note 7, the District provides health insurance coverage for certain retirees. The District’s annual postemployment benefit (“OPEB”) cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. The long-term OPEB obligation is estimated to be \$7,951,334 at June 30, 2023.

Net Pension Liability—The District reported a liability, totaling \$14,203,899 for its proportionate share of the net pension liability for the Teachers’ Retirement System and Employees’ Retirement System. Refer to Note 6 for additional information related to the District’s net pension liability.

The following is a maturity schedule of the District’s indebtedness:

Year Ending June 30,	Serial Bonds	Premium on Serial Bonds	Compensated Absences	OPEB Obligation	Net Pension Liability	Total
2024	\$ 4,685,000	\$ 559,130	\$ 522,412	\$ -	\$ -	\$ 5,766,542
2025	4,915,000	559,126	-	-	-	5,474,126
2026	3,620,000	503,129	-	-	-	4,123,129
2027	3,735,000	485,809	-	-	-	4,220,809
2028	3,620,000	407,390	-	-	-	4,027,390
2029-2033	16,440,000	1,657,135	-	-	-	18,097,135
Thereafter	6,160,000	598,835	10,322,034	7,951,334	14,203,899	39,236,102
Total	<u>\$ 43,175,000</u>	<u>\$ 4,770,554</u>	<u>\$ 10,844,446</u>	<u>\$ 7,951,334</u>	<u>\$ 14,203,899</u>	<u>\$ 80,945,233</u>

Interest requirements on serial bonds are as follows:

Year Ending June 30,	Interest
2024	\$ 1,572,456
2025	1,338,206
2026	1,103,206
2027	922,206
2028	745,956
2029-2033	1,739,374
Thereafter	193,176
Total	<u>\$ 7,614,580</u>

11. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- **Restricted Net Position**—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**—This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2023 includes:

- **Inventories**—Represents the portion of fund balance, \$74,450, composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grants, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balance maintained by the District at June 30, 2023 includes:

	General Fund	Debt Service Fund	Student Activities Fund	Total
Retirement contribution	\$ 7,626,423	\$ -	\$ -	\$ 7,626,423
Liability and casualty	807,553	-	-	807,553
Bus purchase	8,563,653	-	-	8,563,653
Tax certiorari	1,333,675	-	-	1,333,675
Unemployment	59,613	-	-	59,613
Workers' compensation	46,759	-	-	46,759
Property loss	165,942	-	-	165,942
Employee benefit accrued				
liabilities	10,844,448	-	-	10,844,448
Capital projects	15,456,138	-	-	15,456,138
Debt service	-	8,124,845	-	8,124,845
Student activities	-	-	371,917	371,917
Total	<u>\$ 44,904,204</u>	<u>\$ 8,124,845</u>	<u>\$ 371,917</u>	<u>\$ 53,400,966</u>

- **Retirement Contribution**—According to General Municipal Law Section 6-r, this restriction must be used to pay “retirement contributions,” which are defined as all or any portion of the amount payable to the ERS (\$5,392,149), pursuant to Sections 17 or 317 of the NYSSRL, and to the TRS (\$2,234,274), pursuant to the newly amended Section 6-r. The restriction may be established by Board resolution; there are no referendum requirements to create the funds or expend money from the funds. The Board may authorize the transfer of the moneys to a reserve fund established pursuant to Sections 6c-g of the GML or Section 3651 of Education Law. A portion of these amounts, \$2,649,821 has been appropriated within the 2023-2024 budget.

- ***Liability and Casualty***—According to Education Law Sections 1709[8-c] and 1950[4][cc], this restriction must be used to establish and maintain a program of reserves to cover property loss or liability claims. The creation of a property loss reserve requires resolution of the governing board; there are no referendum requirements to create the funds or expend money from the funds.
- ***Bus Purchase***—Similar to the restriction for capital projects, according to Education Law Section 3651, this restriction must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a bus capital reserve fund requires authorization by a majority of the voters establishing the purpose of the restriction, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the restriction 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 Section 3651 of the Education Law.
- ***Tax Certiorari***—According to Education Law Section 3651.1-a, this restriction 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 restriction 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 proceeds 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. A portion of this amount, \$148,500, has been appropriated within the 2023-2024 budget.
- ***Unemployment***—According to General Municipal Law Section 6-m, this restriction 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 restriction 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. A portion of this amount, \$50,000, has been appropriated within the 2023-2024 budget.
- ***Workers' Compensation***—According to General Municipal Law Section 6-j, this restriction 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 the 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. A portion of this amount, \$20,000, has been appropriated within the 2023-2024 budget.

- **Property Loss**—According to Education Law Sections 1709[8-c] and 1950[4][cc], this restriction must be used to establish and maintain a program of reserves to cover property loss or liability claims. The creation of a property loss reserve requires resolution of the governing board; there are no referendum requirements to create the funds or expend money from the funds.
- **Employee Benefit Accrued Liabilities**—According to General Municipal Law Section 6-p, this restriction must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. A portion of this amount, \$365,000, has been appropriated within the 2023-2024 budget.
- **Capital Projects**—According to Education Law Section 3651, this restriction 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. Expenditure may be made from the restriction 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 Section 3651 of the Education Law.
- **Debt Service**—According to General Municipal Law Section 6-l, 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 and unspent debt proceeds and premiums. A portion of this amount, \$1,120,203, has been appropriated within the 2023-2024 budget.
- **Student Activities**—Amounts generated by the Extraclassroom Activities of the District, which are restricted for use only within the Student Activities Fund for specified student activities.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority. As of June 30, 2023, the District reported no committed fund balance.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the District at June 30, 2023 and include:

	General Fund	School Lunch Fund	Total
Subsequent year's expenditures	\$ 3,120,453	\$ -	\$ 3,120,453
Encumbrances	563,543	-	563,543
Specific use	-	2,019,818	2,019,818
Total	<u>\$ 3,683,996</u>	<u>\$ 2,019,818</u>	<u>\$ 5,703,814</u>

- **Assigned to Subsequent Year's Expenditures**—Representing available fund balance being appropriated to meet expenditure requirements in the 2023-2024 fiscal year.

- **Assigned to Encumbrances**—Represents amounts related to unperformed (executory) contracts for goods and services.
- **Assigned to Specific Use**—Representing fund balance within the special revenue funds that is assigned for a specific purpose. The assignments' purpose relates to each fund's operations and represent remaining amounts within funds that are not restricted or committed.

If the District must use funds for emergency expenditures, the Board of Education shall authorize the Assistant Superintendent of Business and Support Services to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the District will use unassigned fund balance.

12. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2023 is as follows:

Fund	Interfund	
	Receivable	Payable
Governmental Funds:		
General Fund	\$ 16,101,904	\$ 16,953
Capital Projects Fund	-	10,186,148
Debt Service Fund	258,613	-
School Lunch Fund	16,953	104,397
Special Aid Fund	-	5,896,446
Total governmental funds	16,377,470	16,203,944
Fiduciary Funds:		
Custodial Fund	-	170,449
Private Purpose Trust Fund	-	3,077
Total fiduciary funds	-	173,526
Total	\$ 16,377,470	\$ 16,377,470

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The District made the following transfers during the year ended June 30, 2023:

Fund	Transfers in:				Total
	Capital Projects Fund	Debt Service Fund	School Lunch Fund	Special Aid Fund	
Transfers out:					
General Fund	\$ 112,272	\$ 7,387,668	\$ 16,953	\$ 347,213	\$ 7,864,106

Transfers are used primarily to finance various capital projects within the Capital Projects Fund and to move revenues from the fund responsible for paying debt to the Debt Service Fund as debt service principal and interest become due.

13. LABOR CONTRACTS

District employees are represented by four bargaining units, with the balance governed by Board of Education rules and regulations. Negotiated contracts are in place through June 30, 2026 for the Lancaster Association of Service Personnel, through August 31, 2026 for the Lancaster Association of Substitute Teachers and the Lancaster Central Teachers' Association, and through June 30, 2026 for the Lancaster Administrative and Supervisory Association.

14. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executor contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The District considers encumbrances to be significant for amounts that are encumbered in excess of \$20,000. As of June 30, 2023, the District reports the following significant encumbrances within the General Fund:

Description	Amount Encumbered
General Fund:	
Supplies and equipment	\$ 177,554
School and Municipal Energy Cooperative of WNY (SMEC)	60,000
NYSEG	56,125
Insurance	69,379
Resealing project	22,258

15. TAX ABATEMENTS

The District is subject to tax abatements granted by the Lancaster Industrial Development Agency ("LIDA") and the Erie County Industrial Development Agency ("ECIDA"). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the LIDA and ECIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the District, the abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by LIDA, , the District collected \$1,397,831 during the 2022-2023 fiscal year in payments in lieu of taxes ("PILOT"), these collections were made in lieu of \$2,088,049 in property taxes.

16. CONTINGENCIES

Litigation—Various legal actions are pending against the District. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the District.

Grants—In the normal course of business, the District receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Other—The District is involved in litigation in the ordinary course of its operations. The District believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the District's financial condition or results of operation.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 10, 2023, which is the date the financial statements are available for issuance and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the
Net Pension Liability/(Asset)—Teachers' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
District's proportion of the net pension liability (asset)	0.229811%	0.232089%	0.228845%	0.226926%	0.221800%	0.218696%	0.217105%	0.214238%	0.211853%	0.209024%
District's proportionate share of the net pension liability (asset)	\$ 4,409,826	\$ (40,218,773)	\$ 6,323,615	\$ (5,895,560)	\$ (4,010,732)	\$ (1,662,308)	\$ 2,325,287	\$ (22,252,450)	\$ (23,599,057)	\$ (1,375,908)
District's covered payroll	\$ 41,299,301	\$ 39,767,585	\$ 39,246,647	\$ 38,372,334	\$ 36,563,487	\$ 35,121,198	\$ 33,912,884	\$ 32,575,967	\$ 31,659,889	\$ 33,628,903
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	10.7%	(101.1%)	16.1%	(15.4%)	(11.0%)	(4.7%)	6.9%	(68.3%)	(74.5%)	(4.1%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.6%	113.2%	97.8%	102.2%	101.5%	100.7%	99.0%	110.5%	111.5%	100.7%

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Contributions—
Teachers' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 4,843,932	\$ 4,590,034	\$ 4,342,052	\$ 3,976,748	\$ 4,605,694	\$ 4,061,699	\$ 4,442,301	\$ 5,641,396	\$ 5,085,263	\$ 3,625,110
Contributions in relation to the contractually required contribution	(4,843,932)	(4,590,034)	(4,342,052)	(3,976,748)	(4,605,694)	(4,061,699)	(4,442,301)	(5,641,396)	(5,085,263)	(3,625,110)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distict's covered payroll	\$ 42,559,326	\$ 41,299,301	\$ 39,767,585	\$ 39,246,647	\$ 38,372,334	\$ 36,563,487	\$ 35,121,198	\$ 33,912,884	\$ 32,575,967	\$ 31,659,889
Contributions as a percentage of covered payroll	11.4%	11.1%	10.9%	10.1%	12.0%	11.1%	12.6%	16.6%	15.6%	11.5%

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the
Net Pension Liability/(Asset)—Employees' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
District's proportion of the net pension liability (asset)	0.0456727%	0.0415960%	0.0418805%	0.0412888%	0.0407517%	0.0418892%	0.0411212%	0.0425986%	0.0422804%	0.0422804%
District's proportionate share of the net pension liability (asset)	\$ 9,794,073	\$ (3,400,297)	\$ 41,702	\$ 10,933,506	\$ 2,887,380	\$ 1,351,949	\$ 3,863,840	\$ 6,837,196	\$ 1,428,334	\$ 1,910,590
District's covered payroll	\$ 17,332,215	\$ 15,780,706	\$ 14,323,256	\$ 14,642,377	\$ 13,893,915	\$ 13,419,895	\$ 12,877,352	\$ 12,526,686	\$ 12,305,646	\$ 11,898,434
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	56.5%	(21.5%)	0.3%	74.7%	20.8%	10.1%	30.0%	54.6%	11.6%	16.1%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.8%	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Contributions—
Employees' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 956,347	\$ 1,580,156	\$ 1,519,656	\$ 1,991,229	\$ 1,967,957	\$ 1,943,276	\$ 2,013,130	\$ 2,351,843	\$ 2,351,435	\$ 2,372,473
Contributions in relation to the contractually required contribution	(956,347)	(1,580,156)	(1,519,656)	(1,991,229)	(1,967,957)	(1,943,276)	(2,013,130)	(2,351,843)	(2,351,435)	(2,372,473)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distict's covered payroll	\$ 16,794,792	\$ 16,116,690	\$ 14,552,366	\$ 14,674,515	\$ 14,181,882	\$ 13,556,792	\$ 13,486,845	\$ 12,528,595	\$ 12,508,659	\$ 11,949,426
Contributions as a percentage of covered payroll	5.7%	9.8%	10.4%	13.6%	13.9%	14.3%	14.9%	18.8%	18.8%	19.9%

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Changes in the District's Total OPEB Liability and Related Ratios—
Last Seven Fiscal Years*

	Year Ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 302,517	\$ 297,622	\$ 283,378	\$ 246,213	\$ 187,802	\$ 171,974	\$ 179,632
Interest	254,406	187,419	197,048	251,898	240,820	241,411	214,852
Differences between expected and actual experience	(990,438)	1,068,311	(9,136)	(554,860)	1,088,172	295,517	(268,433)
Changes of benefit terms	-	-	-	-	(759,433)	-	-
Changes of assumptions	(302,250)	(412,839)	156,533	973,607	70,968	(156,676)	48,607
Benefit payments	(412,122)	(331,238)	(331,129)	(235,050)	(250,070)	(227,550)	(227,550)
Net changes in total OPEB liability	(1,147,887)	809,275	296,694	681,808	578,259	324,676	(52,892)
Total OPEB liability—beginning	9,099,221	8,289,946	7,993,252	7,311,444	6,733,185	6,408,509	6,461,401
Total OPEB liability—ending	<u>\$ 7,951,334</u>	<u>\$ 9,099,221</u>	<u>\$ 8,289,946</u>	<u>\$ 7,993,252</u>	<u>\$ 7,311,444</u>	<u>\$ 6,733,185</u>	<u>\$ 6,408,509</u>
Plan fiduciary net position							
Contributions—employer	\$ 412,122	\$ 331,238	\$ 331,129	\$ 235,050	\$ 250,070	\$ 227,550	\$ 227,550
Benefit payments	(412,122)	(331,238)	(331,129)	(235,050)	(250,070)	(227,550)	(227,550)
Net change in plan fiduciary net position	-	-	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability—ending	<u>\$ 7,951,334</u>	<u>\$ 9,099,221</u>	<u>\$ 8,289,946</u>	<u>\$ 7,993,252</u>	<u>\$ 7,311,444</u>	<u>\$ 6,733,185</u>	<u>\$ 6,408,509</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 54,643,287	\$ 53,349,065	\$ 51,739,952	\$ 51,441,942	\$ 49,837,185	\$ 48,240,427	\$ 48,240,427
District's net OPEB liability as a percentage of covered-employee payroll	14.6%	17.1%	16.0%	15.5%	14.7%	14.0%	13.3%

*Information prior to the year ended June 30, 2017 is not available.

The notes to the required supplementary information are an integral part of this schedule.

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LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local sources:				
Real property taxes	\$ 53,269,225	\$ 53,269,225	\$ 53,973,510	\$ 704,285
Real property tax items	7,643,155	7,643,155	6,746,717	(896,438)
Non-property tax items	6,400,000	6,400,000	8,823,884	2,423,884
Charges for services	632,700	632,700	498,388	(134,312)
Use of money and property	186,800	186,800	1,811,790	1,624,990
Sale of property and compensation for loss	21,700	21,700	70,901	49,201
Miscellaneous	430,000	430,000	848,483	418,483
State sources:				
Basic formula	33,758,242	33,758,242	32,045,576	(1,712,666)
Lottery	7,600,000	7,600,000	9,978,294	2,378,294
BOCES	2,995,272	2,995,272	3,326,007	330,735
Textbooks	346,063	346,063	257,980	(88,083)
Computer software	190,486	190,486	190,519	33
Library loan program	38,706	38,706	38,712	6
Other	-	-	17,000	17,000
Federal sources:				
Coronavirus Relief Fund	-	-	4,658	4,658
Emergency Connectivity	-	-	30,287	30,287
Emergency Disaster	-	-	50,971	50,971
Medicaid assistance	500,000	500,000	424,987	(75,013)
Total revenues	<u>114,012,349</u>	<u>114,012,349</u>	<u>119,138,664</u>	<u>5,126,315</u>
OTHER FINANCING SOURCES				
Appropriated reserves	<u>4,573,707</u>	<u>4,573,707</u>	<u>-</u>	<u>(4,573,707)</u>
Total other financing sources	<u>4,573,707</u>	<u>4,573,707</u>	<u>-</u>	<u>(4,573,707)</u>
Total revenues and other financing sources	<u>\$ 118,586,056</u>	<u>\$ 118,586,056</u>	<u>\$ 119,138,664</u>	<u>\$ 552,608</u>

(continued)

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual		(concluded) Variance with
	Original	Final	Amounts	Encumbrances	Final Budget
EXPENDITURES					
General support:					
Board of Education	\$ 53,391	\$ 50,593	\$ 23,861	\$ -	\$ 26,732
Central administration	340,488	340,935	326,608	-	14,327
Finance	883,783	887,951	782,630	316	105,005
Staff	835,667	910,536	783,208	29,502	97,826
Central services	10,240,749	10,404,629	8,864,204	201,860	1,338,565
Special items	1,493,181	2,069,570	1,836,973	615	231,982
Instruction:					
Instruction, administration and improvement	4,807,693	4,954,630	4,271,173	2,865	680,592
Teaching—regular school	33,495,388	33,412,981	30,687,473	27,915	2,697,593
Programs for pupils with handicapping conditions	14,283,773	14,867,962	13,802,420	22,777	1,042,765
Occupational education	1,587,600	1,587,600	1,587,600	-	-
Teaching—special schools	213,000	241,694	130,445	-	111,249
Instructional media	3,486,781	3,537,892	2,872,367	117,486	548,039
Pupil services	6,716,531	6,687,244	4,534,894	49,904	2,102,446
Pupil transportation	8,294,894	9,921,180	7,387,873	40,924	2,492,383
Community services	12,150	12,150	6,064	-	6,086
Employee benefits	27,858,651	25,773,651	22,026,199	69,379	3,678,073
Total expenditures/encumbrances	114,603,720	115,661,198	99,923,992	563,543	15,173,663
OTHER FINANCING USES					
Transfers out	8,323,025	8,134,884	7,864,106	-	270,778
Total expenditures/encumbrances and other financing uses	122,926,745	123,796,082	107,788,098	563,543	15,444,441
Net change in fund balance*	(4,340,689)	(5,210,026)	11,350,566		
Fund balance—beginning	50,862,338	50,862,338	50,862,338		
Fund balance—ending	\$ 46,521,649	\$ 45,652,312	\$ 62,212,904		

*The net change in fund balance was included as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The notes to the required supplementary information are an integral part of this schedule.

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LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Required Supplementary Information
Year Ended June 30, 2023

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The single discount rate changed from 2.83% to 3.78% effective June 30, 2023. The salary scale changed from 3.44% to 3.53% effective June 30, 2023. The mortality rates utilizing the MP-2021 fully generational tables and the retirement rates using the Pub-2010 Public Retirement Plan remained unchanged. Finally, the initial healthcare cost trend rate increased to 6.10%, while the ultimate rate increased from 5.50% to 4.00% at June 30, 2023.

2. BUDGETARY INFORMATION

Budgetary Basis of Accounting—An annual budget is adopted on a basis consistent with generally accepted accounting principles in the United States of America for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Debt Service, Special Aid, School Lunch and the Student Activities Funds. Appropriation limits, where applicable, for the Debt Service Fund and Special Aid Fund are maintained based on debt schedules, individual grants and donations or fundraising revenues accepted by the Board of Education. The periods of such grants may vary from the District's fiscal year. No budget is adopted for the Student Activities Fund as the extracurricular activities of the District are maintained by the individual clubs. A budget is maintained for the School Lunch Fund as a management tool for internal control purposes.

The appropriated budget is prepared by fund, function, and department. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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SUPPLEMENTARY INFORMATION

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Change from Adopted Budget to
Final Budget and the Real Property Tax Limit—General Fund
Year Ended June 30, 2023

Changes from Adopted Budget to Final Budget

Adopted budget, 2022-2023	\$ 122,268,735
Add: Prior year's encumbrances	<u>658,010</u>
Original budget, 2022-2023	122,926,745
Budget revisions:	
Voter approved purchase of buses	<u>869,337</u>
Final budget, 2022-2023	<u>\$ 123,796,082</u>

Section 1318 of Real Property Tax Law Limit Calculation

2023-2024 voter approved expenditure budget	<u>\$ 130,704,018</u>	
Maximum allowed (4% of 2023-24 budget)		<u>\$ 5,228,161</u>

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

Unrestricted fund balance:		
Assigned fund balance	\$ 3,683,996	
Unassigned fund balance	<u>13,624,704</u>	
Total unrestricted fund balance		\$ 17,308,700

Less:		
Appropriated fund balance	\$ 3,120,453	
Encumbrances included in assigned fund balance	<u>563,543</u>	
Total adjustments		<u>3,683,996</u>

General Fund fund balance subject to Section 1318 of Real Property Tax Law	<u>\$ 13,624,704</u>
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Actual percentage	10.42%
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* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", updated April 2011 (originally issued November 2010), the portion of General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance for subsequent year's budget, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Capital Project Expenditures
Year Ended June 30, 2023

Description	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance
			Prior Years	Current Year	Total	
Capital outlay - 2022-23	\$ 100,000	\$ 100,000	\$ -	\$ 12,509	\$ 12,509	\$ 87,491
Annex Capital Outlay	100,000	100,000	-	99,763	99,763	237
Smart Schools Bond Act	2,982,935	2,982,935	933,420	1,756,043	2,689,463	293,472
2020 capital improvement project	72,100,000	77,100,000	19,770,945	18,377,002	38,147,947	38,952,053
Total	<u>\$ 75,282,935</u>	<u>\$ 80,282,935</u>	<u>\$ 20,704,365</u>	<u>\$ 20,245,317</u>	<u>\$ 40,949,682</u>	<u>\$ 39,333,253</u>

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
Year Ended June 30, 2023

Capital assets, net of accumulated depreciation/amortization		\$	137,925,497
Add:			
Unspent debt proceeds	\$	34,341,213	
Deferred charge on refunding		<u>10,075</u>	34,351,288
Deduct:			
Serial bonds		(43,175,000)	
Premiums on serial bonds		(4,770,554)	
Bond anticipation notes payable		(52,540,000)	
Retainages payable		<u>(938,661)</u>	<u>(101,424,215)</u>
Net investment in capital assets		\$	<u>70,852,570</u>

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FEDERAL AWARDS INFORMATION

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title (1a)	Federal Assistance Listing Number (1b)	Pass-Through Entity's Identifying Number (1c)	Passed- Through to Subrecipients	Total Federal Expenditures (1d)
U.S. DEPARTMENT OF AGRICULTURE:				
Passed through New York State Department of Agriculture:				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	N/A	\$ -	\$ 189,272
National School Lunch Program	10.555	N/A	-	1,114,029
Summer Food Service Program for Children	10.559	N/A	-	211,105
<i>Total Child Nutrition Cluster</i>			-	1,514,406
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	1,514,406
U.S. FEDERAL COMMUNICATIONS COMMISSION:				
Emergency Connectivity Fund Program	32.009	N/A	-	30,287
TOTAL U.S. FEDERAL COMMUNICATIONS COMMISSION			-	30,287
U.S. DEPARTMENT OF EDUCATION:				
Passed through New York State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	021-20-0825	-	332,994
Title I Grants to Local Educational Agencies	84.010	204-20-0825	-	31,697
Total Title I Grants to Local Educational Agencies			-	364,691
<i>Special Education Cluster:</i>				
Special Education - Grants to States	84.027	032-20-0235	-	1,429,176
Special Education - Grants to States (ARP)	84.027X	5532-22-0235	-	208,533
Special Education - Preschool Grants	84.173	033-20-0235	-	84,884
<i>Total Special Education Cluster</i>			-	1,722,593
Supporting Effective Instruction State Grants	84.367	147-20-0825	-	117,092
Education Stabilization Fund:				
Governor's Emergency Education Relief Fund	84.425C	5885-21-2885	-	389,746
Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-2885	-	2,775,042
American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	5880-21-2885	-	1,924,288
Total Education Stabilization Fund			-	5,089,076
TOTAL U.S. DEPARTMENT OF EDUCATION			-	7,293,452
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Passed through New York State Department of Homeland Security and Emergency Services:				
Disaster Grants - Public Assistance	97.036	N/A	-	50,971
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			-	50,971
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			\$ -	\$ 8,889,116

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Lancaster Central School District, New York (the "District") under programs of federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District. The following notes were identified on the Schedule:

- (a) Includes all federal award programs of the Lancaster Central School District, New York.
- (b) Source: Federal Assistance Listing Numbers, previously known as Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (e) Total federal expenditures for the District's 2022-2023 fiscal year are reconciled to Federal sources as reported in the basic financial statements as follows:

Balance per schedule of expenditures of federal awards	\$ 8,889,116
Medicaid reimbursement	424,987
Total Federal sources per financial statements	<u>\$ 9,314,103</u>

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. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

3. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2023, the District used \$115,025 worth of commodities.

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

The Board of Education
Lancaster Central School District, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lancaster Central School District, New York (the "District") as of and for the year ended June 30, 2023, 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 10, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed a significant deficiency in compliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2023-001.

District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Deucher & Malecki LLP

October 10, 2023

DRESCHER & MALECKI LLP

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Board of Education
Lancaster Central School District, New York:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lancaster Central School District, New York's (the "District") compliance with the types of compliance requirements identified as subject to audit 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, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("Government Auditing Standards"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Dresser & Malecki LLP

October 10, 2023

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

Noncompliance material to the financial statements noted? _____ Yes ✓ No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

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

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

Identification of major federal programs:

Name of Federal Program or Cluster

Federal Assistance Listing Number

Child Nutrition Cluster

10.553/10.555/10.559

Education Stabilization Fund

84.425C/84.425D/84.425U

Dollar threshold used to distinguish between Type A and Type B programs? \$ 750,000

Auditee qualified as low-risk auditee? ✓ Yes _____ No

Section II. FINANCIAL STATEMENT FINDINGS

We consider the following deficiency to be a significant deficiency in compliance.

Finding 2023-001—Unrestricted Fund Balance Calculation

Criteria: New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4 percent of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4 percent limitation. Under GASB Statement No. 54 fund balance classifications, the 4 percent limitation is interpreted to be applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

Condition and Context: At June 30, 2023, available fund balance in the District's General Fund exceeded 4 percent of the subsequent year's budgeted appropriations.

Cause: The District's unrestricted General Fund fund balance minus appropriated fund balance and amounts assigned for encumbrances is in excess of the 4 percent limitation.

Effect or Potential Effect: The District is not in compliance with New York State Real Property Tax Law §1318.

Recommendation: We suggest that the District consider the establishment of certain restricted fund balance or increasing current restrictions which would set aside these "one-time" revenues in a reserve to be utilized for future needs of the District. We recommend that the District consult with its legal advisor to ascertain its reserve options, including creating further reserves.

Management's Response: Management acknowledges that the District has available fund balance in excess of the 4 percent allowed. After consultation with our partners in business, the district will complete a cash defeasance of two of the district's outstanding bonds. The defeasance of the 2013 and 2018 bonds will return the district's unappropriated fund balance to within the 4% limit after the payment is made. This action meets the NYS OSC recommendation of using excess funds by paying one-time expenditures and paying off debt.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

LANCASTER CENTRAL SCHOOL DISTRICT, NEW YORK
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2023
(Follow-up on June 30, 2022 Findings)

No findings noted.

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