

SOUTHWESTERN CENTRAL SCHOOL DISTRICT

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

***WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS***

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
2020 FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Southwestern Central School District
Jamestown, New York**

We have audited the accompanying financial statements of the governmental activities and each major fund of **Southwestern Central School District** as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the **Southwestern Central School District's** basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the **Southwestern Central School District** as of June 30, 2020, as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Report on Summarized Comparative Information

We have previously audited the **Southwestern Central School District's** June 30, 2019 financial statements, and our report dated October 8, 2019, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-9), budgetary comparison information (pages 36-37), schedule of changes in the District's net OPEB liability and related ratios (page 43), schedule of District contributions – OPEB (page 44), the schedule of District contributions for defined benefit pension plans (page 45) and the schedule of the District's proportionate share of the net pension asset/liability (page 46) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Southwestern Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020 on our consideration of **Southwestern Central School District's** internal control over financial reporting and 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Southwestern Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 13, 2020**

SOUTHWESTERN CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

I. Discussion and Analysis

The following is a discussion and analysis of the *Southwestern Central School District's* financial performance for the year ended June 30, 2020. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the *Southwestern Central School District* during the fiscal year ended June 30, 2020:

- Overall net position from operations of the District increased during the current year in the amount of \$3,572,000 as compared to an increase of \$1,015,000 during the prior fiscal year.
- The District's total revenue increased 4% from \$28,841,000 during the year ended June 30, 2019 to \$29,989,000 during the year ended June 30, 2020. This increase was primarily the result of an increase in state building aid.
- The District's total expenses decreased approximately 5% from \$27,826,000 during the year ended June 30, 2019 to \$26,417,000 during the year ended June 30, 2020. This decrease was primarily the result of a decrease in expenses related to the District's other post-employment benefit plan which resulted from an updated actuarial study. This decrease was offset by an increase in teachers' retirement system (TRS) and employee retirement system (ERS) expense resulting from updated actuarial studies.
- The District had capital outlays totaling \$10,367,000 during the current year related to Phases V and VI, and transportation vehicles.

III. 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 *Southwestern Central School District*.

III. Overview of the Financial Statements (continued)

A. Reporting the School District as a Whole (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 10) shows the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 11) shows the amounts of program-specific and general District revenue used to support the District's various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including general support, instruction, transportation, administration, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities. The District only had governmental activities during the current fiscal year.

The two district-wide statements report the School District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and the District's 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 non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

III. Overview of the Financial Statements (continued)

B. Reporting the District's Most Significant Funds (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. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. 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 the balances left at year-end that are available for spending. Consequently the governmental funds

III. Overview of the Financial Statements (continued)

B. Reporting the District's Most Significant Funds (Fund Financial Statements) (continued):

1. Governmental Funds (continued)

statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

2. Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

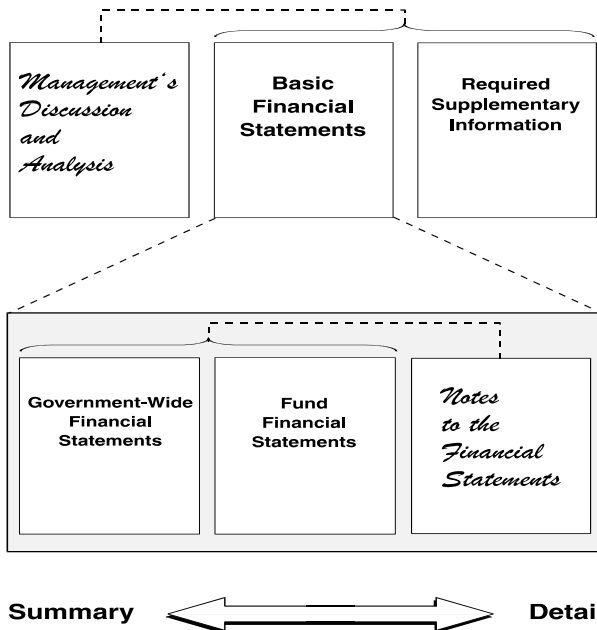
Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary 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	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred 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 during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the 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	All additions and deductions during the year, regardless of when cash is received or paid

III. Overview of the Financial Statements (continued)

B. Reporting the District's Most Significant Funds (Fund Financial Statements) (continued):

Figure A-2 - Required Components of the District's Annual Financial Report



IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was approximately \$14,394,000. The components of net position include: net investment in capital assets of \$24,204,000; restricted net position of \$2,139,000; and unrestricted net deficit of \$11,949,000.

Changes in Net Position

The District's total government-wide revenue increased by approximately 4% to \$29,989,000. Approximately 44%, 4% and 50% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining 2% comes from federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

IV. Financial Analysis of the School District as a Whole (continued)

Changes in Net Position (continued)

The total cost of all programs and services of the District decreased 5% to \$26,417,000. The District's expenses cover a range of services, with 72% related to instruction and 17% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities increased approximately 4%, while total expenses decreased 5%. The District's total net position from operations increased approximately \$3,572,000 during the fiscal year ended June 30, 2020.

Revenue

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$29,989,000 for the fiscal year ended June 30, 2020. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 44% of the District's total revenue for governmental activities increased approximately 2% during the year ended June 30, 2020 as a result of an increase in the tax levy.
- One of the District's most significant revenue is from state sources which represent \$14,965,000 or 50% of total governmental revenue. State sources increased by approximately 7% due to an increase in state building aid.
- During the year ended June 30, 2020, the District saw an increase in program revenue, which mostly resulted from a decrease in operating grants of \$27,000 and an increase of charges for services which increased by \$36,000, as compared with the prior year revenue.

**IV. Financial Analysis of the School District as a Whole
(continued)**

Expenses

Figure A-8 presents the cost of each of the District's six largest expenditure-type, which include; general support, instruction, transportation, debt service, community services and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$26,417,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$160,000 or 4% which was primarily the result of an increase in salaries and pension expenses related to updated actuarial valuations.
- The District's instruction costs decreased by approximately \$1,612,000 or 8%. This decrease was primarily the result of a decrease in OPEB expense resulting from an updated actuarial study offset by increases in pension expenses related to updated actuarial valuations.
- Debt service of the District increased approximately \$25,000 during the year ended June 30, 2020. This increase was primarily the result of an increase in interest costs.
- Transportation costs of the District decreased 0% or \$6,000 during the year ended June 30, 2020.
- The District's cost of sales (food service fund) totaled \$434,000 during the current year as compared to \$398,000 during the fiscal year ended June 30, 2019. This increase is primarily caused by the increase in meals served during the COVID-19 pandemic.
- The District received approximately \$1,362,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the District's net costs (\$25 million) were financed by real property taxes and state aid.

IV. Financial Analysis of the School District as a Whole (continued)

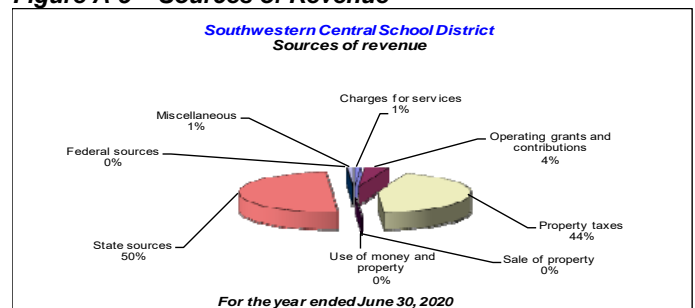
Figure A-3 – Condensed Statement of Net Position

<i>Southwestern Central School District</i>			
Condensed Statement of Net Position (in thousands of dollars)			
Governmental Activities and Total District-wide			
	2020	2019	% Change
Assets			
Current and other assets	\$ 9,508	\$ 6,845	39%
Capital assets	61,966	53,915	15%
Total assets	71,474	60,760	18%
Deferred Outflows of Resources			
Total	\$ 9,361	\$ 9,228	1%
Liabilities			
Other liabilities	\$ 29,574	\$ 18,219	62%
Long-term debt outstanding	32,324	38,612	-16%
Total liabilities	61,898	56,831	9%
Deferred Inflows of Resources			
Total	4,543	2,335	95%
Net position			
Invested in capital assets, net of related debt	24,204	24,424	-1%
Restricted	2,139	2,302	-7%
Unrestricted (deficit)	(11,949)	(15,904)	-25%
Total net position	14,394	10,822	33%
Total	\$ 80,835	\$ 69,988	15%

Figure A-4 – Changes in Net Position

<i>Southwestern Central School District</i>			
Changes in Net Position from Operating Results (in thousands of Dollars)			
Governmental Activities and Total District-wide			
	2020	2019	% Change
Revenue			
Program revenue			
Charges for services	\$ 200	\$ 164	22%
Operating grants and contributions	1,162	1,189	-2%
General revenue			
Real property taxes	13,199	12,953	2%
Use of money & property	49	54	-9%
Sale of property & comp for loss	(38)	(25)	52%
State sources	14,965	13,991	7%
Federal sources	150	161	-7%
Miscellaneous	302	354	-15%
Total revenue	29,989	28,841	4%
Expenses			
General support	4,421	4,261	4%
Instruction	19,162	20,774	-8%
Transportation	1,583	1,589	0%
Community services	26	38	-32%
Debt service - interest	791	766	3%
Cost of sales	434	398	9%
Total expenses	26,417	27,826	-5%
Change in net position	\$ 3,572	\$ 1,015	252%

Figure A-5 – Sources of Revenue



**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**IV. Financial Analysis of the School District as a Whole
(continued)**

Figure A-6 – Expenses

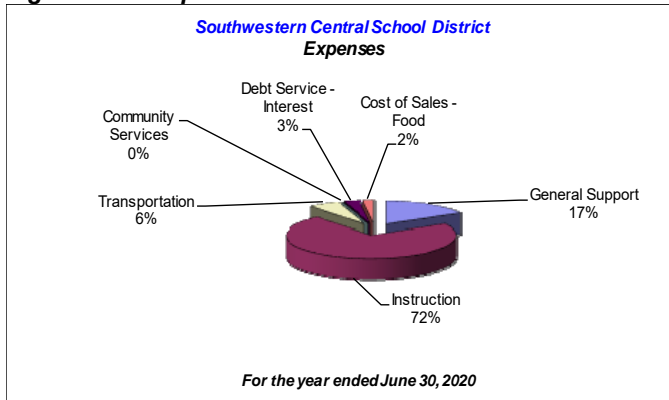


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District			
	2020		2019	
Expenditures supported with general revenue (from taxes & other sources)	\$ 25,055	95%	\$ 26,473	95%
Expenditures supported with program revenue	1,362	5%	1,353	5%
Total expenditures related to governmental activities	\$ 26,417	100%	\$ 27,826	100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2020	2019	Change	2020	2019	Change
General support	\$ 4,421	\$ 4,261	\$ 160	\$ 4,421	\$ 4,261	\$ 160
Instruction	19,162	20,774	(1,612)	18,189	19,881	(1,692)
Transportation	1,583	1,589	(6)	1,578	1,466	112
Community services	26	38	(12)	26	38	(12)
Debt service - interest	791	766	25	791	766	25
Cost of sales - food	434	398	36	50	61	(11)
Total	\$ 26,417	\$ 27,826	\$ (1,409)	\$ 25,055	\$ 26,473	\$ (1,418)

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from those reported in the previous year.

General Fund

- The District's general fund revenues and other sources exceeded its expenditures and other uses by approximately \$522,000.
- The District's general fund unassigned fund balance equated to approximately \$1,784,000 as of June 30, 2020.
- The District had many fund balance reserves which totaled approximately \$1,383,000 as of June 30, 2020.
- The District's total assets increased approximately \$2,012,000 as of June 30, 2020 primarily due to an increase in cash on hand. The District's liabilities increased approximately \$1,569,000 primarily due to an increase in amounts owed to other funds.
- Total revenue in the District's general fund increased \$1,223,000 due to an increase in state building aid and property taxes.
- Total expenditures in the District's general fund increased by approximately \$194,000 due to an increase in debt service costs.

Food Service Fund

- The District's food service fund experienced a \$65,000 decrease in fund equity during the current fiscal year.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Food Service Fund (continued)

- Revenue in the District's food service fund was \$384,000 during 2020 as compared with \$337,000 in 2019. Expenditures increased approximately \$15,000 as compared with the prior year. This increase is primarily caused by the increase in meals served during the COVID-19 pandemic.

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$101,000 or 10% which was primarily related to the shared fuel station grant in the prior year.

Capital Projects Fund

- Total expenditures incurred during the current year amounted to was approximately \$ 10,066,000 and was related to Phases V and VI and the purchase of transportation vehicles.

Miscellaneous Special Revenue

- During the year ended June 30, 2020, the District transferred \$34,000 of these funds to the general fund to offset debt service costs.

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$1,183,000 below the revised budget. The most significant positive variance was in the area of instruction which totaled \$785,000 below that budgeted. Resources available for appropriations were approximately \$442,000 above the final budgeted amount.

Figure A-9 – Budget vs. Actual Comparison

Southwestern Central School District				
General Fund - Budget vs Actual Comparison (in thousands of dollars)				
	Revised Budget	Actual	Difference	%
Revenue				
Local sources	\$ 13,458	\$ 13,535	\$ 77	1%
State sources	14,660	14,965	305	2%
Federal sources	90	150	60	67%
Other sources	208	208	-	0%
Total revenue	\$ 28,416	\$ 28,858	\$ 442	2%
Expenditures				
General support	\$ 3,565	\$ 3,406	\$ 159	4%
Instruction	14,469	13,684	785	5%
Transportation	980	851	129	13%
Community services	33	26	7	21%
Employee benefits	5,967	5,931	36	1%
Debt service	4,506	4,439	67	1%
Operating transfers	-	-	-	0%
Total expenditures	\$ 29,520	\$ 28,337	\$ 1,183	4%

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2020, the District had invested approximately \$61,966,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2020, totaled approximately \$10,367,000 and primarily related to the District's ongoing capital project. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-term Liabilities

As depicted in Figure A-11, as of June 30, 2020, the District had approximately \$32,324,000 in bonds payable, net pension liability and other post-employment benefits, a decrease of approximately 16% as compared with the previous year. The decrease in bonds payable was the result of the District making regular principal payments during the year. With regards to the increase in the net pension liability and decrease in the other post-employment benefits, during the current year the District received updated actuarial studies.

Figure A-10 – Capital Assets

Southwestern Central School District			
Capital Assets (net of depreciation)			
	Governmental Activities & Total District-wide		
	2020	2019	Change
Land	\$ 2,265,450	\$ 2,265,450	0%
Cost basis	73,958,238	72,249,783	2%
Construction in progress	10,346,800	2,866,918	261%
Accumulated depreciation	(24,604,157)	(23,467,188)	5%
Total Capital Assets, net	\$ 61,966,331	\$ 53,914,963	15%

Figure A-11 – Outstanding Long-term Debt

Southwestern Central School District			
Outstanding Long-Term Debt and Liabilities			
	Governmental Activities & Total District-wide		
	2020	2019	Change
Bonds payable	\$ 10,012,513	\$ 13,220,337	-24%
Net pension liability	1,611,404	454,300	255%
Other post-employment benefits	20,700,307	24,936,805	-17%
Total Long-Term Debt	\$ 32,324,224	\$ 38,611,442	-16%

VIII. Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District is uncertain as to the level of state aid in the upcoming years as a result of the Pandemic. New York State enacted a 2020-21 budget provision that provides for three time periods during the State's fiscal year at which time the Division of Budget will evaluate revenue and expenditures against its budget projections and potentially adjust State aid to school districts that could result in mid-year cuts. In addition, 2020-21 State aid includes a reduced "Pandemic Adjustment" which is being offset with Federal Stimulus funds.

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Southwestern Central School District
District Administrative Offices
600 Hunt Road
Jamestown, New York 14701

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

Schedule 1

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	<u>2020</u>	<u>2019</u>
Assets		
Cash		
Unrestricted	\$ 1,215,548	\$ 1,203,835
Restricted	2,139,061	2,302,583
Receivables		
State and federal aid	2,170,545	1,732,914
Accounts receivable	97,151	20,780
Due from fiduciary funds	166,647	144,515
Inventories	9,323	9,862
Cash to be used for capital assets	2,262,403	417,427
Net pension asset	1,446,601	1,013,628
Capital assets, net	61,966,331	53,914,963
Total assets	<u>71,473,610</u>	<u>60,760,507</u>
Deferred Outflows of Resources		
Deferred outflows related to long-term debt	166,290	243,199
Deferred outflows related to OPEB	3,399,287	3,213,619
Deferred outflows related to pensions	5,795,399	5,770,766
Total deferred outflows of resources	<u>9,360,976</u>	<u>9,227,584</u>
Total assets and deferred outflows of resources	<u>\$ 80,834,586</u>	<u>\$ 69,988,091</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 736,857	\$ 606,724
Accrued liabilities	134,452	124,373
Accrued interest	221,000	98,000
Due to other governments	-	106,388
Due to retirement systems	950,595	1,095,981
Unearned revenue	2,003	15,071
Bond anticipation notes payable	27,529,137	16,172,531
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	2,940,000	3,005,000
Portion due or payable after one year		
Bonds payable	7,072,513	10,215,337
Net pension liability	1,611,404	454,300
Other post-employment benefits	20,700,307	24,936,805
Total liabilities	<u>61,898,268</u>	<u>56,830,510</u>
Deferred Inflows of Resources		
Deferred inflows related to OPEB	2,562,876	920,467
Deferred inflows related to pensions	1,979,832	1,414,935
Total deferred inflows of resources	<u>4,542,708</u>	<u>2,335,402</u>
Net Position		
Invested in capital assets, net of related debt	24,203,681	24,424,095
Restricted	2,139,061	2,302,583
Unrestricted (deficit)	(11,949,132)	(15,904,499)
Total net position	<u>14,393,610</u>	<u>10,822,179</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 80,834,586</u>	<u>\$ 69,988,091</u>

See accompanying independent auditor's report and notes to financial statements.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 2

Page 11

			Program Revenues		2020	2019
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs						
General support	\$ 4,051,184	\$ 370,296	\$ -	\$ -	\$ (4,421,480)	\$ (4,261,518)
Instruction	17,674,226	1,487,648	115,138	857,631	(18,189,105)	(19,880,913)
Pupil transportation	1,207,170	375,899	-	5,264	(1,577,805)	(1,465,992)
Community services	25,833	-	-	-	(25,833)	(37,743)
Debt service	790,506	-	-	-	(790,506)	(765,621)
Food service program	434,401	-	84,917	299,139	(50,345)	(60,862)
Depreciation	2,233,843	(2,233,843)	-	-	-	-
Total functions and programs	\$ 26,417,163	\$ -	\$ 200,055	\$ 1,162,034	(25,055,074)	(26,472,649)
General Revenues						
Real property taxes					13,199,030	12,952,708
Use of money and property					49,067	54,069
Sale of property and compensation for gain (loss)					(38,498)	(25,253)
Miscellaneous and donations					301,637	354,178
State sources					14,965,183	13,991,209
Federal sources					150,086	161,352
Total general revenues					28,626,505	27,488,263
Change in net position					3,571,431	1,015,614
Net position - beginning of year					10,822,179	9,806,565
Net position - end of year					\$ 14,393,610	\$ 10,822,179

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2020

Schedule 3

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	Governmental Funds						2020	2019
	General	Special Aid	Food Service	Debt Service	Capital Projects	Miscellaneous Special Revenue	(Memo only) Total	(Memo only) Total
Assets								
Unrestricted cash	\$ 3,340,050	\$ 4,568	\$ 7,436	\$ -	\$ -	\$ -	\$ 3,352,054	\$ 1,338,537
Restricted cash	1,383,237	-	-	584,829	31,223	265,669	2,264,958	2,585,308
Accounts receivable	97,150	-	1	-	-	-	97,151	20,780
Due from other funds	832,410	1,993	-	265	2,231,180	-	3,065,848	1,326,287
State and federal aid receivable	1,646,756	457,346	66,443	-	-	-	2,170,545	1,732,914
Inventories	-	-	9,323	-	-	-	9,323	9,862
Total assets	<u>\$ 7,299,603</u>	<u>\$ 463,907</u>	<u>\$ 83,203</u>	<u>\$ 585,094</u>	<u>\$ 2,262,403</u>	<u>\$ 265,669</u>	<u>\$ 10,959,879</u>	<u>\$ 7,013,688</u>
Liabilities and Fund Equity								
Liabilities								
Accounts payable	\$ 67,756	\$ -	\$ 30,672	\$ -	\$ 638,429	\$ -	\$ 736,857	\$ 606,724
Accrued liabilities	122,576	-	11,876	-	-	-	134,452	124,373
Bond anticipation notes payable	-	-	-	-	27,529,137	-	27,529,137	16,172,531
Due to other funds	2,130,572	463,907	6,422	60,939	203,361	34,000	2,899,201	1,181,772
Unearned revenue	2,003	-	-	-	-	-	2,003	15,071
Due to other governments	-	-	-	-	-	-	-	106,388
Due to Teachers' Retirement System	870,535	-	-	-	-	-	870,535	1,022,647
Due to Employees' Retirement System	80,060	-	-	-	-	-	80,060	73,334
Total liabilities	<u>3,273,502</u>	<u>463,907</u>	<u>48,970</u>	<u>60,939</u>	<u>28,370,927</u>	<u>34,000</u>	<u>32,252,245</u>	<u>19,302,840</u>
Fund Equity								
Nonspendable	-	-	9,323	-	-	-	9,323	9,862
Restricted	1,383,237	-	-	524,155	-	231,669	2,139,061	2,302,583
Assigned	859,307	-	24,910	-	-	-	884,217	1,007,488
Unassigned (deficit)	1,783,557	-	-	-	(26,108,524)	-	(24,324,967)	(15,609,085)
Total fund equity (deficit)	<u>4,026,101</u>	<u>-</u>	<u>34,233</u>	<u>524,155</u>	<u>(26,108,524)</u>	<u>231,669</u>	<u>(21,292,366)</u>	<u>(12,289,152)</u>
Total liabilities and fund equity	<u>\$ 7,299,603</u>	<u>\$ 463,907</u>	<u>\$ 83,203</u>	<u>\$ 585,094</u>	<u>\$ 2,262,403</u>	<u>\$ 265,669</u>	<u>\$ 10,959,879</u>	<u>\$ 7,013,688</u>

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 4

Page 13

	Governmental Funds						2020	2019
	General	Special Aid	Food Service	Debt Service	Capital Projects	Miscellaneous Special Revenue	(Memo only) Total	(Memo only) Total
Revenue								
Real property taxes	\$ 13,199,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,199,030	\$ 12,952,708
Charges for services	115,138	-	-	-	-	-	115,138	51,885
Use of money and property	32,671	-	-	15,531	200	665	49,067	54,069
Sale of property compensation for loss	43,060	-	-	-	-	-	43,060	2,145
Miscellaneous	145,265	-	-	-	-	-	145,265	234,783
State sources	14,965,183	181,103	9,100	-	-	-	15,155,386	14,305,346
Federal sources	150,086	681,792	258,365	-	-	-	1,090,243	1,013,104
Surplus food	-	-	31,674	-	-	-	31,674	23,073
Sales (school food service)	-	-	84,917	-	-	-	84,917	112,613
Total revenue	28,650,433	862,895	384,056	15,531	200	665	29,913,780	28,749,726
Expenditures								
General support	3,406,060	-	-	-	-	-	3,406,060	3,511,785
Instruction	13,683,708	666,947	-	-	-	-	14,350,655	14,206,776
Pupil transportation	850,552	5,264	-	-	470,176	-	1,325,992	1,364,145
Community services	25,833	-	-	-	-	-	25,833	37,743
Employee benefits	5,931,038	190,684	-	-	-	-	6,121,722	6,244,266
Debt service	4,438,752	-	-	-	-	-	4,438,752	4,105,974
Capital outlay	-	-	-	-	9,595,361	-	9,595,361	7,431,960
Cost of sales	-	-	336,124	-	-	-	336,124	333,546
Other expenses	-	-	113,198	-	-	-	113,198	100,181
Total expenditures	28,335,943	862,895	449,322	-	10,065,537	-	39,713,697	37,336,376
Excess (deficiency) of revenue over expenditures	314,490	-	(65,266)	15,531	(10,065,337)	665	(9,799,917)	(8,586,650)
Other sources and uses								
Premiums earned from financing	-	-	-	156,372	-	-	156,372	119,395
BANs redeemed from appropriations	-	-	-	-	640,331	-	640,331	248,000
Operating transfers in	208,000	-	-	-	-	-	208,000	226,983
Operating transfers out	-	-	-	(174,000)	-	(34,000)	(208,000)	(226,983)
Total other sources (uses)	208,000	-	-	(17,628)	640,331	(34,000)	796,703	367,395
Excess (deficiency) of revenue and other sources over expenditures and other uses	522,490	-	(65,266)	(2,097)	(9,425,006)	(33,335)	(9,003,214)	(8,219,255)
Fund equity (deficit), beginning of year	3,503,611	-	99,499	526,252	(16,683,518)	265,004	(12,289,152)	(4,069,897)
Fund equity (deficit), end of year	\$ 4,026,101	\$ -	\$ 34,233	\$ 524,155	\$ (26,108,524)	\$ 231,669	\$ (21,292,366)	\$ (12,289,152)

See accompanying independent auditor's report and notes to financial statements.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2020

Schedule 5

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	Private Purpose Trusts	Agency Funds	Total 6/30/2020	Total 6/30/2019
Assets				
Cash	\$ 196	\$ 445,999	\$ 446,195	\$ 520,750
Total assets	\$ 196	\$ 445,999	\$ 446,195	\$ 520,750
Liabilities				
Accrued liabilities	\$ -	\$ 207,972	\$ 207,972	\$ 298,052
Due to other funds	-	166,647	166,647	144,515
Student extraclassroom activity funds	-	71,380	71,380	77,230
Total liabilities	-	445,999	445,999	519,797
Net position				
Reserved for scholarships	196	-	196	392
Total net position	196	-	196	392
Total liabilities and net position	\$ 196	\$ 445,999	\$ 446,195	\$ 520,189

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 6

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	6/30/2020	6/30/2019
Additions		
Gifts and contributions	\$ -	\$ 1,000
Total additions	-	1,000
Deductions		
Scholarships awarded	757	439
Total deductions	757	439
Change in net position	(757)	561
Net position - beginning of year	953	392
Net position - end of year	<u>\$ 196</u>	<u>\$ 953</u>

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

Total fund balances - governmental funds		\$ (21,292,366)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:		
Cost of the assets	\$ 86,570,488	
Accumulated depreciation	<u>(24,604,157)</u>	61,966,331
The net difference in an advanced bond refunding between the acquisition price of the refunding bonds and the remaining principal of the refunded bonds is reported as a defeasement loss on the statement of net position and is amortized.		166,290
District's proportionate share of the net pension asset is reported on the statement of net position, whereas in the governmental funds, pension costs are based on required contributions		1,446,601
Net deferred outflows (inflows) of resources related to actuarial pension/OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, pension and OPEB expense is based on required contributions		4,651,978
Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(221,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:		
Bonds payable, net	(10,012,513)	
Net pension liability	(1,611,404)	
Other post-employment benefits	<u>(20,700,307)</u>	<u>(32,324,224)</u>
Total net position - governmental activities		<u>\$ 14,393,610</u>

	Total Governmental Funds	Long-term Asset & Outflow Transactions	Long-term Liability & Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 5,617,012	\$ -	\$ -	\$ (2,262,403)	\$ 3,354,609
Due from other funds	3,065,848	-	-	(2,899,201)	166,647
State and federal aid receivable	2,170,545	-	-	-	2,170,545
Accounts receivable	97,151	-	-	-	97,151
Inventories	9,323	-	-	-	9,323
Cash to be used for capital assets	-	-	-	2,262,403	2,262,403
Net pension asset	-	1,446,601	-	-	1,446,601
Capital assets, net	-	61,966,331	-	-	61,966,331
Total assets	10,959,879	63,412,932	-	(2,899,201)	71,473,610
Deferred Outflows of Resources					
Deferred outflows related to long-term debt	-	166,290	-	-	166,290
Deferred outflows related to OPEB	-	3,399,287	-	-	3,399,287
Deferred outflows related to pensions	-	5,795,399	-	-	5,795,399
Total deferred outflows of resources	-	9,360,976	-	-	9,360,976
Total assets and deferred outflows of resources	\$ 10,959,879	\$ 72,773,908	\$ -	\$ (2,899,201)	\$ 80,834,586
Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position					
Liabilities					
Accounts payable	\$ 736,857	\$ -	\$ -	\$ -	\$ 736,857
Accrued liabilities	134,452	-	-	-	134,452
Accrued interest	-	-	221,000	-	221,000
Due to other funds	2,899,201	-	-	(2,899,201)	-
Unearned revenue	2,003	-	-	-	2,003
Due to retirement systems	950,595	-	-	-	950,595
Bond anticipation notes payable	27,529,137	-	-	-	27,529,137
Bonds payable, net	-	-	10,012,513	-	10,012,513
Net pension liability	-	-	1,611,404	-	1,611,404
Other post-employment benefits	-	-	20,700,307	-	20,700,307
Total liabilities	32,252,245	-	32,545,224	(2,899,201)	61,898,268
Deferred Inflows of Resources					
Deferred inflows related to OPEB	-	-	2,562,876	-	2,562,876
Deferred inflows related to pensions	-	-	1,979,832	-	1,979,832
Total deferred inflows of resources	-	-	4,542,708	-	4,542,708
Fund equity and net position	(21,292,366)	72,773,908	(37,087,932)	-	14,393,610
Total liabilities, deferred inflows of resources and fund equity/net position	\$ 10,959,879	\$ 72,773,908	\$ -	\$ (2,899,201)	\$ 80,834,586

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Total net change in fund balances - governmental funds \$ (9,003,214)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	\$ 10,366,769	
Depreciation expense	<u>(2,233,843)</u>	8,132,926

Proceeds from the sale of assets are recorded as revenue in the governmental funds, whereas in the statement of activities a gain or loss is reported. (81,558)

Repayment of bonds, bond anticipation notes and energy performance contract principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, debt issuance costs are expensed when incurred. 3,645,331

Bond anticipation notes redeemed from appropriations is recorded as revenue and other sources in the governmental funds, whereas the repayment reduces short-term liabilities in the statement of net position. (640,331)

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds, pension expense is based on the District's contribution to pension plans. (1,264,395)

District's actuarial calculated OPEB expense and net amortization of deferred outflows and inflows are recorded in the statement of activities, whereas in the governmental funds, OPEB expense is based on the District's contributions to the OPEB plan. 2,779,757

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, premiums earned from the issuance of long-term debt are recorded as revenue in governmental funds. However, in the statement of activities, premiums earned are deferred and amortized over the life of the debt through interest expense. This also includes the amortization of defeasement losses from bond refundings. 2,915

Change in net position of governmental activities \$ 3,571,431

	Total Governmental Funds	Long-term Asset & Outflow Transactions	Long-term Liability & Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 13,199,030	\$ -	\$ -	\$ -	\$ 13,199,030
Charges for services	115,138	-	-	(115,138)	-
Use of money and property	49,067	-	-	-	49,067
Sale of property compensation for loss	43,060	(81,558)	-	-	(38,498)
Miscellaneous	145,265	-	-	156,372	301,637
State sources	15,155,386	-	-	(190,203)	14,965,183
Federal sources	1,090,243	-	-	(940,157)	150,086
Surplus food	31,674	-	-	(31,674)	-
Sales (school food service)	84,917	-	-	(84,917)	-
Total revenue	29,913,780	(81,558)	-	(1,205,717)	28,626,505
Expenditures					
General support	3,406,060	260,355	-	755,065	4,421,480
Instruction	14,350,655	1,335,604	(2,779,757)	5,282,603	18,189,105
Pupil transportation	1,325,992	(118,603)	-	370,416	1,577,805
Community services	25,833	-	-	-	25,833
Employee benefits	6,121,722	-	1,264,395	(7,386,117)	-
Debt service	4,438,752	-	(3,648,246)	-	790,506
Capital outlay	9,595,361	(9,595,361)	-	-	-
Cost of sales	336,124	-	-	(285,779)	50,345
Other expenses	113,198	(14,921)	-	(98,277)	-
Total expenditures	39,713,697	(8,132,926)	(5,163,608)	(1,362,089)	25,055,074
Excess (deficiency) of revenue over expenditures	(9,799,917)	8,051,368	5,163,608	156,372	3,571,431
Other sources and uses					
Premiums earned from financing	156,372	-	-	(156,372)	-
BANs redeemed from appropriations	640,331	-	(640,331)	-	-
Operating transfers in	208,000	-	-	(208,000)	-
Operating transfers out	(208,000)	-	-	208,000	-
Total other sources (uses)	796,703	-	(640,331)	(156,372)	-
Net change for year	\$ (9,003,214)	\$ 8,051,368	\$ 4,523,277	\$ -	\$ 3,571,431

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

The accompanying financial statements of the **Southwestern Central School District** have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

1. The Extraclassroom Activity Funds

The extraclassroom activity funds of the **Southwestern Central School District** represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are available in the District's offices.

B. Joint Venture

The **Southwestern Central School District** is one of 27 component school districts in the Erie 2 – Chautauqua-Cattaraugus Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Joint Venture (continued)

Each component school district's share of the administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year, the District was billed approximately \$4,074,000 for BOCES administration, capital, and program costs. The District's share of BOCES aid and refunds amounted to \$1,676,000 for the year ended June 30, 2020. Financial statements for the Erie 2 – Chautauqua-Cattaraugus BOCES are available at the BOCES administrative offices in Angola, New York

C. Basis of Presentation

1. 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 double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

2. Fund Financial Statements

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

The District reports the following major governmental funds:

General - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid - is used to account for the proceeds of specific revenue sources such as Federal and State grants that are legally restricted to expenditures for specified purposes, whose funds are restricted as to use. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

Food Service – is used to account for all revenue and expenditures pertaining to the cafeteria operations.

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

Debt Service - is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

Miscellaneous Special Revenue – is used to account for and report those revenues that are restricted and committed to expenditures for specified purposes.

Fiduciary Fund Types - This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. Included in the Fiduciary Fund are Private Purpose Trust Funds and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting. Private Purpose Trust Funds are accounted for on the accrual basis of accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting

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

The 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 the current period or soon enough thereafter to be used to pay liabilities of the current period, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments of three months or less are considered as cash equivalents. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Investments

Investments are stated at the lower of cost or current market value.

G. Accounts Receivable

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

H. Inventory

Inventories of food in the School Food Service Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase.

I. Due To/From Other Funds

The amounts reported on the Statement of Net Position for due to and from other funds represents amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

J. Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers to provide services and construct assets.

K. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received. During the current year, the District had a full independent appraisal of its fixed assets and as a result restated its fixed assets to reflect estimated historical cost and accumulated depreciation as determined by the appraisal group.

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 as follows:

	Capitalization Threshold	Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	40 years
Site improvements	5,000	Straight-line	20 years
Furniture and equipment	5,000	Straight-line	10-15 years
Transportation Vehicles	5,000	Straight-line	5-8 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. 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 typically has several items that qualify for reporting in this category and is related to pensions and long-term debt reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also, the District contributions to the pension (TRS and ERS Systems) and OPEB systems subsequent to the measurement date qualifies as a deferred outflows or resources. Additionally, the District reports actuarial differences related to OPEB which are deferred and amortized as a deferred outflow. Finally, the net difference in an advanced bond refunding between the acquisition price of the refunding bonds and the remaining principal of the refunded bonds is reported as a deferred outflow on the statement of net position and is amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category and is related to pensions 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 and TRS Systems) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents actuarial differences which are deferred and amortized.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Compensated Absences

Sick leave – the District’s employee groups received a negotiated number of sick days which are earned on an annual basis. These sick days may be accumulated to a maximum of 200 days under the professionals and support staff contracts and 225 days for the administrators. Administrators and teachers hired after October 1, 2014 can convert unused sick leave towards the purchase of health insurance. Teachers hired after October 1, 2014 must meet a minimum of 10 years of service requirement and give notification by January 1st of the active school year prior to retirement.

N. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

O. Unearned Revenue

Unearned revenue is reported on the District’s combined balance sheet. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

P. Post-Employment Benefits

In addition to the retirement benefits described elsewhere in the notes to the financial statements, the District provides post-employment health insurance coverage to certain retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups.

Professional staff may become eligible for these benefits if they are eligible to retire pursuant to the New York State Teacher’s Retirement System. Support staff, hired before July 1, 2006, may become eligible for these benefits if they are employed with the District for 8 years prior to retirement. The agreements give such employee groups the following options:

1. Option A: For professional staff hired before October 1, 2014, the District will pay 50% of the premium for single plans and 40% for family plans for a maximum of twenty five years. For support staff, the District will pay 55% of the premium for both single and family plans for life.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Post-Employment Benefits (continued)

2. Option B: Provided the District receives notice of the intent to retire and if the professional retires during the initial year he or she is eligible to retire, the District will pay 100% of the premium for single and 2 person PPO or POS, or 95% of family traditional, PPO or POS health insurance plans, until the retiree reaches the age of 65 years old.
3. Option C: Provided 10 years of service with the District the employee can convert accumulated unused sick leave up to a maximum of 200 days at a rate of \$165 per day.

Employees hired after October 1, 2014 are only eligible for option C above. Also, certain administrators have also negotiated provisions of post-employment benefits into their contract.

Q. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). Nonspendable Fund Balance includes the following category:

1. Inventory Reserve

This reserve is used to limit the investment in inventory and to restrict that portion of fund balance which is unavailable for appropriation. This reserve is accounted for in the School Food Service Fund.

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted Fund Balance includes the following categories:

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

1. Capital Reserve

This reserve is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. Voter authorization is required for both the establishment of the reserves and payments from the reserves. This reserve is accounted for in the General Fund.

2. Reserve for Retirement Contributions and TRS subfund

These reserves are used to accumulate funds for employee retirement system and the TRS system contributions. These reserves may be established by a majority vote of the Board of Education and are accounted for in the General Fund.

3. Unemployment Reserve

Unemployment Insurance Reserve is used to pay the cost of reimbursement to the State Unemployment 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 be either 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 basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

4. Tax Certiorari Reserve

Tax Certiorari Reserve is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amounts which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeding in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

5. Reserve for Debt Service

This reserve is used to account for proceeds from the sale of property that was financed by

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

5. Reserve for Debt Service

obligations still outstanding, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose. These monies must be used to pay the debt service of the obligations from which they originated. Their reserve is accounted for in the Debt Service Fund.

6. Endowment Scholarships and Foundation Endowment Reserve

This reserve is used to account for endowments, scholarships and other funds held in trust by the School District. These monies and earnings must be used for the specific purpose of the original contribution. This reserve is accounted for in the Private Purpose Trust fund.

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2020.

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager and Treasurer has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. Reserve for encumbrances totaled \$209,307 as of June 30, 2020.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Fund Equity (continued)

1. Governmental Funds (continued)

D. Assigned (continued)

2. Appropriated Fund Equity

General Fund - The amount of \$650,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2021 as allowed by Section 1318 of the Real Property Tax Law.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

2. Government-wide financial statements

A. Net Investment in Capital Assets

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents net position of the District not restricted for any other purpose.

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. There were no supplemental appropriations in the General Fund during the fiscal year ended June 30, 2020. The budget was increased for the proceeds of a vehicle in the amount of \$18,300.

2. Budget Basis for Accounting

Budgets are adopted annually on a basis consistent with the fund financial statements and the modified accrual basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The budget and actual comparison for Special Revenue Funds, reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

Budgetary controls for the special revenue (other than School Food Service Fund) and capital funds are established in accordance with the applicable grant agreement or authorized project limit which may cover a period other than the District's fiscal year. Consequently, the budgets for such funds have been excluded from the combined schedule of revenue, expenditures and changes in fund equity - budget and actual.

S. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on October 31.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Property Taxes (continued)

2. Enforcement

Uncollected real property taxes are subsequently enforced by the County, in which the School District is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the forthcoming April 1.

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

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

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

Total fund equity of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

1. 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.

2. Capital Related Differences

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

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

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

3. Long-term Debt Transaction Differences

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

4. 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.

5. 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 - DETAIL NOTES ON ALL FUNDS

I. Cash

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

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

Deposits are valued at cost or cost plus interest and are categorized as either:

- (1) Insured through the Federal Deposit Insurance Corporation, collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
- (3) Uncollateralized

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Cash (continued)

Total financial institution (bank) balances at June 30, 2020 per the bank were approximately \$6,923,000. Deposits are categorized as follows:

Category 1	Category 2	Category 3	Value
\$ 323,000	\$ 6,600,000	\$ -	\$ 6,923,000

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, New York State statutes govern the District's investment policies. At June 30, 2020, the District's bank deposits were fully collateralized.

II. Interfund Transactions

Interfund balances as of June 30, 2020 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 832,410	\$ 2,130,572
Food Service Fund	-	6,422
Special Aid Fund	1,993	463,907
Agency Fund	-	166,647
Miscellaneous Special Revenue Fund	-	34,000
Debt Service Fund	265	60,939
Capital Fund	2,231,180	203,361
Total	\$ 3,065,848	\$ 3,065,848

Interfund transactions for the year ended June 30, 2020 are as follows:

	Interfund Revenue	Interfund Expenditures
General Fund	\$ 208,000	\$ -
Debt Service Fund	-	174,000
Capital Projects Fund	-	-
Miscellaneous Special Revenue Fund	-	34,000
Total	\$ 208,000	\$ 208,000

The District transferred \$34,000 from the miscellaneous special revenue fund to the general fund which represents the local share of a previous District capital project, utilized to offset related debt service costs. Additionally, the District transferred \$174,000 from the debt service fund to the general fund to offset principal and interest payments on outstanding debt obligations, as budgeted.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

III. Receivables

Receivables at June 30, 2020 consisted of the following, which are stated at gross value. District management has deemed the amounts to be fully collectible.

Fund	Description	Amount
Food Service	Accounts receivable	\$ 1
Food Service	State and Federal Aid	66,443
Special Aid	State and Federal Aid	457,346
General	Accounts receivable	(3,651)
General	State and Federal Aid	1,646,756
General	Due from Other Governments	100,801
Capital	State and Federal Aid	-
		\$ 2,267,696

IV. Capital Assets

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

	Beginning Balance 06/30/19	Change	Ending Balance 06/30/20
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 2,265,450	\$ -	\$ 2,265,450
Construction-in-Progress	2,866,918	7,479,882	10,346,800
Subtotal	5,132,368	7,479,882	12,612,250
Capital assets that are depreciated:			
Buildings and improvements	67,312,198	2,083,716	69,395,914
Furniture and equipment	4,937,585	(375,261)	4,562,324
Total historical cost	77,382,151	\$ 9,188,337	86,570,488
Less accumulated depreciation:			
Buildings and improvements	20,760,759	\$ 1,871,898	22,632,657
Furniture and equipment	2,706,429	(734,929)	1,971,500
Total accumulated depreciation	23,467,188	\$ 1,136,969	24,604,157
Total net book value	\$ 53,914,963		\$ 61,966,331

Additions totaling approximately \$10,367,000 during the current year related to Phases V and VI, and transportation vehicles and other miscellaneous equipment.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General support	\$ 370,296
Instruction	1,487,648
Pupil transportation	375,899
	<u>\$ 2,233,843</u>

V. Liabilities

A. Pension Plans

1. Plan Descriptions and Benefits Provided

a. Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). 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 State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

b. 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 (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided (continued)

b. Employees' Retirement System (ERS) (continued)

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.

2. Contributions

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 percent 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 ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

	ERS	TRS
2020	\$ 284,000	\$ 834,000
2019	\$ 293,000	\$ 987,000
2018	\$ 286,000	\$ 895,000

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Measurement date	ERS	TRS
	3/31/2020	6/30/2019
Net pension asset (liability)	\$ (1,611,404)	\$ 1,446,601
District's portion of the Plan's total net pension liability	.0060852%	.055681%

For the year ended June 30, 2020, the District's recognized pension expense of \$578,747 for ERS and \$1,812,024 for TRS. At June 30, 2020 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 94,838	\$ 980,325	\$ -	\$ 107,572
Changes of assumptions	32,446	2,732,823	28,017	666,340
Net difference between projected and actual earnings on pension plan investments	826,084	-	-	1,160,100
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	102,941	111,457	17,803	-
District's contributions subsequent to the measurement date	80,060	834,425	-	-
Total	\$ 1,136,369	\$ 4,659,030	\$ 45,820	\$ 1,934,012

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

Year ending:	ERS	TRS
2021	\$ 188,641	\$ 677,515
2022	260,716	64,580
2023	315,821	675,143
2024	245,311	454,380
2025	-	61,940
Thereafter	-	(42,965)

4. 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 update procedures used to roll forward the total pension asset/(liability) to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	3/31/20	6/30/19
Actuarial valuation date	4/1/19	6/30/18
Interest rate	6.8%	7.10%
Salary scale	4.2% average 4/1/10 – 3/31/15	1.90% - 4.72% 7/1/09 – 6/30/14
	System's	System's
Decrement tables	Experience	Experience
Inflation rate	2.5%	2.20%

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

4. Actuarial Assumptions (continued)

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2018. For TRS, annuitant mortality rates are based on member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2018, applied on a generational basis. Active mortality rates are based on plan member experience.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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 below:

Measurement date	ERS 3/31/20	Expected Rate of Return	TRS 6/30/19	Expected Rate of Return
Asset Type:				
Domestic Equity	36%	4.05%	33%	6.3%
International Equity	14%	6.15%	16%	7.8%
Global Equity	-%	-%	4%	7.2%
Private Equity	10%	6.75%	8%	9.9%
Real Estate	10%	4.95%	11%	4.6%
Absolute return strategies	2%	3.25%	-%	-%
Opportunistic portfolio	3%	4.65%	-%	-%
Real assets	3%	5.95%	-%	-%
Domestic fixed income securities	-%	-%	16%	1.3%
Global fixed income securities	-%	-%	2%	.9%
High-yield fixed income	-%	-%	1%	3.6%
Bonds and Mortgages	17%	.75%	-%	-%
Cash and short term	1%	-%	1%	.3%
Inflation-indexed bond funds	4%	.5%	-%	-%
Real estate debt	-%	-%	7%	2.9%
Private debt	-%	-%	1%	6.5%
Total:	100%		100%	

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

5. Discount Rate

The discount rate used to calculate the total pension asset (liability) was 6.8% for ERS and 7.10% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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).

6. Sensitivity of the Proportionate Share of the Net Pension Asset (Liability) to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 6.8% for ERS and 7.1% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (5.8% for ERS and 6.1% for TRS) or 1-percentage point higher (7.8% for ERS and 8.1% for TRS) than the current rate:

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
ERS			
Employer's proportionate share of the net pension asset (liability)	\$ (2,957,381)	\$ (1,611,404)	\$ (371,753)

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

6. Sensitivity of the Proportionate Share of the Net Pension Asset (Liability) to the Discount Rate Assumption (continued)

	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
TRS			
Employer's proportionate share of the net pension asset (liability)	\$ (6,529,807)	\$ 1,446,601	\$ 8,137,908

7. Pension Plan Fiduciary Net Position

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

Measurement date	(Dollars in Thousands)	
	ERS 3/31/20	TRS 6/30/20
Employers' total pension liability	\$ 194,596,261	\$ 119,879,474
Plan net position	\$ 168,115,682	\$ 122,477,481
Employers' net pension asset (liability)	\$ (26,480,579)	\$ 2,598,007
Ratio of plan net position to be Employers' total pension asset (liability)	86.39%	102.2%

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$80,060.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$870,535 (employer contribution of \$834,425 and employee contribution of \$36,110).

B. Other Post-Employment Benefits

Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the District and specified in the District's employment contracts.

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2020 the plan had total active employees of 211 and retirees of 233.

Total OPEB Liability

The District's total OPEB liability of \$20,700,307, was measured as of March 31, 2020 and was determined by an actuarial valuation dated July 1, 2018.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Actuarial Methods and Other Inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified and actuarially rolled forward to the March 31, 2020 measurement date:

Inflation	2.5% per year
Salary increases	3.22% per year
Discount rate	3.44% for 2019 and 2.48% for 2020
Healthcare cost trend rates	2020 – 5.2% reduced to an ultimate rate of 4.18% after 2070.
Retirees' share of benefit-related costs	Varies based on year employed by District

The discount rate was based on a yield for 20 year tax-exempt general obligation municipal bonds.

Mortality rates were based on the RP-2000 Combined Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the valuation were chosen to be consistent with the requirements of GASB 75 and Actuarial Standards of Practice.

Changes in the Total OPEB Liability

Service cost	\$ 544,011
Interest	843,873
Changes of benefit terms	(528,373)
Differences between expected and actual experience	(5,794,882)
Changes in assumptions	1,648,510
Benefit payments	(949,637)
Net changes	(4,236,498)
Net OPEB liability – beginning of year	24,936,805
Net OPEB liability – end of year	<u>\$ 20,700,307</u>

Changes in assumptions reflect a change in the discount rate from 3.44% in 2019 to 2.48% in 2020.

Changes in benefit terms consists of changes to the Southwestern Teacher's Association, Option B for retirees after September 1, 2015 was changed to retiring after July 1, 2019. The District's contribution of 100% of health insurance premiums was changed to 100% of the premium for Single or 2 Person PPO or POS, or 95% of Family Traditional, PPO or POS health insurance.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.48%) or 1 percentage point higher (3.48%) than the current discount rate:

	1% Decrease (1.48%)	Current Assumption (2.48%)	1% Increase (3.48%)
Total OPEB liability	\$ 22,301,629	\$ 20,700,307	\$ 19,209,224

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease (4.2% - 3.18%)	Current Assumption (5.2% - 4.18%)	1% Increase (6.2% - 5.18%)
Total OPEB liability	\$ 18,723,560	\$ 20,700,307	\$ 22,918,886

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

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

For the year ended June 30, 2020, the District recognized OPEB expense (benefit) of (\$1,803,951). At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,613,025	\$ 1,931,627
Benefit payments subsequent to the measurement date	236,759	-
Changes in assumptions	549,503	631,249
Total	\$ 3,399,287	\$ 2,562,876

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

Year ending:	
2021	\$ (1,086,336)
2022	295,788
2023	295,788
2024	295,788
2025	295,788
Thereafter	502,836

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. The liability for all bond anticipation notes issued by the District is included in the capital project fund. On July 26, 2018, the District issued bond anticipation notes in the amount of \$665,598 which matured on July 25, 2019 and carried interest at 2.75%. On July 25, 2019, the District issued bond anticipation notes in the amount of \$8,464,135 (new proceeds of \$7,946,935) which matures on July 22, 2020 and carries interest at 2%. The District redeemed \$148,398 from appropriations related to this bond anticipation note. On June 27, 2019, the District issued bond anticipation notes in the amount of \$15,506,933 which matured on June 25, 2020 and carried interest at 2.25%. On June 25, 2020, the District issued bond anticipation notes in the amount of \$19,065,000 (new proceeds of \$4,050,000) which matures on June 24, 2021 and carries interest at 1.5%. The District redeemed \$491,933 from appropriations related to this bond anticipation note. Below is a schedule of outstanding bond anticipation notes as of June 30, 2020.

Description of Issue	Outstanding June 30, 2020
Bond anticipation notes, issued on July 25, 2019 with maturity date of July 22, 2020, bonds carry interest rate of 2%	\$ 8,464,135
Bond anticipation notes, issued on June 25, 2020 with maturity date of June 24, 2021, bonds carry interest rate of 1.5%	19,065,000
	<u>\$ 27,529,135</u>

b. Revenue Anticipation Note

Notes issued in the anticipation of revenue is recorded as a current liability of the fund that will actually receive proceeds from the issuance of the notes. The revenue anticipation note represents a liability that will be extinguished through the use of expendable available resources of the fund. There were no revenue anticipation notes issued or redeemed during the fiscal year ended June 30, 2020.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

1. Short-Term Debt (continued)

c. Short-term interest

During the fiscal year ended June 30, 2020, the District had interest on short-term debt in the amount of \$365,221, which is included in the General Fund.

2. Long-Term Debt

a. Debt Limit

At June 30, 2020, the total indebtedness represents approximately 50% of its debt limit.

b. Changes

The changes in the School District's indebtedness during the year ended June 30, 2020 are summarized as follows:

	Balance June 30, 2020	Balance June 30, 2019	Amounts Due Within One Year
General obligation bonds, net	\$ 10,012,513	\$ 13,220,337	\$ 2,940,000
Net pension liability	1,611,404	454,300	-
Other post-employment benefit liability	20,700,307	24,936,805	-
	<u>\$ 32,324,224</u>	<u>\$ 38,611,442</u>	<u>\$ 2,940,000</u>

During the year, the District made principal payments in the amount of \$3,005,000 and recorded amortization of bond premiums in the amount of \$202,824. The decrease in the other post-employment benefit liability of \$4,236,498 and increase in the net pension liability to the New York State Employees' Retirement System of \$1,157,104 were related to updated actuarial studies.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Summary

The following is a summary of maturity of indebtedness:

Description of Issue	Outstanding June 30, 2020
General Obligation Bonds, issued in 2001 (refunded in 2010) with a maturity date of June 2021, bonds carry interest from 2.25%-5%.	\$ 90,000
General Obligation Bonds, issued in 2012 (which refunded 2003 bond) with a maturity date of June 2028, bonds carry interest of 5%.	4,325,000
General Obligation Bonds, issued in 2015-16 (which refunded 2008 and 2010 bonds) with a maturity date of January 2025, bonds carry interest of 1.5%-2%.	5,195,000
	9,610,000
Plus: premiums earned on refunding, net of amortization	402,513
	<u>\$ 10,012,513</u>

d. Maturity

1. The following is a summary of maturity of serial bonds indebtedness on June 30, 2020.

Year	General Obligation Bond- 2001 Refunded in 2010	
	Principal	Interest
2021	\$ 90,000	\$ 3,050
Total	<u>\$ 90,000</u>	<u>\$ 3,050</u>

Year	General Obligation Bond- 2012	
	Principal	Interest
2021	\$ 1,555,000	\$ 216,250
2022	1,630,000	138,500
2023	170,000	57,000
2024	175,000	48,500
2025	185,000	39,750
2026-2028	610,000	62,000
Total	<u>\$ 4,325,000</u>	<u>\$ 562,000</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Maturity (continued)

Year	General Obligation Bond- 2016 (refunded 2008 and 2010 bonds)	
	Principal	Interest
2021	\$ 1,295,000	\$ 103,900
2022	1,320,000	78,000
2023	1,345,000	51,600
2024	845,000	24,700
2025	390,000	7,800
Total	<u>\$ 5,195,000</u>	<u>\$ 266,000</u>

e. Long-Term Debt Interest

Interest on long-term debt for the year ended June 30, 2020 amounted to \$428,200 and is included in the General Fund.

3. Bond Premiums and amortization

Premiums resulting from bond and other debt refinancing are being amortized over the life of the relating debt using the effective interest rate method.

4. Refunding of Long-Term Debt

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Fund Equity

A. Classification

The District's fund equity is comprised of various components.

Category / Fund	Description	Balance June 30, 2020
Nonspendable:	Reserve for inventory	\$ 9,323
Restricted:		
General	Reserve for retirement contributions	\$ 983,170
	TRS reserve	100,011
	Tax Certiorari reserve	50,889
	Capital reserve	78
	Unemployment reserve	249,089
		<u>\$ 1,383,237</u>
Debt Service	Reserve for debt service	<u>\$ 524,155</u>
Miscellaneous Special Revenue	Reserve for foundation endowment	<u>\$ 231,669</u>
Trust and Agency	Reserve for endowment scholarships	<u>\$ 196</u>
Assigned:		
General	Appropriated Fund Balance	\$ 650,000
	Encumbrances	209,307
		<u>\$ 859,307</u>
Food Service	Fund equity	<u>\$ 24,910</u>

B. District-wide Net Position

Net position of the District include restricted net position of \$2,139,061 which represent restricted amounts in the general, debt service and miscellaneous special revenue funds as presented above.

C. Deficit Fund Balance

The District's capital project fund had an accumulated deficit in the amount of \$ 26,108,524 as of June 30, 2020. It is not uncommon for school districts to have deficit fund balances in the capital projects fund as a result of short-term debt being recorded as liabilities until they are converted to long-term debt (serial bonds) or are redeemed at which time such proceeds are recorded as other financing sources revenue.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

1. General Information

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

2. Risk Sharing Pools

For its employee health and accident coverage, the *Southwestern Central School District* is a participant in the Chautauqua County School Districts' Medical Health Plan, a public entity risk pool operated for the benefit of various governmental units located within Chautauqua County. The School District pays monthly premiums to the Plan for this health coverage. The Plan is authorized to assess supplemental premiums to the participating districts. The Chautauqua County School Districts' Medical Health Plan obtains independent coverage for insured events in excess of this amount.

The *Southwestern Central School District* also participates in a risk sharing pool, Erie 2 – Chautauqua-Cattaraugus BOCES, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. Administrators of the Plan have indicated that the Plan's reserves are believed to be in excess of estimated unbilled and open claims.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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**NOTE 4 - COMMITMENTS AND CONTINGENCIES
(continued)**

B. Federal and State Grants

The District has received grants reported in the special aid fund which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, will not be material.

C. Compensated Absences

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability.

D. Litigation

The District, in the normal course of its operations, is involved in litigation. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the District's financial position.

NOTE 5 – MISCELLANOUS SPECIAL REVENUE FUND

Funds raised during the year ended June 30, 2007 from local foundations and donors amounted to \$595,149 of which \$490,000 represents the District's best estimate of the local share of the cost of the athletic facilities complex project. Funds in excess of the determined local share represent the amount to be set aside for turf replacement. The total funds held, which also includes accumulated interest earned, amounted to \$231,669 as of June 30, 2020.

During the year ended June 30, 2020, the District transferred \$34,000 of these funds to the general fund to offset debt service costs. In future years, the District intends to transfer additional funds from the miscellaneous special revenue fund to the general fund to offset debt service costs not covered by state building aid (local share).

NOTE 6 – TAX ABATEMENTS

The County of Chautauqua, New York, enters into various property tax abatement programs for the purpose of economic development. The total amount of taxes abated from these abatement programs during the year ended June 30, 2020 was approximately \$421,000. The District received payment in lieu of tax (PILOT) payments totaling approximately \$151,000 for the year ended June 30, 2020.

NOTE 7 – CAPITAL PROJECT

The voters of *Southwestern Central School District* approved a resolution authorizing a capital project with a maximum amount of \$15,900,000 (Phase V) to be financed with serial bonds, state excel aid and District funds. During the year ended June 30, 2020, the District expended a total of \$318,599 related to the project.

The voters of *Southwestern Central School District* approved a resolution authorizing a capital project with a maximum amount of \$12,600,000 (Phase VI) and \$1,325,000 (energy performance improvements) to be financed with serial bonds, state excel aid and District funds. During the year ended June 30, 2020, the District expended a total of \$8,041,626 related to the Phase IV project and \$1,235,136 related to the energy performance improvements project.

Also during the year ended June 30, 2020 the District incurred \$470,176 for the purchase of transportation vehicles.

NOTE 8 – COVID PANDEMIC

In March 2020, the World Health Organization declared the novel strain of COVID-19 (coronavirus) a global pandemic and has become increasingly widespread in the United States. The coronavirus outbreak has had a significant impact on financial markets and general economic conditions. As a result, the District was forced to close its school buildings and move to a remote learning environment for the remainder of the school year. The District froze certain spending but maintained the majority of its workforce and contracted services. The District also provided free breakfast and lunches to all students (except those who opted out) through the Federal Seamless Summer Option program.

Also, in March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed which provides funding and emergency assistance to Organizations including public school Districts. The New York State Department of Education has allocated approximately \$338,000 of CARES Act assistance to the District which is for the funding period of March 31, 2020 through September 30, 2022. As of June 30, 2020 the District has not applied any expenditures against this funding. In addition, 2020-21 State aid includes a reduced "Pandemic Adjustment" which is being offset with Federal Stimulus funds.

Lastly, New York State enacted 2020-21 budget grants the authority to the Division of Budget (DOB) Director to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by DOB which includes the ability to withhold and reduce specific local aid payments during the fiscal year.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 8 – COVID PANDEMIC (CONTINUED)

The State budget is deemed out of balance for the fiscal year, and the Director's powers are activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during the year (April 1-30, May 1-June 30, and July 1-December 31).

Given the uncertainty regarding the COVID-19 Pandemic, the overall financial impact of the District cannot be reasonable predicted or estimated at this time.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events were evaluated by Management through October 13, 2020, which is the date the financial statements were available to be issued.

For the 2020-21 year, the District is following its reopening plan that was submitted to New York State in July 2020. The District will continue to evaluate the plan and make necessary changes based on District assessments, along with County and State guidance.

SUPPLEMENTARY INFORMATION

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS1

	Adopted Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 13,202,150	\$ 13,202,150	\$ 13,199,030	\$ (3,120)
Charges for services	38,772	38,772	115,138	76,366
Use of money and property	30,000	30,000	32,671	2,671
Sale of property and compensation for loss	2,000	20,300	43,060	22,760
Miscellaneous	166,700	166,700	145,265	(21,435)
State Sources:				
Basic formula	13,017,749	13,017,749	13,247,649	229,900
BOCES	1,512,543	1,512,543	1,589,272	76,729
Textbooks	76,310	76,310	75,085	(1,225)
All other aid	52,946	52,946	53,177	231
Federal Sources:				
Medicaid reimbursement	90,000	90,000	150,086	60,086
Total revenue	28,189,170	28,207,470	28,650,433	442,963
Other Sources:				
Operating transfer in	208,000	208,000	208,000	-
Total revenue and other sources	28,397,170	28,415,470	\$ 28,858,433	\$ 442,963
Appropriated fund equity - reserves	160,000	160,000		
Appropriated fund equity, prior year encumbrances and supplemental appropriations	650,000	944,984		
Total revenue, other sources and appropriated fund equity	\$ 29,207,170	\$ 29,520,454		

See accompanying independent auditor's report.

	Adopted Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 30,186	\$ 55,086	\$ 32,285	\$ 5,895	\$ 16,906
Central administration	238,355	249,632	245,553	19	4,060
Finance	281,408	290,169	290,898	1,505	(2,234)
Staff	93,449	90,153	82,061	-	8,092
Central services	2,086,921	2,296,432	2,175,492	40,675	80,265
Special items	583,527	583,527	579,771	-	3,756
Instructional:					
Instruction, administration and improvement	992,880	1,027,147	980,748	8,105	38,294
Teaching - regular school	7,447,553	7,383,680	7,172,992	72,485	138,203
Programs for children with handicapping conditions	2,683,224	2,477,956	2,141,008	492	336,456
Teaching - special schools	25,500	36,613	20,838	-	15,775
Occupational education	952,522	972,459	966,349	228	5,882
Instructional media	1,182,399	1,317,904	1,297,329	1,925	18,650
Pupil services	1,170,907	1,253,181	1,104,444	34,404	114,333
Pupil Transportation	909,396	979,853	850,552	43,574	85,727
Community Services	32,633	33,284	25,833	-	7,451
Employee Benefits	5,809,703	5,967,193	5,931,038	-	36,155
Debt Service:					
Debt service principal	3,842,698	3,659,419	3,645,331	-	14,088
Debt service interest	843,909	846,766	793,421	-	53,345
Total expenditures	29,207,170	29,520,454	28,335,943	209,307	975,204
Other Uses:					
Transfer to other funds	-	-	-	-	-
Total other uses	-	-	-	-	-
Total expenditures and other uses	\$ 29,207,170	\$ 29,520,454	28,335,943	\$ 209,307	\$ 975,204
Excess of revenue and other sources over expenditures and other uses			\$ 522,490		

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS1A

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	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 6,900	\$ 9,100	\$ 2,200
Federal sources	194,000	258,365	64,365
Sales	116,000	84,917	(31,083)
Surplus food	27,000	31,674	4,674
Total revenue	<u>343,900</u>	<u>384,056</u>	<u>40,156</u>
Expenditures			
Cost of sales	330,000	336,124	(6,124)
Other expenses	114,793	113,198	1,595
Total expenditures	<u>444,793</u>	<u>449,322</u>	<u>(4,529)</u>
Net Change	<u>\$ (100,893)</u>	<u>(65,266)</u>	<u>\$ 35,627</u>
Fund equity, beginning of year		<u>99,499</u>	
Fund equity, end of year		<u>\$ 34,233</u>	

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS2

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CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 29,207,170
Additions:	
Prior year's encumbrances	294,984
Adopted budget after prior year encumbrances	<u>29,502,154</u>
Budget revisions:	
Vehicle sale	18,300
Final budget	<u><u>\$ 29,520,454</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter-approved expenditure budget	\$ 30,028,273
Maximum allowed (4% of 2020-21 budget)	\$ 1,201,131

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:

Committed fund balance	\$ -
Assigned fund balance	859,307
Unassigned fund balance	<u>1,783,557</u>
Total unrestricted fund balance	<u>2,642,864</u>

Less:

Appropriated fund balance	650,000
Encumbrances included in committed and assigned fund balance	<u>209,307</u>
Total adjustments	<u>859,307</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	<u><u>\$ 1,783,557</u></u>
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Actual percentage	5.94%
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* Per Office of State Comptroller's "Fund Balance Reporting and Governmental Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of the 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.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS3

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Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended (Overexpended) Balance	Proceeds of Obligations	Methods of financing			Fund Balance June 30, 2020		
			Prior Years	Current Year	Total			State Sources	Local Sources	Total			
School Reconstruction Project (Phase V)	\$ 15,900,000	\$ 15,900,000	\$ 15,553,798	\$ 318,599	\$ 15,872,397	\$ 27,603	\$ 13,670,933	\$ -	\$ 2,295,500	\$ 15,966,433	\$ 94,036		
School Reconstruction Project (Phase VI)	12,600,000	12,600,000	3,116,629	8,041,626	11,158,255	1,441,745	12,175,000	-	425,000	12,600,000	1,441,745		
Energy Performance Improvements	1,325,000	1,325,000	2,137	1,235,136	1,237,273	87,727	1,325,000	-	-	1,325,000	87,727		
Transportation vehicles	3,402,728	3,402,728	2,898,437	470,176	3,368,613	34,115	3,164,971	-	747	3,165,718	(202,895)		
	<u>\$ 33,227,728</u>	<u>\$ 33,227,728</u>	<u>\$ 21,571,001</u>	<u>\$ 10,065,537</u>	<u>\$ 31,636,538</u>	<u>\$ 1,591,190</u>	<u>\$ 30,335,904</u>	<u>\$ -</u>	<u>\$ 2,721,247</u>	<u>\$ 33,057,151</u>	1,420,613		
												Less: Proceeds recorded as liability - BAN	<u>(27,529,137)</u>
												Fund equity (deficit) as of June 30, 2020	<u>\$ (26,108,524)</u>

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
BUDGET COMPARISON STATEMENT FOR STATE AND
OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS4A

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Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
School lunch programs	N/A	2019-20	\$ 5,766	\$ 5,766	\$ 5,766
School breakfast programs	N/A	2019-20	3,334	3,334	3,334
Universal Pre-kindergarten	0409-20-7573	2019-20	132,672	132,672	132,672
Summer school	N/A	2019-20	48,431	48,431	48,431
Total expenditures and revenue			\$ 190,203	\$ 190,203	\$ 190,203

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS4B

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Southwestern Central School District** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Basis of Accounting

The basis of accounting varies by Federal program consistent with underlying regulations pertaining to each program. The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for the applicable programs and periods. The amounts reported in these Federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Note 2 - Non-monetary Federal Program

The accompanying **Southwestern Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2020, the District reported in the Schedule of Federal Awards \$31,674 of donated commodities at fair market value received and disbursed.

Note 2 – Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance in the current year.

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS4C

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Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
US Department of Education:					
Passed through NYS					
Department of Education:					
Title I	84.010A	0021-20-0315	\$ 311,572	\$ 310,797	\$ 310,797
Title II, Part A	84.367A	0147-20-0315	49,294	9,835	9,835
Title II, Part A	84.367A	0147-19-0315	46,517	46,517	46,517
Title IV - SSAE	84.424A	0204-20-0315	23,493	9,600	9,600
IDEA, Part B Public Law 94-142 *	84.027A	0032-20-0096	299,842	299,431	299,431
IDEA, Pre-school Public Law 99-457 *	84.173A	0033-20-0096	5,852	5,612	5,612
Total U.S. Department of Education			736,570	681,792	681,792
US Department of Agriculture:					
Passed through NYS					
Department of Education:					
National School Lunch Program **	10.555	N/A	123,262	123,262	123,262
COVID-19 National School Lunch Program through the Seamless Summer Option **	10.555	N/A	69,196	69,196	69,196
National School Breakfast Program **	10.553	N/A	22,162	22,162	22,162
COVID-19 National School Breakfast Program through the Seamless Summer Option **	10.553	N/A	43,745	43,745	43,745
Passed through NYS					
Office of General Services:					
National School Lunch Program **					
Non-cash assistance (donated commodities)	10.555	N/A	31,674	31,674	31,674
Total U.S. Department of Agriculture			290,039	290,039	290,039
Total expenditures and revenue				\$ 971,831	\$ 971,831

* Constitutes a cluster of Federal programs named Special Education Cluster with total revenue and expenditures of \$ 305,043

** Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures of \$ 290,039

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2020

Schedule SS5

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Capital assets	\$	61,966,331
Less:		
Serial bonds, net		(10,012,513)
Bond anticipation notes		(27,529,137)
Accrued Interest		<u>(221,000)</u>
Net Investment in Capital Assets	\$	<u>24,203,681</u>

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS

Schedule SS6

AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 THROUGH AND 2020

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As of the measurement date of March 31,	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 544,011	\$ 552,638	\$ 565,904	490,413
Interest	843,873	889,236	916,195	687,167
Changes of benefit terms	(528,373)	-	75,418	4,173,041
Differences between expected and actual experience	(5,794,882)	(338,137)	(622,339)	-
Changes in assumptions	1,648,510	(246,871)	442,636	(1,008,113)
Benefit payments	(949,637)	(842,359)	(820,060)	(725,610)
Net change in total OPEB liability	(4,236,498)	14,507	557,754	3,616,898
Total OPEB liability - beginning	24,936,805	24,922,298	24,364,544	3,574,640
Prior period adjustment	-	-	-	17,173,006
Total OPEB liability - ending	<u>\$ 20,700,307</u>	<u>\$ 24,936,805</u>	<u>\$ 24,922,298</u>	<u>\$ 24,364,544</u>
Plan fiduciary net position				
Contributions - employer	\$ 949,637	\$ 842,359	\$ 820,060	\$ 725,610
Net investment income	-	-	-	-
Benefit payments	(949,637)	(842,359)	(820,060)	(725,610)
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability	<u>\$ 20,700,307</u>	<u>\$ 24,936,805</u>	<u>\$ 24,922,298</u>	<u>\$ 24,364,544</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 11,359,610	\$ 11,005,241	\$ 10,807,498	\$ 10,461,231
District's net OPEB liability as a percentage of covered-employee payroll	182.23%	226.59%	230.60%	232.90%

Notes to Schedule:

Benefit Changes: Teachers Association: Retirees after September 1, 2015 was changed to retiring after July 1, 2019. The District's contribution of 100% of the premium for Single or 2 Person PPO or POS, or 95% of Family Traditional, PPO or POS health insurance.

Changes in assumptions: Discount rate from 3.44% to 2.48%
Updated mortality tables and healthcare cost trend rates

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB
FOR THE YEARS ENDED JUNE 30, 2017 THROUGH 2020

Schedule SS7

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For the year ended June 30,	2020	2019	2018	2017
Actuarially determined contributions	\$ 949,637	\$ 842,359	\$ 820,060	\$ 725,610
Contributions in relation to the actuarially determined contribution	(949,637)	(842,359)	(820,060)	(725,610)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,359,610	\$ 11,005,241	\$ 10,807,498	\$ 10,461,231
Contributions as a percentage of District's covered-employee payroll	8.36%	7.65%	7.59%	6.94%

Notes to Schedule

Valuation date: July 1, 2018, rolled forward to March 31, 2020 measurement date

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	3.44% for 2019 and 2.48% for 2020
Inflation	2.2% per year
Healthcare cost trend rates	2020 - 5.2%. Rates expected to decrease each year
Salary increases	3.22% per year
Mortality	Based on Pub-2010 Public Retirement Plans Mortality Headcount-Weighted, without separate Contingent fully generational using scale MP-2019.
Retiree Cost Sharing	Varies based on contract
Participants	211 Active and 233 Retirees

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS
FOR YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2020

Schedule SS8

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New York State Teachers' Retirement System (TRS)

For the year ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 834,425	\$ 987,033	\$ 894,817	\$ 1,048,869	\$ 1,172,053	\$ 1,514,787	\$ 1,411,314	\$ 1,055,228
Contributions in relation to the contractually required contribution	(834,425)	(987,033)	(894,817)	(1,048,869)	(1,172,053)	(1,514,787)	(1,411,314)	(1,055,228)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,417,889	\$ 9,294,096	\$ 9,130,786	\$ 8,949,394	\$ 8,839,012	\$ 8,641,112	\$ 8,685,009	\$ 8,912,399
Contributions as a percentage of District's covered-employee payroll	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

New York State Local Employees' Retirement System (ERS)

For the year ended March 31,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 284,116	\$ 293,457	\$ 285,750	\$ 264,622	\$ 267,504	\$ 367,884	\$ 363,000	\$ 367,239
Contributions in relation to the contractually required contribution	(284,116)	(293,457)	(285,750)	(264,622)	(267,504)	(367,884)	(363,000)	(367,239)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,142,691	\$ 2,061,473	\$ 2,001,160	\$ 1,928,998	\$ 1,785,488	\$ 1,743,455	\$ 1,920,518	\$ 2,024,120
Contributions as a percentage of District's covered-employee payroll	13.26%	14.24%	14.28%	13.72%	14.98%	21.10%	18.90%	18.14%

SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY) – NYSTRS AND PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY – NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2020

Schedule SS9

Page 47

New York State Teachers' Retirement System (TRS)

As of the measurement date of June 30,	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension asset (liability)	n/a	0.055681%	0.056055%	0.056475%	0.057281%	0.057526%	0.058795%	0.061161%
District's proportionate share of the net pension asset (liability)	n/a	\$ 1,446,601	\$ 1,013,628	\$ 429,265	\$ (613,502)	\$ 5,975,067	\$ 6,549,450	\$ 402,591
District's covered-employee payroll	n/a	\$ 9,294,096	\$ 9,130,786	\$ 8,949,394	\$ 8,839,012	\$ 8,641,112	\$ 8,685,009	\$ 8,912,399
District's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	n/a	15.56%	11.10%	4.80%	-6.94%	69.15%	75.41%	4.52%
Plan fiduciary net position as a percentage of the total pension asset (liability)	n/a	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

New York State Local Employees' Retirement System (ERS)

As of the measurement date of March 31,	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension (liability)	0.0060852%	0.0064119%	0.0060524%	0.0059033%	0.0060991%	0.0065167%	n/a	n/a
District's proportionate share of the net pension (liability)	\$ (1,611,404)	\$ (454,300)	\$ (195,338)	\$ (554,685)	\$ (978,917)	\$ (220,150)	\$ (294,481)	n/a
District's covered-employee payroll	\$ 2,142,691	\$ 2,061,473	\$ 2,001,160	\$ 1,928,998	\$ 1,785,488	\$ 1,743,455	\$ 1,920,518	n/a
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	-75.20%	-22.04%	-9.76%	-28.76%	-54.83%	-12.63%	-15.33%	n/a
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.20%	98.24%	94.70%	90.70%	97.90%	n/a	n/a

See accompanying independent auditor's report.

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

**To the President and
Members of the Board of Education
Southwestern Central School District
Jamestown, New York**

We have audited 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, the financial statements of the governmental activities and each major fund of *Southwestern Central School District* as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise *Southwestern Central School District's* basic financial statements and have issued our report thereon dated October 13, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the District's internal control described in the accompanying schedule of findings and questioned costs as item II.A.2020-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Southwestern Central School District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying schedule of findings and questioned costs as item II.B.2020-002.

Southwestern Central School District's Response to Findings

Southwestern Central School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **Southwestern Central School District's** responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 13, 2020**

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

**To the President and
Members of the Board of Education
Southwestern Central School District
Jamestown, New York**

Report on Compliance for Each Major Federal Program

We have audited *Southwestern Central School District's* compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of *Southwestern Central School District's* major federal programs for the year ended June 30, 2020. *Southwestern Central School District's* major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (continued)

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

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

Purpose of Report

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 13, 2020**

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion(s) issued or whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> x </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported

Noncompliance material to financial statements noted?	<u> x </u> yes	<u> </u> no
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a)	<u> </u> yes	<u> x </u> no
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Federal Program Title	Federal CFDA Number	Amount
Total expenditures of Federal Awards		<u>\$ 971,831</u>

Identification of Major Programs Tested:

National School Lunch Program and Seamless Summer Option *	10.555	\$ 224,132
National School Breakfast Program and Seamless Summer Option *	10.553	65,907
Title I	84.010A	<u>310,797</u>
Total major programs tested		<u>\$ 600,836</u>
% of Federal programs tested		<u>62%</u>

* Constitutes a cluster of Federal programs

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
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Auditee qualified as low risk?	<u> </u> yes	<u> x </u> no
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**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2020-001 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Year ended June 30, 2020

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditor's and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditor's and accepted by the District.

Effect: AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming to GAAP.

Auditor's Recommendation: Although auditor's may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

School District's Response: The District has received, reviewed and accepted all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of these financial statements and has the ability to make informed judgments based on these financial statements.

B. COMPLIANCE AND OTHER MATTERS

2020-002 Unassigned Fund Balance

Year ended June 30, 2020

Condition and Criteria: The District's unassigned fund balance as of June 30, 2020 amounted to approximately \$1,784,000. This amount constitutes approximately 5.94% of the 2020-21 school budget.

Effect: The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent years budget.

Auditor's Recommendation: The District should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance.

School District's Response: The District realizes that its unassigned fund balance as of June 30, 2020 was in excess of the NYS mandated 4% level. The District has and will continue to monitor fund balance in the future and will review all options with regards to reservation and designation of fund balance.

**SOUTHWESTERN CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

A. COMPLIANCE

Year ended June 30, 2020

There were no findings related to compliance during the year ended June 30, 2020.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2020

There were no findings related to internal control over compliance during the year ended June 30, 2020.

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2019-001 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements (material weakness)

Year ended June 30, 2019

Summary of Prior Year Finding: Condition and Criteria: Adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District. AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

Current Status: Similar finding related to internal control over financial reporting is being reported upon during the year ended June 30, 2020 as item 2020-001.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2019

There were no findings related to compliance and other matters during the year ended June 30, 2019.

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

A. COMPLIANCE

Year ended June 30, 2019

There were no findings related to compliance during the year ended June 30, 2019.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2019

There were no findings related to internal control over compliance during the year ended June 30, 2019.