

MARCELLUS CENTRAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

June 30, 2021

MARCELLUS CENTRAL SCHOOL DISTRICT

Single Audit Reporting Package
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CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Education
Marcellus Central School District
North Syracuse, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marcellus Central School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the aggregate nonmajor governmental funds of Marcellus Central School District, as of and for the year ended June 30, 2021, as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information, of Marcellus Central School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis, schedule of changes in the district's total OPEB liability and related ratios, schedule of revenues, expenditures and changes in fund balance-budget (Non-GAAP Basis) and actual- general fund, schedule of district contributions and schedule of district's proportionate share of the net pension asset (liability)* on pages 4-12 and 50-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marcellus Central School District's basic financial statements. The *schedule of change from adopted to final budget and the real property tax limit, the schedule of project expenditures – capital projects* and net investment in capital assets on pages 54-56 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of change from adopted budget to final budget and the real property tax limit, schedule of project expenditures – capital projects fund and net investment in capital assets* are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of change from adopted budget to final budget and the real property tax limit, schedule of project expenditures – capital projects fund and net*

investment in capital assets 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 on October 18, 2021 our consideration of Marcellus Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hassan St Amour CPA". The signature is written in a cursive style with a large initial 'H'.

Syracuse, New York

October 18, 2021

MARCELLUS CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Our discussion and analysis of the Marcellus Central School District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the Independent Auditors' Report on Page 1 and the District's financial statements, which immediately follows this section.

Financial Highlights

- General fund actual expenditures were \$3 million or 8.4% below budget. The greatest contributors to lower-than-anticipated expenditures were salaries (\$1.46 million or 8.1% below budget), employee benefits (\$0.55 million or 6.2% below budget) and contractual costs (\$0.42 million or 22% below budget). Extraordinary circumstances surrounding COVID resulted in reduced costs for instructional substitutes, athletic programs, BOCES programs and student transportation services. The District does not anticipate that significant variances in budgeted versus actual expenditures will continue after the 2021-2022 school year. This variance was offset by a negative variance in budgeted versus actual revenues of \$0.91 million or 2.3%. Note that budgeted revenues include use of \$1.5 million of appropriated fund balance.
- The District completed HVAC and window renovations at the Driver Middle School and a turf/track/lighting replacement at the Senior High School. The District will seek approval of a \$17.5 million project in December 2021 for roofing replacement at its three instructional buildings, and replacement of paving/redesign of parking areas at the Senior High School. Approximately \$10 million is funded using debt/state building aid replacement, \$5.8 million will be funded using state building aid and the remaining \$1.7 million will be funded with capital reserve funds.
- Fund balance levels increased approximately \$2.3 million due to the variance of budgeted versus actual expenditures in 2020-2021. As noted above, the District does not anticipate that significant variances in budgeted versus actual expenditures will continue after the 2021-2022 school year.
- The American Rescue Plan and Coronavirus Response and Relief Supplemental Appropriations Act will provide the district with \$3.2 million for academic learning loss initiatives, social/emotional support services, as well as funding for post-COVID continuity of instruction. The District anticipates using \$2.8 million to provide continuity of instruction for special education and academic intervention services. The remaining \$0.4 million will be used to fund social/emotional support services, as well as after school and summer school programs.

MARCELLUS CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Overview of the Financial Statements

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

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual funds* of the District, reporting the District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the District's most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

MARCELLUS CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Figure A-1 Major Features of the District-Wide and Fund Financial Statements		
		Fund Financial Statements
	District-Wide	Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities • Reconciliation of governmental funds revenues, expenditures and changes in fund balances to the Statement of activities • Reconciliation of governmental funds balance sheet to the Statement of net position. 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

MARCELLUS CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

District-Wide Statements

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

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets, deferred outflow of resources, liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are shown as *governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements

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

- Some funds are required by New York State law and by bond covenants. Generally, the District is required by New York State General Municipal Law (para. 36) to follow the system of accounts formulated and prescribed by the New York State Comptroller.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has the following funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information in the notes to the financial statements explains the relationship (or differences) between them.

MARCELLUS CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities. (Rounded to the nearest thousand)

Table 1:

	Governmental Activities and Total School District		Total Percentage Change
	2021	2020	2020 - 2021
Current and Other Assets	\$ 13,007,000	\$ 5,951,000	118.57%
Capital Assets	55,513,000	53,001,000	4.74%
Net pension asset	-	2,132,000	-100.00%
Total Assets	<u>68,520,000</u>	<u>61,084,000</u>	12.17%
Deferred Outflow of Resources	<u>22,080,000</u>	<u>11,290,000</u>	95.57%
Total Assets and deferred outflow of resources	<u>\$ 90,600,000</u>	<u>\$ 72,374,000</u>	
Long-Term Debt-Due in One Year	\$ 4,801,000	\$ 4,902,000	-2.06%
Long-Term Debt-Due in More than One Year	84,831,000	65,195,000	30.12%
Net pension liability	2,230,000	3,320,000	-32.83%
Other Liabilities	<u>3,533,000</u>	<u>3,748,000</u>	-5.74%
Total Liabilities	<u>95,395,000</u>	<u>77,165,000</u>	23.62%
Deferred Inflow of Resources	<u>12,777,000</u>	<u>13,655,000</u>	-6.43%
Net Position:			
Invested in Capital Assets	55,513,000	53,001,000	4.74%
Related Debt	(34,887,000)	(28,161,000)	23.88%
Restricted	8,047,000	3,087,000	160.67%
Unrestricted Net Deficit	<u>(46,245,000)</u>	<u>(46,373,000)</u>	-0.28%
Total Net Position, as restated	<u>(17,572,000)</u>	<u>(18,446,000)</u>	-4.74%
Total Liabilities and Net Position	<u>\$ 90,600,000</u>	<u>\$ 72,374,000</u>	

The District's combined net position increased by \$874,000 from a year ago- increasing from \$(18,446,000) to \$(17,572,000) as a result of fluctuations in assumptions relating to pension and other postemployment benefit liabilities and new financing obligations to fund capital projects.

MARCELLUS CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (continued)

Table 2:

	Governmental Activities and Total School District		Total Percentage Change
	2021	2020	2020 - 2021
REVENUES			
Program Revenues:			
Charges for Services	\$ 77,000	\$ 311,000	-75.24%
Operating Grants and Contributions	1,111,000	712,000	56.04%
General Revenue:			
Property Taxes and Other Tax Items	20,257,000	19,875,000	1.92%
State Sources	15,607,000	15,997,000	-2.44%
Federal Sources	262,000	58,000	351.72%
Other General Revenues	738,000	370,000	99.46%
Total Revenues	<u>38,052,000</u>	<u>37,323,000</u>	1.95%
PROGRAM EXPENSES			
General Support	4,701,000	5,091,000	-7.66%
Instruction	29,070,000	26,376,000	10.21%
Transportation	2,066,000	2,299,000	-10.13%
Debt Service	830,000	1,273,000	-34.80%
School Lunch Program	511,000	527,000	-3.04%
Total Program Expenses	<u>37,178,000</u>	<u>35,566,000</u>	
Total Expenses	<u>37,178,000</u>	<u>35,566,000</u>	4.53%
Increase in Net Position	<u>\$ 874,000</u>	<u>\$ 1,757,000</u>	-50.26%

In Table 2, the District's total revenues increased by \$730,000, and the total cost of all programs and services increased by \$1,613,000. Some of the variances causing these fluctuations are described below.

Instruction expenses increased \$2,694,000 due to an increase in TRS net pension expenses and fluctuation of assumptions used to calculate other benefit costs. There were reductions in general support, debt service and transportation expenses in the current year due to cost saving measures employed by the District.

MARCELLUS CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (continued)

Table 3 presents the cost of each of the District's largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. (Rounded to the nearest thousand)

Table 3
Governmental Activities

	<u>Total cost of services</u>		<u>Net cost (revenue) of services</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General Support	\$ 4,701,000	\$ 5,091,000	\$ 4,701,000	\$ 5,091,000
Instruction	29,070,000	26,376,000	28,421,000	25,771,000
Pupil Transportation	2,066,000	2,299,000	2,066,000	2,299,000
Debt Service - Interest	830,000	1,273,000	830,000	1,273,000
School Lunch Program	511,000	527,000	(27,000)	110,000
Total	<u>\$ 37,178,000</u>	<u>\$ 35,566,000</u>	<u>\$ 35,991,000</u>	<u>\$ 34,544,000</u>

Financial Analysis of the School District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with both the New York State Comptroller and generally accepted accounting principles for governmental entities.

Governmental Funds

The purpose of the District's governmental funds is to account for and provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between assigned or unassigned balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities and postemployment obligations that are not recognized in the governmental funds. Fund balances for capital projects are restricted by State law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

MARCELLUS CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Financial Analysis of the School District's Funds (continued)

General Fund Budgetary Highlights

The budgetary comparison information on page 51 presents both adopted and final modified budget totals compared with actual results for the General Fund for the year ended June 30, 2021. The significant variances between the adopted and the final budget for 2021 were as follows:

Voter Approved Budget	\$ 37,844,964
Board Approved Budget Adjustments	21,700
2020 Additional Appropriations:	
Encumbrances Carryover	116,690
Final Budget	\$ 37,983,354

Capital Assets and Debt Administration

Capital Assets

At June 30, 2021, the District had approximately \$55.5 million invested in a broad range of capital assets including buildings, transportation equipment, computer equipment, and furniture and fixtures. Table 4 categorically illustrates the District's capital assets, net of depreciation.

Table 4:	Governmental Activities and Total School District		Total Percentage Change
	2021	2020	2020 - 2021
Land	\$ 246,542	\$ 246,542	0.00%
Work in Progress	8,365,596	3,687,002	126.89%
Buildings and Improvements	44,822,216	46,676,799	-3.97%
Machinery and Equipment	2,078,296	2,390,185	-13.05%
Total	\$ 55,512,650	\$ 53,000,528	4.74%

**MARCELLUS CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Long-Term Obligations

At June 30, 2021, the District had approximately \$91.8 million in long-term obligations. Table 5 provides a summary of these obligations. The notes to the basic financial statements provide additional details regarding these obligations.

Table 5:	Total School District		Total Percentage Change
	2021	2020	2020 - 2021
General Obligation Bonds (Financed with Property Taxes)	\$ 33,977,425	\$ 26,956,100	26.05%
Other Postemployment Benefits	55,276,482	41,542,432	33.06%
Pension Liability	2,229,802	3,319,781	-32.83%
Compensated Absences	377,810	393,726	-4.04%
Total Long-term Liabilities	<u>\$ 91,861,519</u>	<u>\$ 72,212,039</u>	27.21%

Factors bearing on the District's Future

- At June 30, 2021, New York State limits the amount of general obligation debt that school districts can issue to 10% of the assessed value of all taxable property within the District's geographic limits.
- Legislative mandates and state education department initiatives, which are not accompanied by financial support, continue to be a concern to the District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about the report or additional financial information needs should be directed to:

Marcellus Central School District
2 Reed Parkway
Marcellus, New York 13108
(315) 673-6001

MARCELLUS CENTRAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2021

ASSETS

Cash		
Unrestricted	\$	3,313,928
Restricted		8,046,531
Receivables		
State and federal aid		1,433,868
Other		189,213
Inventories		23,695
Capital assets, net		55,512,650
		<u>68,519,885</u>
Total assets		<u>68,519,885</u>

DEFERRED OUTFLOW OF RESOURCES

Other postemployment benefits		12,009,972
Pensions		10,070,112
		<u>22,080,084</u>
Total deferred outflow of resources		<u>22,080,084</u>
		<u>\$ 90,599,969</u>

LIABILITIES

Accounts payable	\$	481,983
Accrued liabilities		613,743
Due to teachers' retirement system		1,382,212
Due to employees' retirement system		145,961
Notes payable		
Bond anticipation		908,785
Long-term liabilities		
Due and payable within one year		
Bonds payable		2,599,931
Other postemployment benefits payable		2,200,657
Due and payable after one year		
Bonds payable		31,377,494
Other postemployment benefits payable		53,075,825
Compensated absences payable		377,810
Net pension liability- proportionate share		2,229,802
		<u>95,394,203</u>
Total liabilities		<u>95,394,203</u>

DEFERRED INFLOW OF RESOURCES

Other postemployment benefits		8,022,383
Pensions		4,754,437
		<u>12,776,820</u>
Total deferred inflows of resources		<u>12,776,820</u>

NET POSITION

Net investment in capital assets		20,626,440
Restricted		8,046,531
Unrestricted (deficit)		(46,244,025)
		<u>(17,571,054)</u>
Total net position		<u>(17,571,054)</u>
		<u>\$ 90,599,969</u>
Total liabilities, deferred inflows of resources and net position		<u>\$ 90,599,969</u>

See notes to basic financial statements

MARCELLUS CENTRAL SCHOOL DISTRICT
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2021

	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ (3,445,521)	\$ (1,255,581)	\$ -	\$ -	\$ (4,701,102)
Instruction	(22,373,359)	(6,696,433)	50,746	597,925	(28,421,121)
Pupil transportation	(1,647,707)	(418,527)	-	-	(2,066,234)
Employee benefits	(8,370,541)	8,370,541	-	-	-
Debt service - interest	(829,632)	-	-	-	(829,632)
School lunch program	(511,223)	-	26,047	512,597	27,421
	<u>\$ (37,177,983)</u>	<u>\$ -</u>	<u>\$ 76,793</u>	<u>\$ 1,110,522</u>	<u>(35,990,668)</u>
GENERAL REVENUES					
Real property taxes					17,778,884
Other real property tax items					2,478,049
Nonproperty taxes					58,942
Use of money and property					51,071
Sale of property and compensation for loss					(117,998)
State sources					15,606,581
Medicaid reimbursement					262,309
Miscellaneous					746,961
					<u>36,864,799</u>
Total general revenues					<u>36,864,799</u>
Change in net position					874,131
Total net position (deficit)- beginning of year, as restated					<u>(18,445,185)</u>
Total net position (deficit) - end of year					<u>\$ (17,571,054)</u>

See notes to basic financial statements

MARCELLUS CENTRAL SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2021

	Major Funds				Non-Major Funds			Total Governmental Funds
	General	Special Aid	School Food Service Fund	Capital Projects Fund	Debt Service Fund	Student Deposits	Scholarships Fund	
ASSETS								
Cash								
Unrestricted	\$ 3,042,728	\$ -	\$ 107,167	\$ -	\$ -	\$ 164,033	\$ -	\$ 3,313,928
Restricted	4,691,160	54,179	-	3,128,511	-	-	172,681	8,046,531
Receivables								
State and federal aid	1,053,493	258,544	121,831	-	-	-	-	1,433,868
Due from other funds	1,340,712	262,625	299,740	22,495	111,246	-	4,824	2,041,642
Other	187,518	-	1,695	-	-	-	-	189,213
Inventories	-	-	23,695	-	-	-	-	23,695
Total assets	<u>\$ 10,315,611</u>	<u>\$ 575,348</u>	<u>\$ 554,128</u>	<u>\$ 3,151,006</u>	<u>\$ 111,246</u>	<u>\$ 164,033</u>	<u>\$ 177,505</u>	<u>\$ 15,048,877</u>
LIABILITIES								
Accounts payable	\$ 63,271	\$ 1,241	\$ -	\$ 417,471	\$ -	\$ -	\$ -	\$ 481,983
Accrued liabilities and deferred revenue	337,504	911	20,954	-	-	29,701	75,204	464,274
Due to other funds	589,684	573,196	763,967	111,256	-	-	3,539	2,041,642
Bond anticipation note payable	-	-	-	908,785	-	-	-	908,785
Due to teachers' retirement system	1,382,212	-	-	-	-	-	-	1,382,212
Due to employees' retirement system	145,961	-	-	-	-	-	-	145,961
Total liabilities	<u>2,518,632</u>	<u>575,348</u>	<u>784,921</u>	<u>1,437,512</u>	<u>-</u>	<u>29,701</u>	<u>78,743</u>	<u>5,424,857</u>
FUND BALANCES								
Nonspendable:								
Reserved for inventory	-	-	23,695	-	-	-	-	23,695
Restricted for:								
Reserved for unemployment insurance	28,386	-	-	-	-	-	-	28,386
Reserved for retirement	2,726,745	-	-	-	-	-	-	2,726,745
Reserved for capital expenditures	1,700,000	-	-	-	-	-	-	1,700,000
Reserved for employee benefits	236,029	-	-	-	-	-	-	236,029
Reserved for scholarships	-	-	-	-	-	-	98,762	98,762
Committed to:								
Committed fund balance	-	-	-	-	-	134,332	-	134,332
Assigned to:								
Assigned appropriated fund balance	1,506,282	-	-	1,713,494	-	-	-	3,219,776
Assigned unappropriated fund balance	134,757	-	(254,488)	-	-	-	-	(119,731)
Unassigned:								
Unassigned fund balance	1,464,780	-	-	-	111,246	-	-	1,576,026
Total fund balances	<u>7,796,979</u>	<u>-</u>	<u>(230,793)</u>	<u>1,713,494</u>	<u>111,246</u>	<u>134,332</u>	<u>98,762</u>	<u>9,624,020</u>
Total liabilities and fund balances	<u>\$ 10,315,611</u>	<u>\$ 575,348</u>	<u>\$ 554,128</u>	<u>\$ 3,151,006</u>	<u>\$ 111,246</u>	<u>\$ 164,033</u>	<u>\$ 177,505</u>	<u>\$ 15,048,877</u>

See notes to basic financial statements

MARCELLUS CENTRAL SCHOOL DISTRICT

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

June 30, 2021

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash				
Unrestricted	\$ 3,313,928	\$ -	\$ -	\$ 3,313,928
Restricted for reserves	8,046,531	-	-	8,046,531
Receivables				
State and federal aid	1,433,868	-	-	1,433,868
Due from other funds	2,041,642	-	(2,041,642)	-
PILOT, transportation and other	189,213	-	-	189,213
Inventories	23,695	-	-	23,695
Capital assets, net	-	55,512,650	-	55,512,650
Total assets	<u>15,048,877</u>	<u>55,512,650</u>	<u>(2,041,642)</u>	<u>68,519,885</u>
DEFERRED OUTFLOW OF RESOURCES				
Other postemployment benefits	-	12,009,972	-	12,009,972
Pensions	-	10,070,112	-	10,070,112
Total Deferred Outflows of Resources	<u>-</u>	<u>22,080,084</u>	<u>-</u>	<u>22,080,084</u>
	<u>\$ 15,048,877</u>	<u>\$ 77,592,734</u>	<u>\$ (2,041,642)</u>	<u>\$ 90,599,969</u>
LIABILITIES				
Payables				
Accounts payable	\$ 481,983	\$ -	\$ -	\$ 481,983
Accrued liabilities	464,274	149,469	-	613,743
Due to other funds	2,041,642	-	(2,041,642)	-
Due to employees' retirement system	145,961	-	-	145,961
Due to teachers' retirement system	1,382,212	-	-	1,382,212
Bond anticipation note payable	908,785	-	-	908,785
Long-term debt-due within one year				
Bonds payable	-	2,599,931	-	2,599,931
Other postemployment benefits payable	-	2,200,657	-	2,200,657
Long-term debt-due in more than one year				
Bonds payable	-	31,377,494	-	31,377,494
Other postemployment benefits payable	-	53,075,825	-	53,075,825
Compensated absences	-	377,810	-	377,810
Net pension liability- proportionate share	-	2,229,802	-	2,229,802
Total liabilities	<u>5,424,857</u>	<u>92,010,988</u>	<u>(2,041,642)</u>	<u>95,394,203</u>
DEFERRED INFLOWS OF RESOURCES				
Other postemployment benefits	-	8,022,383	-	8,022,383
Pensions	-	4,754,437	-	4,754,437
Total Deferred Inflows of Resources	<u>-</u>	<u>12,776,820</u>	<u>-</u>	<u>12,776,820</u>
FUND BALANCE/NET POSITION				
Total fund balance/net position	<u>9,624,020</u>	<u>(27,195,074)</u>	<u>-</u>	<u>(17,571,054)</u>
	<u>\$ 15,048,877</u>	<u>\$ 77,592,734</u>	<u>\$ (2,041,642)</u>	<u>\$ 90,599,969</u>

See notes to basic financial statements

MARCELLUS CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2021

	Major Funds				Non-Major Funds			Governmental Funds
	General	Special Aid	School Food Service Fund	Capital Projects Fund	Debt Service Fund	Student Deposits	Scholarships Fund	
REVENUES								
Real property taxes	\$ 17,778,884	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,778,884
Other real property tax items	2,478,049	-	-	-	-	-	-	2,478,049
Nonproperty taxes	58,942	-	-	-	-	-	-	58,942
Charges for services	50,746	-	-	-	-	-	-	50,746
Use of money and property	51,071	-	-	-	-	-	-	51,071
Sale of property and compensation for loss	232,254	-	-	-	-	-	-	232,254
State sources	15,568,107	38,474	17,426	-	-	-	-	15,624,007
Sales	-	-	21,582	-	-	-	-	21,582
Miscellaneous	459,509	-	4,465	-	111,246	131,232	44,974	751,426
Federal sources	262,309	597,925	495,171	-	-	-	-	1,355,405
Total revenues	36,939,871	636,399	538,644	-	111,246	131,232	44,974	38,402,366
EXPENDITURES								
General support	3,048,387	-	-	-	-	115,445	47,140	3,210,972
Instruction	17,167,676	597,925	-	-	-	-	-	17,765,601
Pupil transportation	1,281,257	53,717	-	-	-	-	-	1,334,974
School food program	-	-	205,624	-	-	-	-	205,624
Employee benefits	8,370,541	-	305,599	-	-	-	-	8,676,140
Debt service								
Principal	3,151,970	-	-	-	-	-	-	3,151,970
Interest	1,251,568	-	-	-	-	-	-	1,251,568
Capital outlay	125,898	-	-	4,784,475	-	-	-	4,910,373
Total expenditures	34,397,297	651,642	511,223	4,784,475	-	115,445	47,140	40,507,222
Excess (deficiency) of revenues over expenditures	2,542,574	(15,243)	27,421	(4,784,475)	111,246	15,787	(2,166)	(2,104,856)
OTHER FINANCING SOURCES AND USES								
Proceeds from debt	-	-	-	10,173,295	-	-	-	10,173,295
BANs redeemed from appropriations	-	-	-	409,340	-	-	-	409,340
Interfund transfers	(273,243)	15,243	-	258,000	-	-	-	-
Total other sources (uses)	(273,243)	15,243	-	10,840,635	-	-	-	10,582,635
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	2,269,331	-	27,421	6,056,160	111,246	15,787	(2,166)	8,477,779
Fund balance - beginning of year, as restated	5,527,648	-	(258,214)	(4,342,666)	-	118,545	100,928	1,146,241
Fund balance (deficit) - end of year	\$ 7,796,979	\$ -	\$ (230,793)	\$ 1,713,494	\$ 111,246	\$ 134,332	\$ 98,762	\$ 9,624,020

See notes to basic financial statements

MARCELLUS CENTRAL SCHOOL DISTRICT

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

For the Year Ended June 30, 2021

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 17,778,884	\$ -	\$ -	\$ -	\$ 17,778,884
Other real property tax items	2,478,049	-	-	-	2,478,049
Nonproperty taxes	58,942	-	-	-	58,942
Charges for services	50,746	-	-	-	50,746
Use of money and property	51,071	-	-	-	51,071
Sale of property and compensation for loss	232,254	-	(350,252)	-	(117,998)
State sources	15,624,007	-	-	-	15,624,007
Federal sources	1,355,405	-	-	-	1,355,405
Sales - school food programs	21,582	-	-	-	21,582
Miscellaneous	751,426	-	-	-	751,426
Total revenues	38,402,366	-	(350,252)	-	38,052,114
EXPENDITURES/EXPENSES					
General support	3,210,972	(206,931)	248,361	193,119	3,445,521
Instruction	17,765,601	2,026,514	1,551,278	1,029,966	22,373,359
Pupil transportation	1,334,974	-	248,360	64,373	1,647,707
School food programs	205,624	-	-	-	205,624
Employee benefits	8,676,140	-	-	-	8,676,140
Debt service	4,403,538	-	-	(3,573,906)	829,632
Capital outlay	4,910,373	-	(4,910,373)	-	-
Total expenditures/expenses	40,507,222	1,819,583	(2,862,374)	(2,286,448)	37,177,983
Excess (deficiency) of revenues over expenditures/expenses	(2,104,856)	(1,819,583)	2,512,122	2,286,448	874,131
OTHER SOURCES AND USES					
Proceeds from debt	10,173,295	-	-	(10,173,295)	-
BANs redeemed from appropriations	409,340	-	-	(409,340)	-
Total other sources (uses)	10,582,635	-	-	(10,582,635)	-
Net change for the year	\$ 8,477,779	\$ (1,819,583)	\$ 2,512,122	\$ (8,296,187)	\$ 874,131

See notes to basic financial statements

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 – Summary of Certain Significant Accounting Policies

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

A) Reporting entity:

The Marcellus Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 5 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

i) Student Deposit Fund

The Student Deposits Fund of the District represent funds of the students of the District including extraclassroom activity funds. 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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office. The District accounts for assets held as an agent for various student organizations in a separate governmental fund with various other student deposits.

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

B) Joint venture:

The District is a component district in Onondaga-Cortland-Madison BOCES (OCMBOCES). A Board of Cooperative Education Services (BOCES) is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component. There are 23 participating school districts, including Marcellus, in OCMBOCES. The participation in OCMBOCES is accounted for as a joint venture by the District since it has both an ongoing financial interest and an ongoing financial responsibility to OCMBOCES. The District has an ongoing financial interest since OCMBOCES pays surpluses to the component districts on an annual basis, although the District has no equity interest in OCMBOCES. The District does not control the financial or operating policies of OCMBOCES; however, it has an ongoing financial responsibility since the continued existence of OCMBOCES depends on continued funding from the participating school districts.

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

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

During the year, the District was billed \$2,834,799 for OCMBOCES administrative and program costs. The District's share of OCMBOCES aid amounted to \$1,231,511. Financial statements for the OCMBOCES are available from the OCMBOCES administrative office. As of June 30, 2020 (the most recent available audited financial statements), OCMBOCES has a total net position (deficit) of \$(187,250,589)

C) Basis of presentation:

i) District-wide statements:

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

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

C) Basis of presentation (continued):

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

ii) Fund Statements:

The fund statements provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. Special revenue funds include the following:

Special Aid Fund: Used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State or Local grants.

School Food Service Fund: Used to account for transactions of the lunch and breakfast programs.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The District reports the following non-major funds:

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. Special revenue funds include the following:

Student Deposits Fund: Used to account for the extraclassroom activities funds and other student deposits managed by the District.

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

C) Basis of presentation (continued):

Scholarships Fund: Used to account for scholarships that are restricted as to use and managed by the District.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of the related bonds outstanding.

D) Measurement focus and basis of accounting:

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year as it matches the liquidation of related obligations. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Property taxes:

Real property taxes are levied annually by the Board of Education no later than September 1, 2020. Taxes were collected during the period September 2, 2020 to October 31, 2020. Uncollected real property taxes are subsequently enforced by Onondaga County, in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

F) Restricted resources:

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

G) Interfund transactions:

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

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different funds. Eliminations have been made for all interfund receivables and payables between the funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset. Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenue activity.

H) Estimates:

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

I) Cash and investments:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

I) Cash and investments (continued):

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts. Investments are stated at fair value.

J) Accounts receivable:

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

K) Inventories and prepaid items:

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that approximates market. Purchases of inventorial items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

L) Other assets/ restricted assets

In the district-wide financial statements, bond discounts and premiums, and any prepaid bond issuance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

M) Capital assets:

Capital assets acquisitions are reported at historical costs. Donated assets are reported at estimated fair market value at the time received.

Land and construction in progress are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$5,000	Straight Line	40 years
Furniture and equipment	5,000	Straight Line	5-20 years

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

N) Deferred revenue:

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

O) Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of net position or balance sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

P) Pension Obligations

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS) (the Systems).

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

P) Pension Obligations (continued):

Plan Description and Benefits Provided

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing multiple employer retirement system. The System provides retirement benefits, as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a Statute. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information 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 Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple-employer retirement system. The System provides retirement benefits, as well as, death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, 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 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

P) Pension Obligations (continued):

to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law.

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

	NYSTRS	NYSERS
2020-2021	\$ 1,381,829	\$ 536,306
2019-2020	1,290,277	510,350
2018-2019	1,531,616	498,441

The District contributions made to the Systems were equal to 100% of the contributions required for each year. ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

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

At June 30, 2021, the District reported the following 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, 2020 for TRS and March 31, 2021 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. 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.

	ERS	TRS
Actuarial valuation date	4/1/2020	6/30/2019
Net pension asset/ (liability)	\$ (11,945)	\$ (2,217,857)
District's portion of the Plan's total net pension asset/ (liability)	0.0119960%	0.080262%

For the year ended June 30, 2021, the District's recognized pension expense of \$2,992,867 for TRS and \$312,460 for ERS. At June 30, 2021, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following page:

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

P) Pension Obligations (continued):

	Deferred outflow of resources		Deferred inflow of resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 145,880	\$ 1,943,286	\$ -	\$ 113,661
Changes of assumption	2,196,281	2,805,072	41,423	999,862
Net difference between projected and actual earnings on pension plan investments	-	1,448,455	3,431,277	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	98,463	142,398	49,754	118,460
District's contribution subsequent to the measurement date	-	1,290,277	-	-
Total	<u>\$ 2,440,624</u>	<u>\$ 7,629,488</u>	<u>\$ 3,522,454</u>	<u>\$ 1,231,983</u>

District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended March 31, 2022 for ERS and June 30, 2021 for TRS . 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 ended:	ERS	TRS
2021	\$ -	\$ 870,829
2022	(178,202)	1,750,929
2023	(53,934)	1,423,939
2024	(181,707)	894,752
2025	(667,987)	48,435
Thereafter	-	118,344
	<u>\$ (1,081,830)</u>	<u>\$ 5,107,228</u>

Actuarial Assumptions

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

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

P) Pension Obligations (continued):

	ERS	TRS
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.90%	7.10%
Salary increases	4.4%-6.2%	1.90%-4.72%
Decrement tables	April 1, 2015- March 31, 2020 System's Experience	July 1, 2009- June 30, 2014 System's Experience
Inflation rate	2.70%	2.20%

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014. System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-14. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2020. For TRS, the actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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

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 on the following page:

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

P) Pension Obligations (continued):

	ERS		TRS	
	Target Allocation	Long-term expected Real rate	Target Allocation	Long-term expected Real rate of return
	2021	2021	2020	2020
Domestic equity	32%	4.05%	33%	6.30%
International equity	15%	6.30%	16%	7.80%
Real estate	9%	4.95%	11%	4.60%
Private equities	10%	6.75%	8%	9.90%
Domestic fixed income securities	0%	0.00%	16%	1.30%
Global fixed income securities	0%	0.00%	2%	0.90%
Credit	4%	3.63%	0%	0.00%
Short-term	0%	0.00%	0%	0.00%
High-yield fixed income securities	23%	0.00%	1%	3.90%
Private debt	0%	0.00%	1%	6.50%
Real estate debt	0%	0.00%	7%	2.90%
Opportunistic portfolio	3%	4.50%	0%	0.00%
Cash	1%	0.00%	1%	0.30%
Inflation-indexed bonds	0%	0.50%	0%	0.00%
Global equities	0%	0.00%	4%	7.20%
Real assets	3%	5.95%	0%	0.00%
	<u>100%</u>		<u>100%</u>	

The real rate of return is net of the long-term inflation assumption of 2% for ERS and 2.2% for TRS.

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

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 7.10% 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 asset/ (liability).

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

P) Pension Obligations (continued):

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10% for TRS and 5.90% for ERS, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.10% for TRS and 4.90% for ERS) or 1 percentage point higher (8.10% for TRS and 6.90% for ERS) than the current rate:

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension asset (liability)	\$ (3,315,441)	\$ (11,945)	\$ 3,034,651
TRS	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension asset (liability)	\$ (14,009,436)	\$ (2,217,857)	\$ 7,678,267

Changes of Assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2021 is \$2,312,200,000 for ERS and \$3,727,814,187 for TRS.

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2021 amounted to \$1,382,212.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2021 represent the projected employer contributions for the period of April 1, 2021 through June 30, 2021 based on paid ERS covered wages

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

P) Pension Obligations (continued):

multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$145,961 of employer contributions.

Q) Vested employee benefits:

Compensated absences consist of unpaid accumulated annual sick leave and vacation time. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods. Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

R) Other Benefits

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System. In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as expenditure. District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

S) Short-term debt:

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

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

S) Short-term debt (continued)

proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

T) Accrued liabilities and long-term obligations:

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

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

U) Equity classifications:

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

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

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

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

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

Non-spendable fund balance – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$23,695.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance. The District has established the following restricted fund balances:

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

U) Equity classifications (continued):

Employee Benefit Accrued Liability

According to GML §6-p, fund must be 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.

Retirement Contributions

According to GML §6-r, the purpose of this fund is to accumulate moneys for the payment of retirement contributions to the New York State and Local Employees' Retirement System ("ERS"), pursuant to the Retirement and Social Security Law. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. Effective April 1, 2019, a board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. This reserve is accounted for in the General Fund.

Unemployment Insurance Reserve

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

Capital Reserve Fund

According to Education Law §3651, expenditures made from the capital reserve fund 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 reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

U) Equity classifications (continued):

Encumbrances

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

Restricted fund balance includes the following:

Description	
Unemployment Insurance Reserve	\$ 28,386
Reserve for Employee Benefit Accrual Liability	236,029
Reserve for Capital Expenditures	1,700,000
Reserve for Retirement Contributions	2,726,745
	\$ 4,691,160
Scholarships Fund	\$ 98,762

Committed – includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Districts highest level of decision making authority, i.e., the Board of Education. The District has committed fund balance of \$134,332 as of June 30, 2021 in the Student Deposits fund.

Assigned – includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund. Assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. All encumbrances of General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$134,757. The School Lunch Fund reports an assigned fund balance of (\$230,793). As of June 30, 2021, the District's General Fund encumbrances were classified as follows:

General Support	\$ 94,752
Instruction	38,097
Pupil Transportation	1,908
	\$ 134,757

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

U) Equity classifications (continued):

Unassigned – includes all other General Fund Net Position that do not meet the definition of the above four classifications and are deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which had been restricted or assigned. In accordance with state guidelines, unassigned fund balance in the general fund includes the following reserve:

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% of the School District's budget for the General Fund for the ensuing fiscal year. Non-spendable and restricted fund balances of the General Fund are also excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Net Position/ Fund Balance

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

Fund Balance Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted sources (the total 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.

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

V) New accounting standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2021, the District implemented the following new standards issued by GASB:

GASB Statement No. 84- Fiduciary Activities.

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of Certain Significant Accounting Policies (continued)

V) New accounting standards (continued):

GASB Statement No. 90: Accounting and Financial Reporting for Majority Equity Interest

The adoption of GASB No. 84 resulted in the removal of the District's Fiduciary statements, reclassification of those previously reported activities in the general fund, and creation of two special revenue funds: Student Deposits Fund and Scholarships Fund. Adoption of this GASB standard resulted in the restatement of beginning fund balance in both the Student Deposits Fund and Scholarships Fund of \$118,545 and \$100,928, respectively.

W) Future changes in accounting standards

GASB has issued the following new statements:

- Statement No. 87, *Leases*, effective for the year ending June 30, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2022.
- Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023.
- Statement No. 92, *Omnibus 2020*, effective for the year ending June 30, 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending June 30, 2021 (paragraphs 11b, 13, and 14 are effective for the year ending June 30, 2022).
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending June 30, 2023.
- Statement No. 96 - *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023.
- Statement No. 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, effective for the year ending June 30, 2022 (the requirements in paragraph 4, as they apply to defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans, and paragraph 5 were effective as of June 2020).

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

Note 2 - Explanation of Certain Differences Between Fund Statements and District-Wide Statements

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

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 2 - Explanation of Certain Differences Between Fund Statements and District-Wide Statements (continued)

A) Total fund balances of Governmental Funds versus Net Position of Governmental Activities:

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions and other post-employment benefits.

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

Differences between the fund's Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of five broad categories. This reconciliation is performed on page 18. The amounts represent:

i) Long-term revenue differences:

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

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

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

iv) Pension differences:

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 2 - Explanation of Certain Differences Between Fund Statements and District-Wide Statements (continued)

v) OPEB differences:

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

Note 3 – Stewardship, Compliance and Accountability

The District administration prepares a proposed budget for approval by the Board of Education, which in turn is either approved or disapproved by eligible voters in the District. The voters of the District approved the proposed appropriation budget for the General Fund on June 16, 2020.

Appropriations are adopted at the program line item level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations are authorized for the year are increased by the amount of encumbrances carried forward from the prior year. The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2021. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid. The School Lunch fund had a deficit fund balance of \$230,793. The District has budgeted for a profit in the School Lunch fund which will reduce the deficit in the 2021-2022 school year.

Note 4 – Cash and Cash Equivalents

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$8,046,531 within the governmental funds for various fund balance reserves in the general fund and grant funds in the special aid fund, scholarships in the scholarship fund and available funding for capital projects.

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 4 – Cash and Cash Equivalents (continued)

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2021, all deposits were fully insured and collateralized by the District's agent in the District's name.

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with Federal, State and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments: interest bearing demand accounts, certificates of deposits, obligations of the United States Treasury and United States agencies and obligations of New York State and its localities.

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations

Total financial institution bank balances at year-end, per the bank, were \$11,874,294. These deposits are insured or collateralized with securities held by the financial institution in the District's name.

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 5 - Capital Assets

Capital asset balances and activity were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 246,542	\$ -	\$ -	\$ 246,542
Construction in progress	3,687,002	4,678,594	-	8,365,596
Total nondepreciable	<u>3,933,544</u>	<u>4,678,594</u>	<u>-</u>	<u>8,612,138</u>
Capital assets that are depreciated:				
Buildings and improvements	72,848,151	-	(1,071,045)	71,777,106
Furniture, equipment and vehicles	9,757,449	231,779	(506,828)	9,482,400
Total depreciable assets	<u>82,605,600</u>	<u>231,779</u>	<u>(1,577,873)</u>	<u>81,259,506</u>
Less accumulated depreciation:				
Buildings and improvements	(26,171,352)	(1,551,278)	767,740	(26,954,890)
Furniture, equipment and vehicles	(7,367,264)	(496,721)	459,881	(7,404,104)
Total accumulated depreciation	<u>(33,538,616)</u>	<u>(2,047,999)</u>	<u>1,227,621</u>	<u>(34,358,994)</u>
 Total depreciated assets, net	 <u>\$ 53,000,528</u>	 <u>\$ 2,862,374</u>	 <u>\$ (350,252)</u>	 <u>\$ 55,512,650</u>
Depreciation expense was charged to governmental functions as follows:				
General support		\$ 248,361		
Instruction		1,551,278		
Pupil transportation		248,360		
		<u>\$ 2,047,999</u>		

Note 6 – Short-Term Debt

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN	4/7/2022	1.04%	<u>\$ 1,205,062</u>	<u>908,785</u>	<u>1,205,062</u>	<u>\$ 908,785</u>
BAN	7/16/2021	2.00%	<u>\$ -</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>\$ -</u>

Interest paid on short-term debt for the year was \$12,533. The BAN is a general obligation of the District. The purpose of the BAN was to provide financing for the purchases of buses, not to exceed \$908,785.

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 7 - Long-Term Obligations

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.

Serial Bonds

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

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

	Beginning Balance	Issued	Redeemed	Ending Balance	One Year
Government Activities					
Bonds payable	\$ 26,956,100	\$ 10,173,295	\$ 3,151,970	\$ 33,977,425	\$ 2,599,931
Other Obligations					
Net pension liability	3,319,781	-	1,089,979	2,229,802	-
Other postemployment benefits payable	41,542,432	14,565,764	831,714	55,276,482	2,200,657
Compensated absences	393,726	377,810	393,726	377,810	-
Total Long-term Obligations	\$ 72,212,039	\$ 25,116,869	\$ 5,467,389	\$ 91,861,519	\$ 4,800,588

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

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 7 - Long-Term Obligations (continued)

The following is a schedule of bonds outstanding at June 30, 2021:

Payable from/ Description	Date of Original Issue	Original Amount	Date of Final Maturity	Interest Rate (%)	Outstanding Amount
Refunding of 2002A & 2006 Bonds	4/23/2014	\$ 6,450,000	1/15/2035	2.00-4.00%	\$ 4,355,000
Refunding of 2007 & 2010 Bonds	11/5/2014	\$ 10,300,000	6/15/2024	2.00-5.00%	2,135,000
Energy Performance Contract	8/14/2015	\$ 2,029,037	8/14/2030	2.52%	1,411,323
Serial Bonds 2015	7/17/2015	\$ 583,000	6/15/2030	2.98%	380,000
Serial Bonds 2019A	6/17/2019	\$ 14,640,000	6/15/2034	3.00%-5.00%	13,400,000
Serial Bonds 2019A- Premium	6/17/2019	\$ 2,449,393	6/15/2034	NA	2,122,807
Serial Bonds 2021	6/16/2021	8,290,000	6/16/2036	4.00%-5.00%	8,290,000
Serial Bonds 2021- Premium	6/16/2021	1,883,295	6/16/2036	NA	1,883,295
					<u>\$ 33,977,425</u>

The following is a summary of the debt service requirements for bonds payable:

Fiscal year ended June 30,	Principal	Interest	Total
2022	\$ 2,599,931	\$ 1,401,663	\$ 4,001,594
2023	2,518,048	1,208,825	3,726,873
2024	2,612,825	1,110,503	3,723,328
2025	2,077,602	1,007,261	3,084,863
2026	2,152,379	931,186	3,083,565
2027-2031	12,138,998	3,290,182	15,429,180
2032-2036	<u>9,877,642</u>	<u>960,300</u>	<u>10,837,942</u>
Totals	<u>\$ 33,977,425</u>	<u>\$ 9,909,920</u>	<u>\$ 43,887,345</u>

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 7 - Long-Term Obligations (continued)

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

Interest paid	\$ 1,251,568
Less interest accrued in the prior year	(146,149)
Plus interest accrued in the current year	149,469
Less amortization of premiums/ discounts	<u>(163,293)</u>
Interest expense	<u>\$ 1,091,595</u>

Note 8 – Interfund Balances and Activity

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,340,712	\$ 589,684	\$ -	\$ 273,243
Special Aid Fund	262,625	573,196	15,243	-
School Lunch Fund	299,740	763,967	-	-
Capital Projects Fund	22,495	111,256	258,000	-
Scholarships Fund	4,824	3,539	-	-
Debt Service Fund	<u>111,246</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 2,041,642</u>	<u>\$ 2,041,642</u>	<u>\$ 273,243</u>	<u>\$ 273,243</u>

Interfund receivables and payables, are eliminated on the Statement of Net Position. The District typically transfers from the General Fund to the Capital Fund to help fund capital renovations and additions. The district also transfers from the General Fund to the Special Aid fund the local portion of the Special Education Summer School Program. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

Note 9– Pension plans

General Information

The District participates in the New York State Employees’ Retirement System (NYSERS) and the New York State Teachers’ Retirement System (NYSTRS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability. See Note 1 for further plan details.

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 10 – Post-Employment Benefits Obligations Payable

A. General information about the plan and benefits

Plan Description- The District administers a defined OPEB plan (the Plan) that provides OPEB for all permanent full-time general employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend benefit terms and financing requirements to the District Board subject to the applicable collective bargaining and employment agreements, and Board of Education policy. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy- The obligation of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 3 to 15 years of service to qualify for other post-employment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2020, approximately \$1,220,000 was paid on behalf of 134 retirees.

Benefits Provided- The District provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses. The benefit terms are dependent on which contract each employee falls under, retirees and their spouses receive benefits for the lifetime of the retired employee. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2021 the following employees were covered by the benefit terms:

Retirees and Survivors	126
Active employees	<u>271</u>
	<u>397</u>

The District's total OPEB liability of \$55,276,482 was measured as of July 1, 2020, and was determined by an actuarial valuation as July 1, 2020.

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 10 – Post-Employment Benefits Obligations Payable (continued)

Actuarial Assumptions and Other Inputs- The total OPEB liability at June 30, 2021 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2% (Based on CPI)
Salary Increases	3.50%
Discount Rate	2.21% (Bond Buyer Weekly 20-Bond GO)
Healthcare Cost Trend Rates	
	7.50% for 2021 decreasing to an ultimate rate of
Medical	3.94% by 2089

Mortality rates were based on RPH-2014 Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale MP-2014 and projected forward using scale MP-2019. The Discount rate was based on the Bond Buyer Weekly 20-Bond GO Index. Retirement participation rate assumed that 85% of eligible Teachers and Instructional Administrators and 75% of participants other than Teachers and Instructional Administrators will elect medical coverage at retirement age, and 48% of active member's spouses will elect medical coverage. Additionally, a tiered approach based on age and years of service was used to determine retirement rate assumption. Termination rates are based on tables used by the New York State Teachers' Retirement System and the New York State and Local Retirement System for female employees. Rates are tiered based on the percentage of employees who will terminate employment at any given age each year, for reasons other than death or retirement.

Changes in the Total OPEB Liability

Balance at June 30, 2020	\$ 41,542,432
<u>Changes for the Year</u>	
Service cost	1,343,019
Interest	1,486,436
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	11,736,309
Benefit payments	(831,714)
Net Changes	<u>13,734,050</u>
Balance at June 30, 2021	<u>\$ 55,276,482</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.5% on July 1, 2019 to 2.21% on July 1, 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate- The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 10 – Post-Employment Benefits Obligations Payable (continued)

using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate.

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	\$ 67,401,512	\$ 55,276,482	\$ 45,863,694

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

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	\$ 44,372,767	\$ 55,276,482	\$ 70,015,206

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$2,200,657. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,482,800
Changes of assumptions or other inputs	11,096,773	4,539,583
Contributions subsequent to the measurement period	913,199	-
	\$ 12,009,972	\$ 8,022,383

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 10 – Post-Employment Benefits Obligations Payable (continued)

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

Year Ended June 30,	Amount
2022	\$ (628,798)
2023	(628,798)
2024	(356,327)
2025	1,505,740
2026	1,756,346
2027 and Thereafter	1,426,227
	\$ 3,074,390

Note 11 – Risk Management

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

The District incurs costs related to an employee health insurance plan (plan). The plan objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the plan must remain a member for a minimum of five years; a member may withdraw from the plan after that time by providing written intent to withdraw on or before January 1st of the commencement of the school year for which the withdrawal is intended to be effective. In the event of a withdrawal, the consortium may determine any sums which are due and owed to the plan or participant. The Cooperative Health Insurance Fund of Central New York consortium has twenty-eight (28) members with each bearing a pro-rata share of the plan's assets and claims liabilities. Plan members are subject to a pro-rata supplemental assessment in the event of deficiencies.

If the plan's assets were to be exhausted, members would be responsible for the plan's liabilities. The plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks reinsured. All plan cash accounts are collateralized by securities held by the financial institution where deposits are made. The plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount.

Such claims are based on the ultimate cost of the claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made. The District incurred premiums totaling approximately \$4,380,000 for the current year. Payments of claims and claim adjustment expenses are pooled for the group and each member's premiums are adjusted accordingly.

MARCELLUS CENTRAL SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 12 – Donor Restricted Endowments

The District administers endowment funds, which are restricted by the donor for the purposes of student scholarships. Donor- restricted endowments are reported at fair value. The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

Note 13 – Commitments and Contingent Liabilities

The District has received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the District's administration believes disallowances, if any, will be immaterial. New York State Education Law requires that most capital projects require approval by the New York Office of Facilities Planning. New York State provides building aid for certain type of capital projects undertaken by school districts. Building aid is subject to numerous reporting requirements. The failure to adhere to these reporting requirements could lead to the refund of building aid already received and the loss of future aid on these particular capital projects. Building aid represents a significant source of financing for the Districts' financing of such projects and any loss or refund of building aid could have a significant impact on these financial statements.

Note 14 – Unrestricted Net Position:

Unrestricted net position in the general fund consist of the following at June 30, 2021:

Unrestricted net position	
Designated for subsequent year's expenditures	\$ 1,506,282
Reserve for encumbrances	134,757
Unreserved	<u>1,464,780</u>
Total unrestricted net position general fund	<u>\$ 3,105,819</u>

Note 15 – Subsequent Events

Management has evaluated subsequent events through October 18, 2021, which is the date the financial statements were available to be issued.

MARCELLUS CENTRAL SCHOOL DISTRICT
Required Supplementary Information
Schedules of Changes in the District's Total OPEB Liability and Related Ratios
June 30, 2021

	2021	2020	2019	2018
Measurement Date	July 1, 2020	July 1, 2019	July 1, 2018	July 1, 2017
Total OPEB Liability	\$ 55,276,482	\$ 41,542,432	\$ 40,237,281	\$ 40,038,882
Service Cost	1,343,019	1,282,951	1,444,377	1,985,248
Interest	1,486,436	1,592,209	1,481,038	1,498,197
Changes in benefit terms	-	(1,126,924)	-	70,343
Differences between expected and actual experience in the measurement of the total OPEB liability	-	(1,212,856)	-	(6,283,772)
Changes in assumptions or other inputs	11,736,309	1,525,523	(2,040,349)	(8,115,260)
Benefit payments (including implicit subsidy)	(831,714)	(755,752)	(686,667)	602,133
Net change in total OPEB liability	13,734,050	1,305,151	198,399	(10,243,111)
Total OPEB liability- beginning	<u>41,542,432</u>	<u>40,237,281</u>	<u>40,038,882</u>	<u>50,281,993</u>
Total OPEB liability- ending	<u>\$ 55,276,482</u>	<u>\$ 41,542,432</u>	<u>\$ 40,237,281</u>	<u>\$ 40,038,882</u>
Covered payroll	\$ 18,017,760	\$ 17,264,274	\$ 17,273,871	\$ 16,772,005
Total OPEB liability as a percentage of covered payroll	307%	241%	233%	239%

Note:

The District does not have net assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

MARCELLUS CENTRAL SCHOOL DISTRICT
Required Supplementary Information - Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
June 30, 2021

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual
REVENUES					
Local sources					
Real property taxes	\$ 17,736,694	\$ 17,736,694	\$ 17,778,884		\$ 42,190
Other tax items	2,500,000	2,500,000	2,478,049		(21,951)
Nonproperty taxes	60,819	60,819	58,942		(1,877)
Charges for services	26,224	26,224	50,746		24,522
Use of money and property	40,000	40,000	51,071		11,071
Sale of property and compensation for loss	17,000	17,000	232,254		215,254
Miscellaneous	305,240	305,240	459,509		154,269
Total local sources	<u>20,685,977</u>	<u>20,685,977</u>	<u>21,109,455</u>		<u>423,478</u>
State sources	15,652,705	15,652,705	15,568,107		(84,598)
Federal sources	-	-	262,309		262,309
Appropriated reserves	1,506,282	1,506,282	-		(1,506,282)
Total revenues and other sources	<u>\$ 37,844,964</u>	<u>\$ 37,844,964</u>	<u>\$ 36,939,871</u>		<u>\$ (905,093)</u>
EXPENDITURES					
General support					
Board of education	37,407	37,407	33,724	-	3,683
Central administration	190,477	190,957	185,256	-	5,701
Finance	379,905	394,367	353,448	-	40,919
Staff	247,414	247,414	181,351	-	66,063
Central services	2,348,003	2,431,513	2,091,035	94,752	245,726
Special items	339,507	350,190	329,471	-	20,719
Total general support	<u>3,542,713</u>	<u>3,651,848</u>	<u>3,174,285</u>	<u>94,752</u>	<u>382,811</u>
Instruction					
Instruction, administration and improvement	1,144,903	1,149,738	959,401	120	190,217
Teaching - regular school	10,815,919	10,893,031	10,102,864	31,233	758,934
Programs for students with disabilities	2,944,298	2,869,134	2,634,799	-	234,335
Occupational education	470,862	487,190	487,190	-	-
Instructional media	1,405,562	1,417,299	1,330,072	6,744	80,483
Pupil services	2,008,856	2,012,108	1,653,350	-	358,758
Total instruction	<u>18,790,400</u>	<u>18,828,500</u>	<u>17,167,676</u>	<u>38,097</u>	<u>1,622,727</u>
Pupil transportation	1,853,440	1,844,595	1,281,257	1,908	561,430
Employee benefits	8,976,170	8,976,170	8,370,541	-	605,629
Debt service	4,424,241	4,423,480	4,403,538	-	19,942
Total expenditures	<u>37,586,964</u>	<u>37,724,593</u>	<u>34,397,297</u>	<u>134,757</u>	<u>3,192,539</u>
OTHER FINANCING USES					
Transfer to other funds	258,000	258,761	273,243	-	(14,482)
Total expenditures and other uses	<u>\$ 37,844,964</u>	<u>\$ 37,983,354</u>	<u>34,670,540</u>	<u>\$ 134,757</u>	<u>\$ 3,178,057</u>
Net change in fund balance			2,269,331		
Fund balance - beginning			5,527,648		
Fund balance - ending			<u>\$ 7,796,979</u>		

Note To Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

MARCELLUS CENTRAL SCHOOL DISTRICT
Schedule of District Contributions
For the Year Ended June 30, 2021

	<i>Teachers' Retirement System</i>						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,381,829	\$ 1,290,277	\$ 1,531,616	\$ 1,374,019	\$ 1,586,561	\$ 1,698,898	\$ 2,100,607
Contributions in relation to the contractually required contribution	<u>\$ 1,381,829</u>	<u>\$ 1,290,277</u>	<u>\$ 1,531,616</u>	<u>\$ 1,374,019</u>	<u>1,586,561</u>	<u>1,698,898</u>	<u>2,100,607</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,665,247	\$ 13,623,002	\$ 13,696,855	\$ 13,281,490	\$ 12,992,995	\$ 12,352,391	\$ 13,366,283
Contributions as a percentage of covered payroll	11%	9%	11%	10%	12%	14%	16%
	<i>Employees' Retirement System</i>						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 536,306	\$ 510,350	\$ 498,441	\$ 477,584	\$ 458,908	\$ 529,213	\$ 551,160
Contributions in relation to the contractually required contribution	<u>536,306</u>	<u>510,350</u>	<u>498,441</u>	<u>477,584</u>	<u>458,908</u>	<u>529,213</u>	<u>551,160</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,314,897	\$ 3,641,272	\$ 3,577,016	\$ 3,490,515	\$ 3,729,010	\$ 3,782,086	\$ 2,815,834
Contributions as a percentage of covered payroll	23%	14%	14%	14%	12%	14%	20%

See paragraph on other information included in auditor's report.

MARCELLUS CENTRAL SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Asset (Liability)
For the Year Ended June 30, 2021

<i>Teachers' Retirement System</i>							
	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.080262%	0.082058%	0.081537%	0.081992%	0.080049%	0.081707%	0.79327%
District's proportionate share of the net pension asset (liability)	\$ (2,217,857)	\$ 2,131,879	\$ 1,474,407	\$ 623,219	\$ (857,360)	\$ 10,124,692	\$ 8,836,535
District's covered payroll	\$ 12,665,247	\$ 13,623,002	\$ 13,696,855	\$ 13,281,490	\$ 12,992,995	\$ 12,352,391	\$ 13,366,283
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	-18%	16%	11%	5%	-7%	82%	66%
Plan fiduciary net position as a percentage of the total pension asset (liability)	97.80%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%
<i>Employees' Retirement System</i>							
	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.0119960%	0.0125367%	0.0117067%	0.0111478%	0.0112375%	0.0105392%	0.0102851%
District's proportionate share of the net pension asset (liability)	(11,945)	(3,319,781)	(829,455)	(359,790)	\$ (1,055,900)	\$ (1,691,579)	\$ (347,455)
District's covered payroll	\$ 2,314,897	\$ 3,641,272	\$ 3,577,016	\$ 3,490,515	\$ 3,729,010	\$ 3,782,086	\$ 2,815,834
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	1%	91%	23%	10%	28%	45%	12%
Plan fiduciary net position as a percentage of the total pension asset (liability)	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

See paragraph on other information included in auditor's report.

MARCELLUS CENTRAL SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit
June 30, 2021

CHANGE FROM ADOPTED TO REVISED BUDGET

Adopted budget	\$ 37,844,964
Add prior year's encumbrances	<u>116,690</u>
Original budget	37,961,654
Budget revision:	<u>21,700</u>
Revised budget	<u><u>\$ 37,983,354</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-22 voter-approved expenditure budget maximum allowed (4% of 2021-22 budget)	\$ 38,456,593
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General Fund fund balance subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:	
Assigned fund balance	1,641,039
Unassigned fund balance	<u>1,464,780</u>
Total unrestricted fund balance	<u><u>3,105,819</u></u>
Less:	
Appropriated fund balance	1,506,282
Encumbrances included in committed and assigned fund balance	<u>134,757</u>
Total adjustments	<u><u>1,641,039</u></u>
General Fund fund balance subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,464,780</u></u>
Actual percentage	3.81%

*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, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

See paragraph on other information included in auditor's report.

MARCELLUS CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures - Capital Projects Fund

PROJECT TITLE	Original Budget	Revised Budget	Expenditures				Unexpended Balance	Methods of Financing			Fund Balance 6/30/21	
			Prior Years	Current Year	Transfers	Total		Proceeds of Obligations	State Sources	Local Sources		Total
Bus Purchase 2015	\$ 376,247	\$ 376,247	\$ 359,876	\$ -	\$ -	\$ 359,876	\$ 16,371	\$ -	\$ -	\$ 376,248	\$ 376,248	\$ 16,372
Bus Purchase 2016	478,313	478,313	459,820	-	-	459,820	18,493	-	-	478,314	478,314	18,494
Bus Purchase 2017	444,932	444,932	432,533	-	-	432,533	12,399	-	-	355,945	355,945	(76,588)
Bus Purchase 2018	262,074	262,074	261,601	-	-	261,601	473	-	-	157,245	157,245	(104,356)
Bus Purchase 2019	435,984	435,984	435,982	-	-	435,982	2	-	-	174,392	174,392	(261,590)
Bus Purchase 2020	425,395	425,395	414,511	-	-	414,511	10,884	-	-	85,079	85,079	(329,432)
Bus Purchase 2021	382,909	382,909	-	105,881	-	105,881	277,028	-	-	-	-	(105,881)
Renovation Project	14,274,858	17,533,482	17,967,556	7,287	-	17,974,843	(441,361)	17,182,850	-	675,482	17,858,332	(116,511)
2020 Capital Improvement Project	9,995,000	9,995,000	3,286,689	4,652,691	-	7,939,380	2,055,620	10,173,295	-	-	10,173,295	2,233,915
2020 Capital Outlay	200,000	200,000	-	-	-	-	200,000	-	-	200,000	200,000	200,000
2021 Capital Outlay	258,000	258,000	-	5,430	-	5,430	252,570	-	-	258,000	258,000	252,570
SHS Gymnasium Bleachers/ Middle School Sitework	400,000	400,000	400,313	13,186	-	413,499	(13,499)	-	-	400,000	400,000	(13,499)
Total projects	\$ 27,933,712	\$ 31,192,336	\$ 24,018,881	\$ 4,784,475	\$ -	\$ 28,803,356	\$ 2,388,980	\$ 27,356,145	\$ -	\$ 3,160,705	\$ 30,516,850	\$ 1,713,494

See paragraph on other information included in auditor's report.

MARCELLUS CENTRAL SCHOOL DISTRICT
Net Investment in Capital Assets
For the Year Ended June 30, 2021

Capital assets, net		\$ 55,512,650
Deduct:		
Bond anticipation notes payable	(908,785)	
Short-term portion of bonds payable	(2,599,931)	
Long-term portion of bonds payable	<u>(31,377,494)</u>	
		<u>(34,886,210)</u>
Net investment in capital assets		<u>\$ 20,626,440</u>

See paragraph on other information included in the auditor's report.