

**AUDITED
BASIC FINANCIAL STATEMENTS**

HOLLAND CENTRAL SCHOOL DISTRICT
HOLLAND, NEW YORK

JUNE 30, 2020

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

**HOLLAND CENTRAL SCHOOL DISTRICT
TABLE OF CONTENTS**

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-14
Basic Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Fiduciary Net Position – Fiduciary Funds	22
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	23
Notes to Basic Financial Statements	24-47
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual General Fund	48-49
Schedule of Changes in the Total OPEB Related Liability and Related Ratios	50
Schedule of the District's Proportionate Share of the Net Pension (Asset)/Liability – Employees' and Teachers' Retirement Systems	51
Schedule of the District's Pension Contributions – Employees' and Teachers' Retirement Systems	52
Notes to Required Supplementary Information	53

**HOLLAND CENTRAL SCHOOL DISTRICT
TABLE OF CONTENTS (Continued)**

Page

Supplementary Information:

Combining Balance Sheet-Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	55
Schedule of Change from Adopted Budget to Final Budget - General Fund and Real Property Tax Limit	56
Schedule of Project Expenditures - Capital Projects Fund	57
Schedule of Net Investment in Capital Assets	58

INTERNAL CONTROL AND COMPLIANCE

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 <i>Government Auditing Standards</i>	59-60
Schedule of Findings and Responses	61

FINANCIAL SECTION

*****THIS PAGE INTENTIONALLY LEFT BLANK*****



INDEPENDENT AUDITOR'S REPORT

The President and Members of the
Board of Education of
Holland Central School District
Holland, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Holland Central School District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, 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 District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Batavia, New York
September 28, 2020

Management's Discussion and Analysis Holland Central School District Fiscal Year Ended June 30, 2020

This section of Holland Central School District's (the District) annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section. **ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF DOLLARS, UNLESS OTHERWISE INDICATED.**

Financial Highlights

The assets and deferred outflows of resources of the District exceed its liabilities and deferred inflows of resources at June 30, 2020 by \$20,565, which constitutes the net position of the District. The net position of the District includes all of the governmental funds, as well as, the District's capital assets (net of accumulated depreciation) and long-term obligations. At June 30, 2020, unrestricted net position was (\$4,409). Other components of net position were net investment in capital assets of \$17,171 and restricted net position of \$7,803.

In accordance with New York State Public Education Law, the District maintains a fund balance in the General Fund of the District. By law, the District cannot retain more than 4% of the ensuing year's General Fund budget in its unassigned fund balance at June 30, 2020, which the District exceeded by 2.63%. Additionally, New York State Law allows the District to establish and maintain various reserve funds. In an effort to establish financial position and reduce dramatic fluctuations in the District's tax rates in future years, the District has established and maintains the following restricted net position: Reserve for Employee Benefit Accrued Liability, Reserve for Unemployment Insurance, Reserve for Retirement Contributions, Reserve for Debt Service, Reserve for Insurance, and Reserve for Capital Projects.

Other issues of significance for the fiscal year ended June 30, 2020 included:

- ✧ The General Fund's (the primary operating fund) fund balance increased from \$3,403 to \$3,717.
- ✧ The District received approximately \$3 more in revenues than what was budgeted.
- ✧ The District underspent their appropriations budget by \$1,308, primarily due to the district being forced to remote learning in March 2020 due to the COVID-19 crisis. Appropriations underspend were primarily in the areas of pupil transportation, athletics, substitute costs, salaries and benefits because students and staff were not in the buildings from mid-March to June 2020.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of Holland Central School District's Annual Financial Report

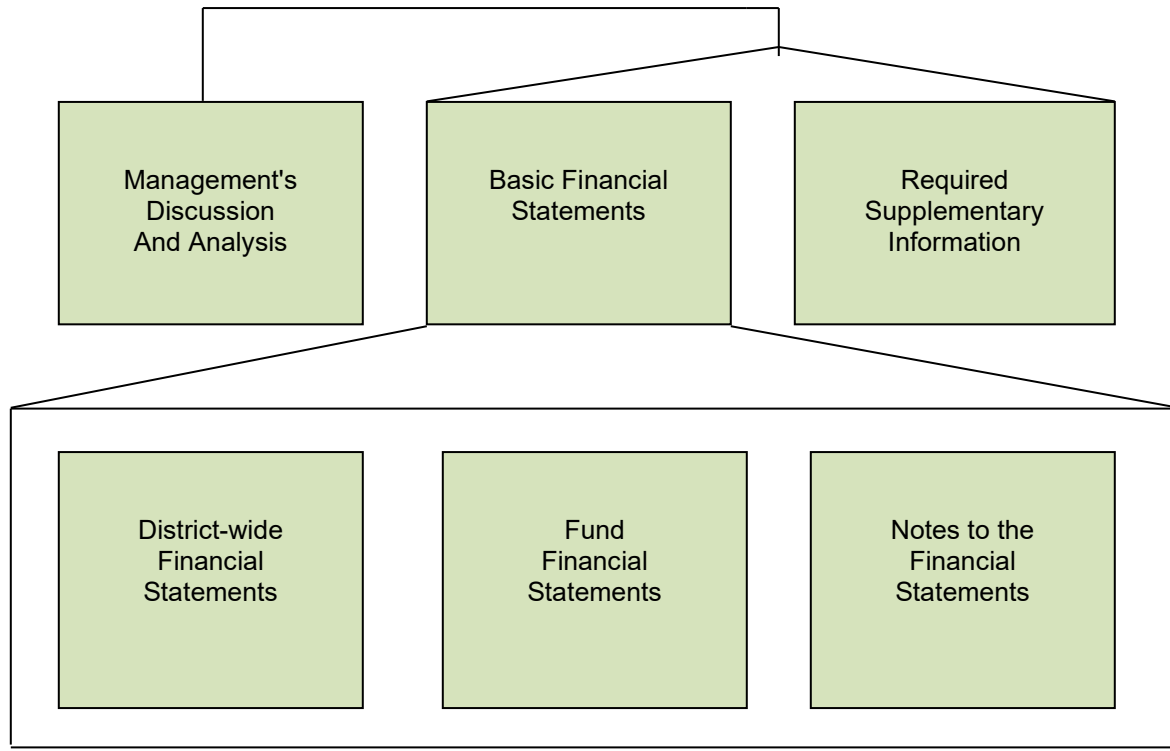


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	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	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position - Fiduciary Funds • Statement Changes in Net Position - Fiduciary Fund
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/liability information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term	Generally assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

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

The two district-wide statements report the District's net position and how it has changed. Net position - the difference between the District's assets, deferred outflows of resources and 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.

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

Fund Financial Statements

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

- Some funds are required by state law.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

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

Financial Analysis of the District as a Whole

The District's fund balance in the General Fund increased by \$314 due to the COVID-19 crisis. In general, the financial results of the District for the current year were positive. The District took a very conservative approach in preparing its budget and closely monitored and controlled their costs. The District will continue its efforts to closely monitor and control costs.

The District's appropriation budget continues to be very much fixed by provisions of employment contracts, transportation obligations and fixed debt service obligations, leaving only a small portion of the annual budget to discretion. Increases in retirement costs and other employee benefits are likely to increase disproportionately over the near future. In absence of increases in state aid and the District's ability to increase taxes beyond the statutory limit without voter authorization, the District will need to continue to closely monitor expenses while consistently using funds in a streamlined and efficient manner in order to maintain programs and services while also maintaining a balanced budget.

The reserves established and funded by the District will support the long-term financial goals of the District. A list of the reserves established by the District and the balance in these reserves as of June 30, 2020 is included in Figure A-3 below.

Figure A-3

Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2020	2019	2019-2020
Assets:			
Current and other assets	\$ 11,019	\$ 5,711	92.94%
Capital assets not being depreciated	2,953	5,901	-49.96%
Capital assets, net of accumulated depreciation	21,388	16,521	29.46%
TRS pension asset	999	702	42.31%
Total assets	<u>36,359</u>	<u>28,835</u>	<u>26.09%</u>
Deferred Outflows of Resources:			
Deferred outflow of resources - Pension	4,364	4,006	8.94%
Deferred outflow of resources - OPEB	170	178	-4.49%
	<u>4,534</u>	<u>4,184</u>	<u>8.37%</u>
Liabilities:			
Long-term liabilities	10,356	10,373	-0.16%
Other liabilities	8,138	1,245	553.65%
Total liabilities	<u>18,494</u>	<u>11,618</u>	<u>59.18%</u>
Deferred Inflows of Resources:			
Deferred inflow of resources - Pension	1,511	1,171	29.04%
Deferred inflow of resources - OPEB	341	76	348.68%
	<u>1,852</u>	<u>1,247</u>	<u>48.52%</u>
Net Position:			
Net investment in capital assets	16,836	13,724	22.68%
Restricted for:			
Employee benefit accrued liability	409	420	-2.62%
Insurance	11	11	0.00%
Retirement contribution	287	215	33.49%
Capital projects	774	1,108	-30.14%
Unemployment insurance	205	5	4000.00%
Debt service	247	79	212.66%
Unrestricted (deficit)	1,779	4,592	-61.26%
Total net position	<u>\$ 20,548</u>	<u>\$ 20,154</u>	<u>1.95%</u>

Figure A-4

**Change in Net Position
(in thousands of dollars)**

	Governmental Activities and Total District		Total Percentage Change
	2020	2019	2019-2020
Revenues:			
Real property taxes	\$ 7,536	\$ 7,332	2.78%
Real property tax items	15	23	-34.78%
Non-property taxes	950	970	-2.06%
Charges for services	83	294	-71.77%
Use of money and property	82	68	20.59%
Miscellaneous	331	304	8.88%
State and federal aid	11,626	11,058	5.14%
School lunch	330	301	9.63%
School store	-	1	-100.00%
Total revenues	<u>20,953</u>	<u>20,351</u>	<u>2.96%</u>
Expenses:			
General support	2,887	2,785	3.66%
Instruction	14,600	14,173	3.01%
Pupil transportation	1,467	1,459	0.55%
Debt interest	242	288	-15.97%
School lunch	426	454	-6.17%
School store	-	1	-100.00%
Unallocated depreciation	939	911	3.07%
Total expenses	<u>20,561</u>	<u>20,071</u>	<u>2.44%</u>
Change in net position	\$ <u>392</u>	\$ <u>280</u>	<u>40.00%</u>

Governmental Activities

This section presents the cost of five major District activities: general support, instruction, pupil transportation, debt service and school lunch/store. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-5

Net Cost of Governmental Activities
(in thousands of dollars)

	Total Cost of Services			Percentage Change 2019-2020	Net Cost of Services		
	2020	2019			2020	2019	2019-2020
General support	\$ 2,887	\$ 2,785		3.66%	\$ 2,804	\$ 2,491	12.57%
Instruction	14,600	14,173		3.01%	11,341	10,682	6.17%
Pupil transportation	1,467	1,459		0.55%	325	494	-34.21%
Debt interest	242	288		-15.97%	242	288	-15.97%
School lunch and store	426	455		-6.37%	96	153	-37.25%
Unallocated depreciation	939	911		3.07%	939	911	3.07%
Total	<u>\$ 20,561</u>	<u>\$ 20,071</u>		<u>2.44%</u>	<u>\$ 15,747</u>	<u>\$ 15,019</u>	<u>4.85%</u>

District operations are supported predominantly by property taxes and State and Federal aid, of which a majority is not specifically allocated to individual programs. The State aid that the District receives cannot be completely allocated to individual categories. Comparisons from year to year will fluctuate with the formula's the State uses to distribute aid.

Financial Analysis of The District's Funds

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

Governmental Funds:

The focus of the District's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year and amounts to be applied against next years fund balance.

At the end of the current fiscal year, the District's governmental funds reported combined fund balance of \$2,938. Of this amount, \$7,803 has been restricted by the Board of Education in accordance with New York State educational law and their use is restricted for an intended purpose. Non-spendable fund balance of \$27 represents non-spendable resources as they are invested in inventory. Assigned fund balance in the funds of \$521 represents amounts that are either assigned by management or are assigned to meet the future needs of specific programs.

General Fund

Expenditures of the General Fund of \$19,749 and revenues of \$20,063 resulted in an increase in fund balance by \$314. Fund balance is reported in four different categories:

- ✧ Non-spendable fund balance includes amounts that are invested in inventory of the bookstore and school lunch.
- ✧ Restricted fund balance includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District's General Fund restricted fund balance at June 30, 2020 was \$1,804.
- ✧ Assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes. Amounts appropriated towards the subsequent year's budget and encumbrances of the General fund are classified as assigned fund balance. The District's General Fund assigned fund balance at June 30, 2020 was \$521.
- ✧ Unassigned fund balance includes all other General Fund net assets that do not meet the definition of non-spendable restricted or assigned and are deemed to be available for general use by the District. The District's General Fund unassigned fund balance at June 30, 2020 was \$1,389.

Special Aid Fund

The Special Aid Fund exists to account for programs funded by either the Federal or State government. With the exception of the summer school program, these programs are funded 100% by the State Education Department either directly or with funds passed through from the Federal government.

Capital Projects Fund

At June 30, 2020, the District's fund balance in the Capital Projects Fund decreased by \$1,850 creating a deficit fund balance of (\$749). During the current year, the District issued bond anticipation notes (BANs) in the amount of \$5,535, which is presented as a short-term liability in the fund financial statements. When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Because the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs.

School Lunch Fund

At June 30, 2020, the District's fund balance in the School Lunch Fund decreased by \$17 to (\$29). However, the fund balance attributed to the District's investment in inventory was \$24. The shut down of in-school and the lunch program due to COVID-19 provided free breakfast and lunch to all students. The District was unable to sell any meals or a la carte after mid-March 2020.

Figure A-6

**Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds
(in thousands of dollars)**

	2020		
	Revenues	Expenditures	Fund Balances
General Fund	\$ 20,063	\$ 19,768	\$ 3,698
Capital Projects Fund	949	2,799	(749)
	2019		
	Revenues	Expenditures	Fund Balances
General Fund	\$ 19,416	\$ 20,145	\$ 3,403
Capital Projects Fund	1,461	4,065	1,101
Special Aid Fund	659	659	-

General Fund Budgetary Highlights

The District's administration prepares a proposed budget for approval by the Board of Education for the General Fund. The proposed appropriation budget is then approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur, subject to legal restrictions, if the Board approves them because of a need that exists, which was not determined at the time the budget was adopted.

The District received approximately \$3 more in revenues than what was budgeted.

Cautious budget administration was practiced by controlling and reducing costs whenever possible. The COVID-19 crisis resulted in the District underspending approved appropriations by \$1,308 primarily in the areas of athletics, student transportation, substitute costs, salaries and benefits.

The District's General Fund experienced an excess of revenues over expenditures in the current year in the amount of \$314 thereby increasing the total General Fund fund balance to \$3,717.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2020 the District had capital assets of \$24,341, net of accumulated depreciation, invested in a broad range of capital assets including land, buildings and improvements, site improvements, vehicles, and furniture and equipment. Capital asset additions consisted primarily of building improvements and bus purchases. The purchases were paid out of current appropriations and the proceeds from a bond anticipation note. The change in capital assets, net of accumulated depreciation, is reflected below.

Figure A-7

Capital Assets Net of Depreciation (in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2020	2019	2019-2020
Land	\$ 231	\$ 231	0.00%
Construction in Process	2,722	5,670	-51.99%
Buildings and improvements	19,438	14,578	33.34%
Site improvements	695	741	-6.21%
Equipment	921	921	0.00%
Vehicles	334	281	18.86%
Total	<u>\$ 24,341</u>	<u>\$ 22,422</u>	<u>8.56%</u>

Long-Term Debt

The District's general obligation bonds consist of serial and statutory bonds maturing through 2034. The serial bonds outstanding were issued in connection with the District's vehicles and capital improvement projects. Total serial and statutory bonds outstanding at June 30, 2020 amounted to \$7,733, including \$57 of unamortized premiums. The District made debt payments of \$1,265 in the current year. The District issued \$225 in new bonds and \$5,535 in BANs (short-term debt) in the current year to fund the purchase of school buses and capital projects.

The District's total OPEB liability as of June 30, 2020 was estimated at \$569. This represents the liability based on GASB Statement No. 75 in the current year and the District's contributions on a pay-as-you-go basis.

More detailed information on the District's capital assets and long-term debt activity is provided in the Notes to the Financial Statements under 3.C and 3.G, respectively.

The District also has a long-term obligation for accumulated compensated absences. This included accumulated sick and vacation days earned by current employees of the District. The District's current and long-term obligation for accumulated compensated absences at June 30, 2020 was \$609. This includes a current obligation which is estimated at \$150.

Figure A-8

Outstanding Long-Term Liabilities
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2020	2019	2019-2020
General obligation bonds, net of unamortized premium (financed with property taxes)	\$ 7,733	\$ 8,778	-11.90%
Compensated absences	459	381	20.47%
Net pension liability	1,595	865	84.39%
Total OPEB liability	569	349	63.04%
Total	<u>\$ 10,356</u>	<u>\$ 10,373</u>	<u>-0.16%</u>

Factors Bearing on the District's Future

Under the tax cap legislation, the District is prohibited from increasing the tax levy more than 2% over the prior year's tax levy, subject to certain exclusions without voter authorization in excess of 60%.

With respect to budget appropriations, personnel costs, retirement system contribution rates and health insurance costs continue to increase well in excess of the tax cap. With costs increasing, state and federal aid remaining relatively flat and only limited increases in tax rates the District will be forced to evaluate programs and services to determine if they can be sustained long-term. The District intends to utilize reserve funds to the extent possible to fund budget gaps to sustain programs and services as long as possible.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Holland Central School District, Holland, New York.

**HOLLAND CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020**

ASSETS

Cash and cash equivalents	\$ 1,399,811
Cash and cash equivalents - restricted	7,467,625
Receivables	28,907
State and federal aid receivable	1,886,891
Due from other governments	209,403
Inventory	26,567
Capital assets not being depreciated	2,953,147
Capital assets, net of accumulated depreciation	21,388,147
Net TRS pension asset - proportionate share	<u>999,472</u>
 Total assets	 <u>36,359,970</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	4,364,719
Deferred postemployment benefits outflows	<u>169,612</u>
 Total deferred outflows of resources	 <u>4,534,331</u>

LIABILITIES

Accounts payable and accrued liabilities	1,829,169
Accrued interest payable	19,857
Retainage payable	19,526
Bond anticipation notes payable	5,535,000
Due to Agency Fund	13,039
Due to other governments	3,234
Due to retirement systems	710,864
Unearned revenue	8,309
Non-current liabilities:	
Due and payable within one year	1,108,195
Due and payable after one year	<u>9,247,621</u>
 Total liabilities	 <u>18,494,814</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows	1,511,145
Deferred postemployment benefits inflows	<u>341,266</u>
 Total deferred inflows of resources	 <u>1,852,411</u>

NET POSITION (DEFICIT)

Net investment in capital assets	16,835,797
Restricted for:	
Employee benefit accrued liability	408,778
Insurance	10,712
Retirement contribution	286,686
Capital projects	774,459
Unemployment insurance	205,171
Debt service	246,819
Unrestricted (deficit)	<u>1,778,654</u>
 Total net position	 <u>\$ 20,547,076</u>

See notes to basic financial statements.

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

Functions/Programs	Expenses	Indirect Cost Allocation	Program Revenues		Net (Expense) Revenues and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
Governmental activities					
General support	\$ 2,380,370	\$ 506,192	\$ 82,943	\$ -	\$ (2,803,619)
Instruction	10,934,068	3,665,716	-	3,258,955	(11,340,829)
Pupil transportation	1,071,841	394,685	-	1,141,762	(324,764)
Interest	242,426	-	-	-	(242,426)
School lunch	400,544	25,482	82,385	247,581	(96,060)
School store	-	-	62	-	62
Unallocated employee benefits	4,592,075	(4,592,075)	-	-	-
Unallocated depreciation	938,688	-	-	-	(938,688)
Total governmental activities	\$ 20,560,012	\$ -	\$ 165,390	\$ 4,648,298	(15,746,324)
General revenues:					
					7,536,101
					14,591
					950,107
					81,824
					8,895
					7,225,695
					322,485
					<u>16,139,698</u>
					393,374
					<u>20,153,702</u>
					<u>\$ 20,547,076</u>

See notes to basic financial statements.

**HOLLAND CENTRAL SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 719,270	\$ 489,131	\$ 191,410	\$ 1,399,811
Cash and cash equivalents - restricted	1,803,832	5,663,793	-	7,467,625
Receivables	28,641	-	266	28,907
Due from other funds	940,025	-	-	940,025
State and federal aid receivable	1,216,439	-	670,452	1,886,891
Due from other governments	209,403	-	-	209,403
Inventory	2,906	-	23,661	26,567
Total assets	<u>\$ 4,920,516</u>	<u>\$ 6,152,924</u>	<u>\$ 885,789</u>	<u>\$ 11,959,229</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 496,055	\$ 1,323,262	\$ 9,852	\$ 1,829,169
Bond anticipation notes payable	-	5,535,000	-	5,535,000
Due to other funds	13,100	44,143	895,821	953,064
Due to other governments	1,802	-	1,432	3,234
Due to retirement systems	706,740	-	4,124	710,864
Unearned revenue	4,434	-	3,875	8,309
Total liabilities	<u>1,222,131</u>	<u>6,902,405</u>	<u>915,104</u>	<u>9,039,640</u>
FUND BALANCES (DEFICIT)				
Nonspendable	2,906	-	23,661	26,567
Restricted	1,803,832	128,793	-	1,932,625
Assigned	507,632	-	-	507,632
Unassigned (deficit)	1,384,015	(878,274)	(52,976)	452,765
Total fund balances (deficit)	<u>3,698,385</u>	<u>(749,481)</u>	<u>(29,315)</u>	<u>2,919,589</u>
Total liabilities and fund balances (deficit)	<u>\$ 4,920,516</u>	<u>\$ 6,152,924</u>	<u>\$ 885,789</u>	<u>\$ 11,959,229</u>

See notes to basic financial statements.

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

Amounts reported for governmental activities in the Statement of Net Position (page 15) are different because:

Total fund balances - governmental funds (page 17)	\$ 2,919,589
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	24,341,294
Long-term assets and liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Serial bonds payable	(7,675,758)
Unamortized premium	(57,032)
Compensated absences	(459,409)
Retainage payable	(19,526)
Other postemployment benefits	(568,561)
TRS pension asset	999,472
ERS pension liability	(1,595,056)
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds:	
Net postemployment benefits deferred outflows and inflows of resources	(171,654)
Net pension deferred outflows and inflows of resources	2,853,574
Interest is accrued and reported in the district-wide Statement of Net Position but not on the fund basis balance sheet because it is not due and payable in the current period.	<u>(19,857)</u>
Net position of governmental activities	<u>\$ 20,547,076</u>

**HOLLAND CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Real property taxes	\$ 7,536,101	\$ -	\$ -	\$ 7,536,101
Real property tax items	14,591	-	-	14,591
Non-property taxes	950,107	-	-	950,107
Charges for services	82,943	-	-	82,943
Use of money and property	80,859	965	-	81,824
Sale of property and compensation for loss	8,895	-	-	8,895
Miscellaneous local sources	280,242	38,207	4,036	322,485
State sources	10,953,253	-	214,420	11,167,673
Federal sources	93,953	-	612,367	706,320
School lunch	-	-	82,385	82,385
School store	62	-	-	62
Total revenues	<u>20,001,006</u>	<u>39,172</u>	<u>913,208</u>	<u>20,953,386</u>
EXPENDITURES				
Current:				
General support	2,452,112	-	-	2,452,112
Instruction	10,345,624	-	592,079	10,937,703
Pupil transportation	1,089,028	-	8,927	1,097,955
School lunch	-	-	375,062	375,062
Employee benefits	3,598,427	-	34,159	3,632,586
Debt service:				
Principal	1,264,809	-	-	1,264,809
Interest	252,336	-	-	252,336
Capital outlay:				
General support	-	1,566,504	-	1,566,504
Instruction	-	946,588	-	946,588
Pupil transportation	-	223,981	-	223,981
Total expenditures	<u>19,002,336</u>	<u>2,737,073</u>	<u>1,010,227</u>	<u>22,749,636</u>

See notes to basic financial statements.

**HOLLAND CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020 (Continued)**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	998,670	(2,697,901)	(97,019)	(1,796,250)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	61,892	684,885	80,477	827,254
Interfund transfers out	(765,362)	(61,892)	-	(827,254)
Statutory installment bond proceeds	-	224,590	-	224,590
Total other financing sources (uses)	<u>(703,470)</u>	<u>847,583</u>	<u>80,477</u>	<u>224,590</u>
Net change in fund balances	295,200	(1,850,318)	(16,542)	(1,571,660)
Fund balances (deficit) - beginning	<u>3,403,185</u>	<u>1,100,837</u>	<u>(12,773)</u>	<u>4,491,249</u>
Fund balances (deficit) - ending	<u>\$ 3,698,385</u>	<u>\$ (749,481)</u>	<u>\$ (29,315)</u>	<u>\$ 2,919,589</u>

See notes to basic financial statements.

**HOLLAND CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Amounts reported for governmental activities in the Statement of Activities (page 16) are different because:

Net change in fund balances - total governmental funds (page 20) \$ (1,571,660)

Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$8,338,488), excluding construction in process placed in service (\$5,480,060), exceeded depreciation expense (\$938,688) in the current year. 1,919,740

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trades) to net position. (338)

The governmental funds report bond proceeds and other long-term debt as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences is as follows:

Proceeds from bonds	\$	(224,590)	
Repayment of bonds		1,264,809	
Amortization of debt premium		4,663	
Change in accrued interest payable		5,247	1,050,129

In the Statement of Activities, certain operating expenses are measured by the amounts accrued or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. The net effect of these differences are:

Change in compensated absences	\$	(78,564)	
Change in retainage payable		(19,526)	(98,090)

Change in proportionate share of net pension (asset)/liability and other postemployment benefits liability reported in the Statement of Net Position do not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds.

Net pension - proportionate share - TRS	\$	297,867	
Net pension - proportionate share - ERS		(1,245,802)	
Other postemployment benefits		296,679	(651,256)

Change in proportionate share of net pension and other postemployment benefits deferred inflows and outflows reported in the Statement of Net Position during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems, subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net pension - proportionate share - TRS	\$	(920,812)	
Net pension - proportionate share - ERS		939,462	
Other postemployment benefits		(273,801)	(255,151)

Change in net position of governmental activities \$ 393,374

**HOLLAND CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITON – FIDUCIARY FUNDS
JUNE 30, 2020**

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 199,348
Cash and cash equivalents - restricted	1,232	52,559
Due from other funds	<u>-</u>	<u>13,039</u>
Total assets	<u>\$ 1,232</u>	<u>\$ 264,946</u>
LIABILITIES		
Agency liabilities	\$ -	\$ 212,387
Extraclassroom activity balances	<u>-</u>	<u>52,559</u>
Total liabilities	<u>-</u>	<u>\$ 264,946</u>
NET POSITION		
Reserved for scholarships	<u>\$ 1,232</u>	

See notes to basic financial statements.

HOLLAND CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITON – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

**Private
Purpose
Trust**

Net position - beginning	\$ <u>1,232</u>
Net position - ending	\$ <u><u>1,232</u></u>

See notes to basic financial statements.

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

The scope of activities included within the accompanying financial statements are those transactions which comprise District operations and are governed by, or significantly influenced by, the Board of Education. Essentially, the primary function of the District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function. The financial reporting entity includes all funds, account groups, functions and organizations over which the District officials exercise oversight responsibility.

The reporting entity of the District is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

1. INCLUDED IN THE REPORTING ENTITY

The Extraclassroom Activity Funds of the District represent funds of the students within the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to financial transactions and designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found in the District's business office. The District accounts for assets held as an agent for various student organizations in the Agency Fund of the District.

2. JOINT VENTURE

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

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school district enrollment as defined in Education Law Section 1950 (4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate. During the year ended June 30, 2020, the District was billed \$2,986,755 for BOCES administrative and program costs. Financial statements for the BOCES are available from the BOCES administrative office at 8685 Erie Road, Angola, New York 14006.

B. BASIS OF PRESENTATION

1. DISTRICT-WIDE STATEMENTS:

While separate district-wide and fund financial statements are presented, they are interrelated. 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 District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through property taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include specific operating and discretionary (either operating or capital) grants.

The Statement of New Position presents the financial position of the District at the fiscal year-end. 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. FUND FINANCIAL STATEMENTS:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

The District reports the following major governmental funds:

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

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

Additionally, the District reports the following fund types:

Fiduciary Funds: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that are the property of others. These activities are not included in the district-wide financial statements, because their resources are not the property of the District, and are not available to be used. There are two classes of fiduciary funds:

Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits annual third-party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits from these trust arrangements.

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

Agency Funds: These funds are strictly custodial in nature and do not involve the measurement or results of operations. Assets are held by the District as an agent for various student groups or extraclassroom activity funds and for payroll or employee withholdings.

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The 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 the timing of related cash flows. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, state aid, grants and donations. Property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is appropriated by the State. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within one year of the end of the current fiscal period with the exception of property taxes, which the period of availability is sixty days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and sales taxes associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues in the current year. Real property taxes are levied annually by the Board of Education no later than September 1. Taxes are collected during the period of September through November. Uncollected real property taxes are subsequently enforced by the Counties in which the District is located. Uncollected real property taxes transmitted to the Counties for enforcement are paid by the Counties to the District no later than the forthcoming April 1.

Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year end).

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The Agency Fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

1. CASH AND CASH EQUIVALENTS

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

2. RESTRICTED ASSETS

Certain assets are classified as restricted because their use is limited. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund, are restricted specifically for those purposes. Certain proceeds from BANs or bonds, as well as resources set aside for their repayment, are classified as restricted assets and their use is limited by applicable bond covenants. Amounts to support fund balance restrictions are also reported as restricted.

3. RECEIVABLES

Receivables are carried at their net realizable value. Receivables are written-off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles require the establishment of an allowance for uncollectible receivables, however, no allowance for uncollectible receivables has been provided since management believes that such allowance would not be material.

4. INVENTORY

Inventories of food and/or supplies in the School Lunch Fund and the book store, included in the General 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 and are considered immaterial.

These assets are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

5. INTERFUND TRANSACTIONS

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

In the district-wide statements, the amounts reported on the Statement of Net Position for inter-fund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all inter-fund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

Refer to Note 3.1 for a detailed disclosure by individual fund for inter-fund receivables, payables, expenditures, and revenues activity.

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

6. CAPITAL ASSETS

Capital assets, which include property and equipment are reported in the district-wide financial statements.

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2004. For assets acquired prior to June 30, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair value at the time received. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building and improvements	\$ 2,500	straight-line	15-40 years
Site improvements	2,500	straight-line	10-30 years
Vehicles	2,500	straight-line	5-8 years
Furniture and equipment	2,500	straight-line	5-20 years

7. DEFERRED OUTFLOWS/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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension (asset)/liability, the difference during the measurement period between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense and any contributions to the pension systems subsequent to the measurement date. See details of deferred pension outflows in Note 3.E. The second item is related to other postemployment benefits (OPEB) reported in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience. See details of deferred OPEB outflows in Note 3.F.

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. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension (asset)/liability and difference during the measurement periods between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense. See details of deferred pension inflows in Note 3.E. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the net effect of the changes of assumptions or other inputs. See details of deferred OPEB inflows in Note 3.F.

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

8. UNEARNED REVENUE

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

9. VESTED EMPLOYEE BENEFITS

Compensated Absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis. Upon retirement, resignation or death, employees may receive a payment or a credit to be used towards health insurance based on unused accumulated sick leave, in accordance with contractual provisions. These payments are budgeted annually without accrual.

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

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

In the governmental fund statements only, the amount of matured vacation time is accrued within the General Fund based on expendable and available financial resources. Sick time is expensed on a pay-as-you-go basis.

10. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in full from current financial resources.

Claims and judgments, as well as, compensated absences that will be paid from governmental funds, are reported as a liability in the governmental funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the governmental fund financial statements when due.

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

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

11. OTHER POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. The obligation of the District and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. The District does not have assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* to pay OPEB benefits. Payments are budgeted annually without accrual and are based on the pay-as-you go method (see Note 3.F).

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

12. SHORT TERM DEBT

The District issued Bond Anticipation Notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as a current liability in the Capital Projects Fund when the proceeds are received. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

13. NET POSITION FLOW ASSUMPTION

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

It is the District's policy that the District's Board of Education will assess the current financial condition of the District and then determine the order of application of expenditures to which restricted and unrestricted net position will be applied.

14. FUND BALANCE FLOW ASSUMPTIONS

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

It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

15. FUND BALANCE POLICIES

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

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

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

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

E. PROGRAM REVENUES

Amounts reported as *program revenues* include 1) charges to tax payers or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

F. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

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

G. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2020, the District has evaluated the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements* and Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61* and determined that they have no significant impact on the District's financial statements.

The following are GASB Statements that have been issued recently and are currently being evaluated, by the District, for their potential impact in future years.

- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2021.
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending June 30, 2022.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending June 30, 2023.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending June 30, 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which will be effective for the year ending June 30, 2022.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for the year ending June 30, 2023.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the year ending June 30, 2023.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32*, which will be effective for the year ending June 30, 2022.

On May 8, 2020, the GASB issued Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* in response to the COVID-19 pandemic. The effective dates of GASB Statements not yet implemented by the District have been updated above to reflect the impact of this Statement.

NOTE 2 – STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

A. LEGAL COMPLIANCE BUDGETS

BUDGET POLICIES

The District's administration prepares a proposed budget for approval by the Board of Education for the general fund. The proposed appropriation budget is then approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred.

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments).

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations occurred during the year for the transfer of capital reserve funds to the Capital Projects Fund in the amount of \$585,000.

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

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2020.

B. DEFICIT FUND BALANCES

At June 30, 2020, the Capital Projects Fund, a major fund, and School Lunch Fund, a nonmajor fund, have deficit fund balances of \$749,481 and \$29,315 respectively. The Capital Projects Fund deficit is the result of the issuance of bond anticipation notes (BANs), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund Balance Sheet (rather than an inflow on the Statement of Revenues, Expenditures, and Changes in Fund Balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Because the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs. The School Lunch Fund deficit is the result of the excess of expenditures over revenues. This deficit will be eliminated as resources are obtained from revenues and interfund transfers in from the General Fund.

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. The District funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, 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 deposits, 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 and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

The District's aggregate bank balances were fully collateralized at June 30, 2020.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contract to be reserved for various purposes. At June 30, 2020, restricted cash includes \$1,803,832 in the General Fund for certain reserve funds, \$5,999,386 in the Capital Projects Fund for unexpended debt proceeds, \$52,559 within the Agency Fund restricted for extraclassroom activities, and \$1,232 in the Private Purpose Trust Fund restricted for scholarships.

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest and non – interest bearing demand deposit accounts.
- Certificates of deposit placed in a commercial bank authorized in New York State.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

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

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

B. RECEIVABLES

Significant revenues accrued by the District include the following:

State and federal aid receivable, consists of the following at June 30, 2020:

General Fund	
State aid - BOCES	\$ 799,531
State aid - general aid	211,833
State aid - excess cost aid	172,063
State aid - other	33,012
Total General Fund	<u>1,216,439</u>
Special Aid Fund - state and federal aid	589,879
School Lunch Fund - state and federal aid	80,573
Total	<u>\$ 1,886,891</u>

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

C. CAPITAL ASSETS

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

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 231,397	\$ -	\$ -	\$ 231,397
Construction in process	5,669,192	2,532,618	5,480,060	2,721,750
Total capital assets not being depreciated	<u>5,900,589</u>	<u>2,532,618</u>	<u>5,480,060</u>	<u>2,953,147</u>
Capital assets being depreciated:				
Buildings and improvements	28,911,393	5,480,060	-	34,391,453
Land improvements	2,200,857	-	-	2,200,857
Vehicles	2,550,858	223,981	-	2,774,839
Furniture and equipment	3,528,163	101,829	10,137	3,619,855
Total capital assets, being depreciated	<u>37,191,271</u>	<u>5,805,870</u>	<u>10,137</u>	<u>42,987,004</u>
Less accumulated depreciation:				
Buildings and improvements	14,332,907	620,054	-	14,952,961
Land improvements	1,460,007	46,299	-	1,506,306
Vehicles	1,629,657	224,188	-	1,853,845
Furniture and equipment	3,247,397	48,147	9,799	3,285,745
Total accumulated depreciation	<u>20,669,968</u>	<u>938,688</u>	<u>9,799</u>	<u>21,598,857</u>
Total capital assets being depreciated, net	<u>16,521,303</u>	<u>4,867,182</u>	<u>338</u>	<u>21,388,147</u>
Governmental activities capital assets, net	<u>\$ 22,421,892</u>	<u>\$ 7,399,800</u>	<u>\$ 5,480,398</u>	<u>\$ 24,341,294</u>

Depreciation has not been allocated to the individual functions of the District operation as no allocation methodology has been established.

D. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities reported by the District at June 30, 2020, were as follows:

	General	Capital Projects	Nonmajor	Total
Accounts payable	\$ 338,630	\$ 1,323,262	\$ 4,894	\$ 1,666,786
Accrued vacation	150,000	-	-	150,000
Accrued payroll	7,425	-	4,958	12,383
Total	<u>\$ 496,055</u>	<u>\$ 1,323,262</u>	<u>\$ 9,852</u>	<u>\$ 1,829,169</u>

E. PENSION OBLIGATIONS

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

HOLLAND CENTRAL SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS

Provisions and Administration

The TRS 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. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. TRS issues a publicly available financial report that contains financial statements and required supplementary information. 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 NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

The ERS 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 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. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. TRS/ERS issues a publicly available financial report that contains financial statements and required supplementary information. 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.

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 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 TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31st.

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

At June 30, 2020, the District reported the following amount for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability was measured as of June 30, 2019, for TRS and March 31, 2020, for ERS. The total pension amount used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of June 30, 2018 for TRS and April 1, 2019 for ERS. The District's proportion of the net pension (asset)/liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2019	March 31, 2020
Net pension (asset)/liability	\$ (999,472)	\$ 1,595,056
District's portion of the Plan's total net pension liability/(asset)	0.038471 %	0.006024 %
Change in proportion since the prior measurement date	(0.000329)	0.0010942
Pension expense at June 30, 2020	\$ 1,208,303	\$ 603,222

At June 30, 2020, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 677,317	\$ 93,876	\$ 74,323	\$ -
Change of assumptions	1,888,136	32,117	460,381	27,732
Net difference between projected and actual earnings on pension plan investments	-	817,703	801,525	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	23,373	170,546	138,541	8,643
District's contributions subsequent to the measurement date	<u>588,626</u>	<u>73,025</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,177,452</u>	<u>\$ 1,187,267</u>	<u>\$ 1,474,770</u>	<u>\$ 36,375</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ended 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:

	<u>TRS</u>	<u>ERS</u>
<u>Fiscal year ended:</u>		
2021	\$ 424,460	\$ 207,581
2022	976	280,481
2023	422,821	327,709
2024	276,583	262,096
2025	20,071	-
Thereafter	(30,855)	-

Actuarial Assumptions

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

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

Significant actuarial assumptions used in the valuations were as follows:

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2019	March 31, 2020
Actuarial valuation date	June 30, 2018	April 1, 2019
Interest rate	7.10%	6.80%
Salary scale	1.90% - 4.72%	4.20%
Inflation rate	2.20%	2.50%
Cost of living adjustments	1.30%	1.30%

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. 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, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018.

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 the target asset allocation percentage and by adding expected inflation.

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

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	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	June 30, 2019	March 31, 2020
			TRS	ERS
<u>Asset Class:</u>				
Domestic equity	33.0 %	36.0 %	6.3 %	4.0 %
International equity	16.0	14.0	7.8	6.2
Private equity	8.0	10.0	9.9	6.8
Real estate	11.0	10.0	4.6	5.0
Global equities	4.0	-	7.2	-
Absolute return strategies	-	2.0	-	3.3
Opportunistic portfolio	-	3.0	-	4.7
Real estate debt	7.0	-	2.9	-
Real assets	-	3.0	-	6.0
Bond and mortgages	-	17.0	-	0.8
Cash/short term	1.0	1.0	0.3	0.0
Inflation-indexed bonds	-	4.0	-	0.5
Domestic fixed income securities	16.0	-	1.3	-
Global fixed income securities	2.0	-	0.9	-
Private debt	1.0	-	6.5	-
High yield income securities	1.0	-	3.6	-
Total	<u>100.0 %</u>	<u>100.0 %</u>		

Discount Rate

The discount rate used to calculate the total pension liability was 7.10% for TRS and 6.80% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following tables present the District's proportionate share of the net pension (asset)/liability calculated using the discount rate of 7.10% for TRS and 6.80% for ERS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.10% for TRS and 5.80% for ERS) or 1-percentage point higher (8.10% for TRS and 7.80% for ERS) than the current rate:

	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
<u>TRS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 4,511,512	\$ (999,472)	\$ (5,622,565)
	1% Decrease (5.80%)	Current Assumption (6.80%)	1% Increase (7.80%)
<u>ERS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 2,927,379	\$ 1,595,056	\$ 367,982

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

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:

	(Dollars in Thousands)	
	TRS	ERS
Measurement date	<u>June 30, 2019</u>	<u>March 31, 2020</u>
Employers' total pension liability	\$ 119,879,474	\$ 194,596,261
Plan net position	122,477,481	168,115,682
Employers' net pension (asset)/ liability	<u>\$ (2,598,007)</u>	<u>\$ 26,480,579</u>
Ratio of plan net position to the employers' total pension (asset)/liability	-102.2%	86.4%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020, are paid to the System in September, October and November 2019 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 and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020, amounted to \$637,839.

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 \$73,025.

F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Holland Central School District administers the Holland Central School District Retiree Medical, Prescription Vision and Dental Plan (the Plan) as a single-employer defined benefit Other Post-employment Benefit Plan (OPEB). The Plan provides for continuation of medical, prescription vision and dental benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District.

Employees Covered by Benefit Terms

As of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Inactive employees entitled to but not yet receiving benefits	-
Active employees not eligible to retire	157
Active employees, eligible to retire	40
Total	<u><u>202</u></u>

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

The District's total OPEB liability of \$568,561 was measured, as of March 31, 2020, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary Increases	3.22%, average, including inflation
Discount Rate	2.48%
Healthcare Cost Trend Rates	5.20% as of 2020, with an ultimate rate of 4.18% for 2071 and later years
Retirees' Share of Benefit-Related Costs	25% of future retirees required to pay 100% of premiums.

The discount rate was based on the Fidelity Municipal General Obligation AA 20-year Bond rate as of the measurement date.

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, distinct for Teachers, General and Safety, without separate Contingent Survivor mortality, fully generational using Scale MP-2019.

Retirement and termination assumptions reflect general published tables based on large-scale retirement plan population data. The plan's estimated termination and retirement experience is then analyzed, and the base table is adjusted accordingly as necessary. No formal experience study is prepared for this plan.

Changes in the Total OPEB Liability

Balance at July 1, 2019	\$ 865,240
<u>Changes for the year:</u>	
Service cost	47,318
Interest	30,461
Changes of benefit terms	-
Differences between expected and actual experience	73,282
Changes in assumptions or other inputs	(420,680)
Benefit payments	(27,060)
Net Changes	<u>(296,679)</u>
Balance at June 30, 2020	<u>\$ 568,561</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.44 percent in 2019 to 2.48 percent in 2020 and changes in the Salary scale from 3.36 percent in 2019 to 3.22 percent in 2020, and changes in the ultimate healthcare cost trend from 4.23 percent in 2019 to 4.18 percent in 2020.

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

The following present 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.

	<u>1% Decrease (1.48%)</u>	<u>Discount Rate (2.48%)</u>	<u>1% Increase (3.48%)</u>
Total OPEB Liability	\$ 608,542	\$ 568,561	\$ 531,184

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

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 (3.18%) or 1 percentage point higher (5.18%) than the current healthcare cost trend rate:

	1% Decrease (4.20% decreasing to 3.18%)	Healthcare Cost Trend Rates (5.20% decreasing to 4.18%)	1% Increase (6.20% decreasing to 5.18%)
Total OPEB Liability	\$ <u>516,826</u>	\$ <u>568,561</u>	\$ <u>628,484</u>

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 of \$7,424. At June 30, 2020, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 158,372	\$ 31,291
Changes of assumptions	4,494	309,975
Contributions subsequent to the measurement date	6,746	-
Total	\$ <u>169,612</u>	\$ <u>341,266</u>

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

<u>Fiscal year ended June 30,</u>	<u>Amount</u>
2021	\$ (57,826)
2022	(47,436)
2023	(73,138)
2024	-
2025	-
Thereafter	-

G. SHORT-TERM LIABILITIES

The purpose of the short-time borrowing was to provide resources for capital improvement projects. The form of financing used in all cases was bond anticipation notes (BANs). The amounts issued are accounted for in the Capital Projects Fund.

The schedule below details the changes in short-term borrowings during the year ended June 30, 2020:

	Balance 7/1/2019	Issued	Redeemed	Balance 6/30/2020
BAN maturing 6/24/2021 at 1.75%	\$ -	\$ 5,535,000	\$ -	\$ 5,535,000

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

H. LONG-TERM LIABILITIES

1. GENERAL OBLIGATION BONDS

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

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

2. SERIAL BONDS

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

The following is a summary of maturities of indebtedness:

<u>Description</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity</u>	<u>Outstanding Balance 6/30/2020</u>
<u>Governmental activities:</u>					
Serial bonds:					
Energy Project	2005	\$ 1,359,180	06/2021	4.13%	\$ 122,496
Capital Improvements	2006	2,060,000	06/2022	3.87%	355,000
School Building Bond	2013	3,280,000	06/2027	2.00%	1,775,000
Capital Improvements	2018	5,100,000	12/2033	3.00%	4,645,000
Statutory installment bonds:					
Bus Bond #32	2016	334,000	09/2020	1.99%	66,800
Bus Bond #33	2017	330,000	06/2021	2.24%	132,000
Bus Bond #34	2018	292,000	10/2022	2.49%	175,200
Bus Bond #35	2019	224,590	01/2024	3.15%	179,672
Bus Bond #36	2020	224,590	11/2024	1.98%	224,590
					<u>\$ 7,675,758</u>

3. OTHER LONG-TERM LIABILITIES

In addition to the above long-term debt, the District had a non-current liability for compensated absences, pensions (See Note 3.E.) and other postemployment benefits. (See Note 3.F.)

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

4. CHANGES IN LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2020, are as follows:

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
<u>Governmental activities:</u>					
Bonds payable:					
Serial and statutory bonds	\$ 8,715,977	\$ 224,590	\$ 1,264,809	\$ 7,675,758	\$ 1,103,532
Unamortized premium	61,695	-	4,663	57,032	4,663
Total bonds payable	<u>8,777,672</u>	<u>224,590</u>	<u>1,269,472</u>	<u>7,732,790</u>	<u>1,108,195</u>
Other liabilities:					
Compensated absences	530,845	647,286	568,722	609,409	150,000 *
Net pension liability (ERS) - proportionate share **	349,254	1,245,802	-	1,595,056	-
Total OPEB liability	<u>865,240</u>	<u>151,061</u>	<u>447,740</u>	<u>568,561</u>	<u>-</u>
Total long-term liabilities	<u>\$ 10,523,011</u>	<u>\$ 2,268,739</u>	<u>\$ 2,285,934</u>	<u>\$ 10,505,816</u>	<u>\$ 1,258,195</u>

*Current portion is included in accrued liabilities.

**Additions/reductions to net pension liability are shown net.

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and other postemployment benefits. Payment of retirement contributions are typically from the funds in which the individuals are employed. Those operating funds include the General, Special Aid and School Lunch Funds.

The following is a summary of maturing debt service requirements for the District's general obligation bonds:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>
2021	\$ 1,103,532	\$ 222,730	\$ 4,663
2022	934,236	190,740	4,663
2023	698,236	162,777	4,663
2024	649,836	143,057	4,663
2025	624,918	124,427	4,663
2026-2030	2,265,000	369,325	19,779
2031-2034	1,400,000	79,200	13,938
Total	<u>\$ 7,675,758</u>	<u>\$ 1,292,256</u>	<u>\$ 57,032</u>

As of June 30, 2020, the District has \$249,682 of statutory installment serial bonds authorized but unissued for bus purposes.

I. INTERFUND ACTIVITY

Interfund activity at June 30, 2020, are as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenues	Interfund Expenditures
General Fund	\$ 940,025	\$ 13,100	\$ 61,892	\$ 765,362
Capital Projects Fund	-	44,143	684,885	61,892
Special Aid Fund	-	744,232	30,477	-
School Lunch Fund	-	151,589	50,000	-
Agency Fund	13,039	-	-	-
Total	<u>\$ 953,064</u>	<u>\$ 953,064</u>	<u>\$ 827,254</u>	<u>\$ 827,254</u>

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

Interfund receivables and payables were incurred primarily due to amounts paid by the General Fund, on behalf of the Special Aid Fund and School Lunch Fund, until such time as state and federal reimbursements are received or permanent transfers are recorded. Interfund activity was recorded upon completion of certain capital projects and to fund capital improvements. Also, the interfund revenues and expenditures related to the transfers from the General Fund to the Special Aid Fund and School Lunch Fund are to fund certain programs.

J. NET POSITION AND FUND BALANCE

1. NET POSITION

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

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and debt used to fund capital asset purchases reduce the balance in this category.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation. Restricted net position is consistent with restricted fund balance at June 30, 2020.

Unrestricted net position - This category represents net position of the District not restricted for any project or other purpose.

2. FUND BALANCE

In the governmental fund financial statements there are five classifications of fund balance:

Nonspendable – represents amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by District at June 30, 2020, include:

- *Inventory* - represents nonspendable inventory in the school lunch fund and school store.

Restricted – represents amounts with constraints placed on the use of resources and are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

- *Reserve for capital projects* – represents funds to be used for construction, reconstruction and/or acquisition of capital improvements and equipment.
- *Reserve for unemployment claims* - represents funds to be used to pay unemployment claims.
- *Reserve for insurance* - represents funds to be used to pay for uninsured losses, claims or judgments.
- *Reserve for employee benefit accrued liability* - represents funds to be used to pay certain termination benefits.
- *Reserve for retirement contribution* - represents funds to be used to pay contributions to the TRS and ERS retirement systems.
- *Reserve for debt* - represents unspent debt proceeds and premiums to be used towards future debt service requirements.

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the District’s highest level of decision-making authority, the Board of Education. As of June 30, 2020, the District had no committed fund balances.

Assigned – represents amounts that are constrained by the District’s intent to be used for the specified purposes noted below, but are neither restricted nor committed.

- *Assigned for subsequent years’ expenditure* - represents available fund balance being appropriated to meet expenditure requirements in the 2021 fiscal year.
- *Assigned for specific use* - represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose is related to each fund’s operations and represents amounts within funds that are not restricted or committed.
- *Assigned for encumbrances* – represent amounts related to unperformed contracts for goods and services.

Unassigned – represents all amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

As of June 30, 2020, fund balances were classified as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<u>Nonspendable</u>				
Inventory	\$ 2,906	\$ -	\$ 23,661	\$ 26,567
<u>Restricted:</u>				
Unemployment insurance	205,171	-	-	205,171
Retirement contribution	286,686	-	-	286,686
Capital projects	774,459	-	-	774,459
Insurance	10,712	-	-	10,712
Debt service	118,026	128,793	-	246,819
Employee benefit accrued liability	408,778	-	-	408,778
<u>Assigned:</u>				
Subsequent years’ expenditures	500,000	-	-	500,000
<u>Encumbrances:</u>				
Instruction	2,721	-	-	2,721
Pupil transportation	4,911	-	-	4,911
<u>Unassigned:</u>				
General Fund	1,384,015	-	-	1,384,015
Capital Projects Fund (deficit)	-	(878,274)	-	(878,274)
School Lunch Fund (deficit)	-	-	(52,976)	(52,976)
Total	<u>\$ 3,698,385</u>	<u>\$ (749,481)</u>	<u>\$ (29,315)</u>	<u>\$ 2,919,589</u>

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

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4 - RISK MANAGEMENT

A. GENERAL

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks has not yet exceeded commercial insurance coverage for the past three fiscal years.

B. WORKERS' COMPENSATION PLAN

The District is a participant in the Erie #2 Workers' Compensation Consortium (the Consortium). The Consortium was established under the provisions of Workers' Compensation Law of the State of New York and is administered and sponsored by its predominant participant, Erie #2-Chatauqua-Cattaraugus BOCES. The Consortium is a public entity risk pool which provides the District the opportunity to participate in a cooperative program for providing workers' compensation benefits to its employees by entering into an intermunicipal agreement pursuant to Article 5-G of General Municipal Law.

Membership is effective on the first day of the month following the Board's resolution to accept a new participant organization. Voluntary withdrawal from the Consortium is effective only once annually on the last day of the plan year. Notice of intent to withdraw must be submitted in writing not less than 120 days prior to the end of the plan year (June 30). Premiums for coverage are determined annually by the Board of Directors after review of claim history information and consultation with various advisors. Participant organizations are billed in installments during the year.

No refunds or assessments, other than periodic premiums, are charged to the participant organizations, except in the case where the Consortium's assets are not sufficient to meet liabilities. In that instance, a special assessment may be assessed against the participant organizations.

The Consortium has established reserve liabilities which provide for expenditures to be made over the life of the claims. The reserve liabilities are based on estimates of the cost of claims (including future claim adjustment expenses) which have been reported but not settled, and of claims which have been incurred but not reported. Since actual claim costs depend on such complex factors as inflation and changes in doctrines of legal liability, the process used in estimating future claim liability does not result in exact amount. Estimated claim liability is calculated based on actuarial and statistical information which reflects settlements and other social and economic factors, as well as past experience. As of June 30, 2019, the most recent available audited information, the Consortium was fully funded. There was not sufficient information yet available at June 30, 2020, to determine funded status.

C. HEALTH INSURANCE PLAN

The District participates in the Alliance of Western New York Health Benefits Fund (the Plan), which is sponsored by Erie #2 BOCES, a cost-sharing arrangement that maintains and administers accounts for the payment of insurance premiums and claims for hospitalization and medical benefits.

Group members pay premiums based upon a monthly pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Refunds are not made nor are additional assessments charged other than annual premium equivalent. The Group has an excess coverage liability policy in effect with a maximum amount and loss limit per individual.

The District has transferred all risk to the plan. Group members could be subjected, however, to supplemental assessments in the event that the Group's assets are not adequate to meet claims. To date, these supplemental assessments have not been required. If the Group's assets were to be exhausted, members would be equally responsible for the remaining liabilities.

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS**

The Plan currently pays actual claims as they are reported. Because the estimation of incurred but not reported claims and a future payment of losses is very complex, the exposure, which the District may have for such losses, if any, cannot be reasonably determined.

As of June 30, 2019, the most recent information available, the Plan was fully funded. As of June 30, 2020, the Plan did not provide sufficient information to disclose the funding status or future claim liabilities for the District.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

A. GRANT AWARDS

The District participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, will be immaterial.

B. CONSTRUCTION COMMITMENTS

The District has capital improvement projects as of June 30, 2020, with outstanding construction commitments that are estimated at \$2,261,915.

C. ENCUMBRANCES

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$7,632 recorded in the General Fund.

D. OTHER

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include forced closures for certain types of public places, including public schools. The District's administration has assessed these events and the impact of these restrictions and closures related to the District's operations. As of the date of these financial statements and as these events continue to unfold management believes there will be an impact related to the amount of state aid the District will receive in 2021. The District's administration believes that state aid will be lower in 2021 than anticipated in the adopted 2020/2021 budget. The District's administration has assessed the financial condition and the potential impact on revenues and has determined that the District has assets and fund balances to absorb this potential decrease in revenues for 2020/2021.

NOTE 6 – SUBSEQUENT EVENTS

On July 13, 2020 the Board of Education of Holland Central School District authorized the purchase of school buses and similar vehicles (and related equipment) for use in the transportation program of the District at the estimated maximum cost of \$249,682 (with such estimated maximum cost reflecting the value of any trade-ins). In addition, the District approved the issuance of serial bonds in the aggregate principal amount, not to exceed \$249,682, for the financing of school buses (including preliminary costs and costs incidental thereto).

Management has evaluated subsequent events through September 28, 2020, which is the date the financial statements are available for issuance, and have determined there are no subsequent events, other than those noted above, that require disclosure under generally accepted accounting principles.

REQUIRED SUPPLEMENTARY INFORMATION

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

**HOLLAND CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BASIS)
AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Amended Budget</u>
REVENUES				
Local sources:				
Real property taxes	\$ 7,554,101	\$ 7,554,101	\$ 7,536,101	\$ (18,000)
Real property tax items	11,850	11,850	14,591	2,741
Non-property taxes	1,010,000	1,010,000	950,107	(59,893)
Charges for services	94,470	94,470	82,943	(11,527)
Use of money and property	51,707	51,707	80,859	29,152
Sale of property and compensation for loss	5,025	5,025	8,895	3,870
Miscellaneous local sources	203,512	203,512	280,242	76,730
State sources:				
Basic formula	9,347,758	8,327,758	8,052,622	(275,136)
Lottery aid	-	1,020,000	1,415,948	395,948
BOCES aid	1,420,243	1,420,243	1,411,640	(8,603)
Other state aid	88,888	88,888	73,043	(15,845)
Federal sources	50,000	50,000	93,953	43,953
Total revenues	19,837,554	19,837,554	20,000,944	163,390
Other financing sources:				
Interfund transfer in	222,080	222,080	61,892	(160,188)
Appropriated fund balance	400,000	1,012,352	-	(1,012,352)
Total revenues and other sources - General Fund	\$ 20,459,634	\$ 21,071,986	\$ 20,062,836	\$ (1,009,150)
Total revenues - school store	-	-	62	62
Total revenues and other financing sources	\$ 20,459,634	\$ 21,071,986	\$ 20,062,898	\$ (1,009,088)

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

**HOLLAND CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BASIS)
AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020 (Continued)**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
EXPENDITURES					
General support:					
Board of education	\$ 29,050	\$ 30,937	\$ 22,376	\$ -	\$ 8,561
Central administration	346,429	340,342	336,324	-	4,018
Finance	279,701	287,476	258,165	-	29,311
Staff	116,922	115,308	81,311	-	33,997
Central services	1,509,691	1,659,764	1,509,629	-	150,135
Special items	277,793	251,792	244,307	-	7,485
Instruction:					
Instruction, administration and improvements	894,399	722,898	652,002	-	70,896
Teaching - regular school	5,318,145	5,154,644	4,807,658	2,721	344,265
Programs for children with handicaps	3,247,650	3,251,864	3,014,167	-	237,697
Teaching - special schools	85,285	85,285	65,131	-	20,154
Instructional media	1,024,148	1,175,951	1,128,932	-	47,019
Pupil services	746,657	801,652	677,734	-	123,918
Pupil transportation	1,131,180	1,193,161	1,089,028	4,911	99,222
Debt service - principal	764,891	1,264,809	1,264,809	-	-
Debt service - interest	623,670	252,394	252,336	-	58
Employee benefits	3,869,023	3,703,709	3,598,427	-	105,282
	<u>20,264,634</u>	<u>20,291,986</u>	<u>19,002,336</u>	<u>7,632</u>	<u>1,282,018</u>
Other financing uses:					
Interfund transfers out	<u>195,000</u>	<u>780,000</u>	<u>765,362</u>	<u>-</u>	<u>14,638</u>
Total expenditures and other uses - General Fund	<u>\$ 20,459,634</u>	<u>\$ 21,071,986</u>	<u>19,767,698</u>	<u>\$ 7,632</u>	<u>\$ 1,296,656</u>
Total expenditures and other financing uses	<u>\$ 20,459,634</u>	<u>\$ 21,071,986</u>	<u>\$ 19,767,698</u>	<u>\$ 7,632</u>	<u>\$ 1,296,656</u>
Net change in fund balance			<u>\$ 295,200</u>		

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

**HOLLAND CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB RELATED LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS***

	Year Ended June 30,		
	2018	2019	2020
Measurement Date	March 31, 2018	March 31, 2019	March 31, 2020
Total OPEB Liability:			
Service cost	\$ 37,587	\$ 35,538	\$ 47,318
Interest	27,227	22,047	30,461
Changes in benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(165,388)	227,169	73,282
Changes of assumptions or other inputs	10,849	5,311	(420,680)
Benefit payments	<u>(23,786)</u>	<u>(14,016)</u>	<u>(27,060)</u>
Net change in total OPEB liability	(113,511)	276,049	(296,679)
Total OPEB liability - beginning	<u>702,702</u>	<u>589,191</u>	<u>865,240</u>
Total OPEB liability - ending	<u>\$ 589,191</u>	<u>\$ 865,240</u>	<u>\$ 568,561</u>
Covered-employee payroll	\$ 8,605,228	\$ 8,605,228	\$ 8,609,393
Total OPEB liability as a percentage of covered-employee payroll	6.85%	10.05%	6.60%

* This Schedule is intended to show information for ten years. Since 2018 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

**HOLLAND CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY –
EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS
LAST TEN FISCAL YEARS***

	Year Ended June 30,					
	2015	2016	2017	2018	2019	2020
<u>Teachers' Retirement System (TRS)</u>						
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
District's proportion of the net pension (asset)/liability	0.035016%	0.036062%	0.036707%	0.037108%	0.038800%	0.038471%
District's proportionate share of the net pension (asset)/liability	\$ <u>(3,900,542)</u>	\$ <u>(3,745,683)</u>	\$ <u>393,150</u>	\$ <u>(282,061)</u>	\$ <u>(701,605)</u>	\$ <u>(999,472)</u>
District's covered payroll	\$ 5,328,496	\$ 5,552,694	\$ 5,781,518	\$ 5,917,360	\$ 6,354,594	\$ 6,459,387
District's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll	-73.2%	-67.5%	6.8%	-4.8%	-11.0%	-15.5%
Plan fiduciary net position as a percentage of the total pension (asset)/liability	-110.5%	-110.5%	99.0%	-100.7%	-101.5%	-102.2%
<u>Employees' Retirement System (ERS)</u>						
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
District's proportion of the net pension liability	0.004898%	0.004788%	0.004245%	0.005058%	0.004929%	0.006024%
District's proportionate share of the net pension liability	\$ <u>258,868</u>	\$ <u>1,189,970</u>	\$ <u>673,334</u>	\$ <u>163,259</u>	\$ <u>349,254</u>	\$ <u>1,595,056</u>
District's covered payroll	\$ 1,407,067	\$ 1,411,344	\$ 1,387,376	\$ 1,770,479	\$ 1,526,553	\$ 2,071,866
District's proportionate share of the net pension liability as a percentage of its covered payroll	18.4%	84.3%	48.5%	9.2%	22.9%	77.0%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	94.7%	98.2%	96.3%	86.4%

* This Schedule is intended to show information for ten years. Since 2015 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

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

**HOLLAND CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS - EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS
LAST TEN FISCAL YEARS**

	Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Teachers' Retirement System (TRS)										
Contractually required contribution	\$ 525,984	\$ 634,361	\$ 634,361	\$ 840,506	\$ 949,675	\$ 766,630	\$ 693,514	\$ 622,750	\$ 685,987	\$ 593,343
Contributions in relation to the contractually required contribution	525,984	634,361	634,361	840,506	949,675	766,630	693,514	622,750	685,987	593,343
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 6,119,124	\$ 5,712,394	\$ 5,491,619	\$ 5,328,496	\$ 5,552,694	\$ 5,781,518	\$ 5,917,360	\$ 6,354,594	\$ 6,459,387	\$ 6,643,636
Contributions as a percentage of covered payroll	8.6%	11.1%	11.6%	15.8%	17.1%	13.3%	11.7%	9.8%	10.6%	8.9%
Employees' Retirement System (ERS)										
Contractually required contribution	\$ 229,198	\$ 300,996	\$ 300,996	\$ 225,301	\$ 227,118	\$ 262,030	\$ 175,568	\$ 239,491	\$ 242,008	\$ 295,654
Contributions in relation to the contractually required contribution	229,198	300,996	300,996	225,301	227,118	262,030	175,568	239,491	242,008	295,654
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,027,358	\$ 1,996,523	\$ 1,831,087	\$ 1,574,747	\$ 1,407,067	\$ 1,480,732	\$ 1,656,187	\$ 1,792,259	\$ 2,037,610	\$ 2,131,128
Contributions as a percentage of covered payroll	11.3%	15.1%	16.4%	14.3%	16.1%	17.7%	10.6%	13.4%	11.9%	13.9%

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

**HOLLAND CENTRAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 – BUDGETARY INFORMATION

A. BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2020, and, therefore, is the only fund presented on the Budgetary Comparison Schedule.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists that was not determined at the time the budget was adopted.

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

Other special revenue funds and the Private Purpose Trust Fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

NOTE 2 - FACTORS AFFECTING TRENDS IN PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

A. RETIREMENT SYSTEMS

The District’s proportionate share of the net pension (asset)/liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invests in. The discount rate in effect at each measurement date is as follows:

<u>Year ended June 30:</u>	<u>TRS</u>	<u>ERS</u>
2020	7.10%	6.80%
2019	7.25%	7.00%
2018	7.25%	7.00%
2017	7.50%	7.00%
2016	8.00%	7.50%
2015	8.00%	7.50%

B. POSTEMPLOYMENT BENEFIT PLAN

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go-basis. Changes of assumptions and other inputs reflect a discount rate each period which is used in the calculation of the postemployment liability. Factors in effect at each measurement date is as follows:

<u>Year ended June 30:</u>	<u>Discount Rate</u>	<u>Salary Scale</u>	<u>Inflation Rate</u>	<u>Ultimate Healthcare Cost Trend Rate</u>
2020	2.48%	3.22%	2.20%	4.18%
2019	3.44%	3.36%	2.31%	4.32%
2018	3.61%	3.31%	2.37%	4.23%

SUPPLEMENTARY INFORMATION

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

**HOLLAND CENTRAL SCHOOL DISTRICT
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Special Aid</u>	<u>School Lunch</u>	
ASSETS			
Cash and cash equivalents	\$ 163,122	\$ 28,288	\$ 191,410
Receivables	-	266	266
State and federal aid receivable	589,879	80,573	670,452
Inventory	-	23,661	23,661
Total assets	<u>\$ 753,001</u>	<u>\$ 132,788</u>	<u>\$ 885,789</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 4,894	\$ 4,958	\$ 9,852
Due to other funds	744,232	151,589	895,821
Due to other governments	-	1,432	1,432
Due to retirement systems	-	4,124	4,124
Unearned revenue	3,875	-	3,875
Total liabilities	<u>753,001</u>	<u>162,103</u>	<u>915,104</u>
FUND BALANCES (DEFICIT)			
Nonspendable	-	23,661	23,661
Unassigned (deficit)	-	(52,976)	(52,976)
Total fund balances (deficit)	<u>-</u>	<u>(29,315)</u>	<u>(29,315)</u>
 Total liabilities and fund balances (deficit)	 <u>\$ 753,001</u>	 <u>\$ 132,788</u>	 <u>\$ 885,789</u>

**HOLLAND CENTRAL SCHOOL DISTRICT
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Special Aid</u>	<u>School Lunch</u>	
REVENUES			
Miscellaneous local sources	\$ -	\$ 4,036	\$ 4,036
State sources	206,327	8,093	214,420
Federal sources	372,879	239,488	612,367
School lunch	-	82,385	82,385
Total revenues	<u>579,206</u>	<u>334,002</u>	<u>913,208</u>
EXPENDITURES			
Current:			
Instruction	592,079	-	592,079
Pupil transportation	8,927	-	8,927
School lunch	-	375,062	375,062
Employee benefits	8,677	25,482	34,159
Total expenditures	<u>609,683</u>	<u>400,544</u>	<u>1,010,227</u>
Deficit of revenues over expenditures	(30,477)	(66,542)	(97,019)
OTHER FINANCING SOURCES			
Interfund transfers in	<u>30,477</u>	<u>50,000</u>	<u>80,477</u>
Total other financing sources	<u>30,477</u>	<u>50,000</u>	<u>80,477</u>
Net change in fund balances	-	(16,542)	(16,542)
Fund balances (deficit) - beginning	<u>-</u>	<u>(12,773)</u>	<u>(12,773)</u>
Fund balances (deficit) - ending	<u>\$ -</u>	<u>\$ (29,315)</u>	<u>\$ (29,315)</u>

**HOLLAND CENTRAL SCHOOL DISTRICT
 SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET –
 GENERAL FUND AND REAL PROPERTY TAX LIMIT
 FOR THE YEAR ENDED JUNE 30, 2020**

Adopted Budget	\$ 20,459,634
Additions:	
Encumbrances from prior year	<u>27,352</u>
Original Budget	20,486,986
Budget Provision:	
Transfer of Capital Reserve funds to project	<u>585,000</u>
Final Budget	<u><u>\$ 21,071,986</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter approved expenditure budget	\$ 20,908,549
Maximum allowed	836,342

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

Unrestricted fund balance:		
Assigned fund balance	\$ 507,632	
Unassigned fund balance	<u>1,384,015</u>	
Total unrestricted fund balance	<u><u>1,891,647</u></u>	
Less:		
Appropriated fund balance	\$ 500,000	
Encumbrances included in assigned fund balance	7,632	
Bookstore fund balance	<u>2,362</u>	
Total adjustments	<u><u>509,994</u></u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,381,653</u></u>	
Actual percentage		6.61%

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

Project Title	Original Appropriations	Revised Appropriations	Capital Expenditures			Unexpended Balance	Methods of Financing				Transfer to General Fund	Fund Balance 6/30/2020
			Prior Years	Current Year	Total		Proceeds of Obligations	Interest	Local Sources	Total		
Bus Purchase (HB19)	\$ 224,590	\$ 224,590	\$ 218,789	\$ -	\$ 218,789	\$ 5,801	\$ 224,590	\$ -	\$ -	\$ 224,590	\$ 5,801	\$ -
Bus Purchase (HB20)	224,590	224,590	-	223,981	223,981	609	224,590	-	-	224,590	609	-
JSHS Capital Project (HH16)	1,154,108	6,042,381	5,532,310	-	5,532,310	510,071	5,152,251	2,517	500,000	5,654,768	-	122,458
Capital Improvement Project (HH18)	5,000,000	5,000,000	189,132	1,981,745	2,170,877	2,829,123	26,332	-	1,145,400	1,171,732	26,332	(1,025,477)
Capital Improvement Project (HH19)	2,265,000	2,265,000	-	429,062	429,062	1,835,938	11,475	-	585,000	596,475	11,475	155,938
Capital Improvement Project (HH20)	7,200	7,200	-	2,400	2,400	4,800	-	-	-	-	-	(2,400)
Capital Improvements (H018)	100,000	100,000	82,325	-	82,325	17,675	-	-	100,000	100,000	17,675	-
Capital Improvements (H020)	100,000	100,000	-	99,885	99,885	115	-	-	99,885	99,885	-	-
Total	\$ 9,075,488	\$ 13,963,761	\$ 6,022,556	\$ 2,737,073	\$ 8,759,629	\$ 5,204,132	\$ 5,639,238	\$ 2,517	\$ 2,430,285	\$ 8,072,040	\$ 61,892	\$ (749,481)

**HOLLAND CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2020**

Capital assets, net	\$	24,341,294
Add:		
Unspent bond proceeds		5,663,793
Deduct:		
Retainage payable		(19,526)
Bond anticipation notes payable		(5,535,000)
Bonds payable		(7,675,758)
Unamortized bond premium		<u>(57,032)</u>
Net investment in capital assets	\$	<u><u>16,717,771</u></u>

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

INTERNAL CONTROL AND COMPLIANCE

*****THIS PAGE INTENTIONALLY LEFT BLANK*****



**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**

INDEPENDENT AUDITOR'S REPORT

The President and Members of the
Board of Education of
Holland Central School District
Holland, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holland Central School District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-001.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Freed Maxick CPAs, P.C.

Batavia, New York
September 28, 2020

**HOLLAND CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENT FINDINGS

2020-001 Fund Balance

Criteria: The District is limited to an unassigned fund balance in the General Fund of 4% of the subsequent year's budget.

Condition: The District had an unassigned fund balance in the General Fund of \$1,381,653 which amounted to 6.61% of the ensuing fiscal year's budget. Real property tax law Section 1318 limits the portion of unassigned fund balance in the General Fund to 4% of the subsequent year's budget.

Context: Analysis of unassigned fund balance in the General Fund in relation to the 2020/2021 budget identified that the District had exceeded the statutory 4% fund balance limitation.

Effect: The District did not comply with the provisions of Real Property Tax Law Section 1318.

Cause: During the year management prepared a calculation to assess the District's unassigned fund balance to meet the 4% requirement, however, the impact of the District shut-down due to the COVID-19 pandemic, which resulted in many variables to the long-range plan, caused the condition noted above.

Recommendation: The Board of Education should take steps to ensure that in the future, funds retained are only those permitted or required by the Statute.

Views of responsible officials and planned corrective action:

The Board of Education has developed a long-range financial plan, as well as a long-range plan for reserves and fund balance. The long-range plan for reserves and fund balance was adopted during the fiscal year ended June 30, 2018, which is intended to address this finding in normal years. However, the 2019-20 school year was anything but normal. The governor of New York State shut schools down in March 2020. The District went to remote learning until the end of the school year. Some services that were planned and budgeted for came to a complete halt. Transportation services of students stopped and only occurred for student meal drop offs. Athletics and field trips, as well as the transportation for those programs, ceased as of the middle of March. Three and a half months of some BOCES services, salary expenditures, overtime and substitute costs, materials and supplies, and other contractual expenditures became minimized as students and staff were no longer in our buildings. The District believes that if 2019-2020 were a normal year, we would have been in compliance with the 4% unassigned fund balance requirement. Furthermore, the District does feel that the overage of unassigned fund balance puts us in a much-needed financial condition due to the governor's 20% cut to state aid and the overwhelming costs of required PPE and enhance cleaning procedures for the upcoming school year.