

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK

AUDIT REPORT FOR THE YEAR ENDED
JUNE 30, 2020
INCLUDING REPORTS ON FEDERAL AWARDS
AND EXTRACLASSROOM ACTIVITY FUNDS

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
JUNE 30, 2020
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Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
South Orangetown Central School District
Blauvelt, New York

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the South Orangetown Central School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the South Orangetown Central School 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

South Orangetown Central School District

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 fiduciary funds of the South Orangetown Central School District, as of June 30, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4 through 15 and 68 through 72 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 South Orangetown Central School District's basic financial statements. The supplemental schedules on pages 73 through 75 are required by the New York State Education Department and are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental schedules on pages 73 through 75 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules on pages 73 through 75 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

South Orangetown Central School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2020, on our consideration of the South Orangetown Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 South Orangetown Central School 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 South Orangetown Central School District's internal control over financial reporting and compliance.

Mugent & Haussler, P.C.

Montgomery, New York
October 2, 2020

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis

Introductory Section

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

Financial Highlights

Key financial highlights for the year ended June 30, 2020 are as follows:

- New York State Law limits the amount of committed, assigned and unassigned fund balance, exclusive of encumbrances and amounts designated for the subsequent year's budget, which can be retained by the General Fund to 4% of the ensuing year's budget. At the end of the current fiscal year, this amount for the General Fund was \$3,871,930 or 4%, and is therefore within the statutory limit.
- On the district-wide financial statements, the assets and deferred outflows of resources of the School District were less than the liabilities and deferred inflows of resources at the close of its most recent fiscal year by \$113,359,335. The School District's net position decreased by \$11,574,718. The decrease is mainly related to the change in Other Postemployment Benefits liability.
- During the year ended June 30, 2020, the District's Other Postemployment Benefits liability and associated expense that were recorded in the *district-wide* financial statements, increased significantly compared to the previous year. The liability as of June 30, 2020 was \$253,648,000, which was an increase of \$69,673,000 compared to the previous year. The expense for the current year was \$14,004,000, which was an increase of \$8,756,000 compared to the prior period. The increase is attributed to the change in actuarial assumptions, primarily a reduction in the discount rate used by the actuary.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

Overview of the Financial

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

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the District's significant funds.
- 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 sections of required supplementary information and supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year among other schedules.

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

Major Features of the District-Wide and Fund Financial Statements			
		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<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 Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during 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 Financial 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 and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

District-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

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

The District has two types 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 that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information disclosed in Note 2 explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Financial Analysis of the District as a Whole

For the year ended June 30, 2020, the District net position decreased by \$11,574,718. The District net position at June 30, 2020 is (\$113,359,335). The following table provides a summary of the District's net position:

Summary of Net Position

	School District Activities			
	June 30, 2020	June 30, 2019	Increase/ (Decrease)	% Change
Current Assets	\$ 46,901,364	\$ 44,954,603	\$ 1,946,761	4.33%
Non Current Assets	64,216,092	58,064,139	6,151,953	10.60%
Total Assets	111,117,456	103,018,742	8,098,714	7.86%
Deferred Outflows of Resources	75,714,204	23,772,571	51,941,633	218.49%
Current Liabilities	9,654,658	9,077,479	577,179	6.36%
Long-Term Liabilities	271,267,383	200,385,824	70,881,559	35.37%
Total Liabilities	280,922,041	209,463,303	71,458,738	34.12%
Deferred Inflows of Resources	19,268,954	19,112,627	156,327	0.82%
Net Position:				
Net Investment in Capital Assets	44,889,638	52,412,043	(7,522,405)	-14.35%
Restricted	41,010,055	37,392,645	3,617,410	9.67%
Unrestricted	(199,259,028)	(191,589,305)	(7,669,723)	-4.00%
Total Net Position	<u>\$ (113,359,335)</u>	<u>\$ (101,784,617)</u>	<u>\$ (11,574,718)</u>	-11.37%

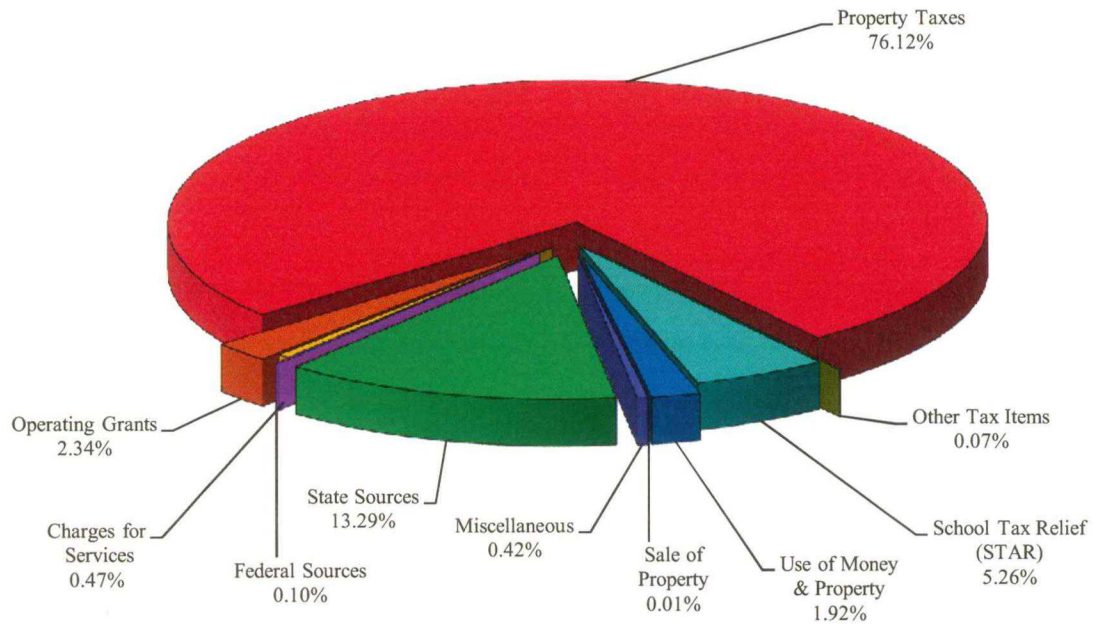
The following table and supporting graphs provides a summary of revenues, expenses and changes in net position for the year ended June 30, 2020 and 2019:

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
STATEMENT OF ACTIVITIES
SUMMARY OF CHANGES IN NET POSITION

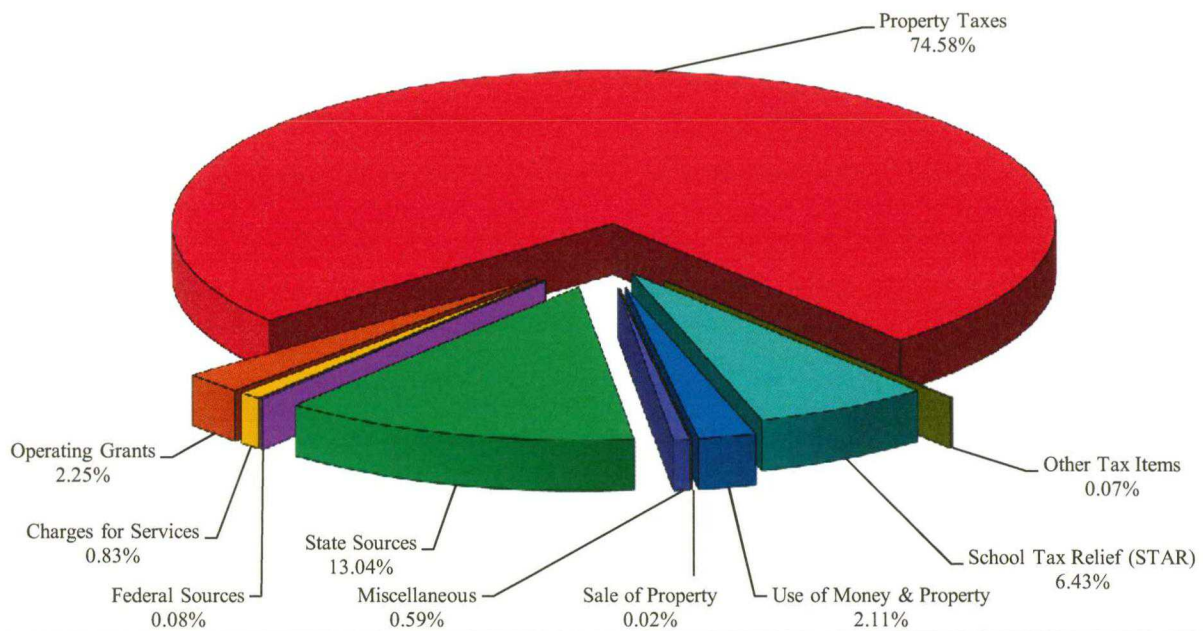
	FOR THE YEAR ENDED JUNE 30, 2020	%	FOR THE YEAR ENDED JUNE 30, 2019	%	\$ Change	% Change
<u>REVENUES</u>						
PROGRAM REVENUES:						
Charges for Services	\$ 466,838	0.47%	\$ 800,253	0.83%	\$ (333,415)	-41.66%
Operating Grants	2,328,708	2.34%	2,179,847	2.25%	148,861	6.83%
GENERAL REVENUES:						
Property Taxes	75,886,750	76.12%	72,125,402	74.58%	3,761,348	5.22%
Other Tax Items	72,982	0.07%	70,934	0.07%	2,048	2.89%
School Tax Relief (STAR)	5,239,529	5.26%	6,214,696	6.43%	(975,167)	-15.69%
Use of Money & Property	1,909,169	1.92%	2,045,095	2.11%	(135,926)	-6.65%
Sale of Property	10,899	0.01%	23,505	0.02%	(12,606)	-53.63%
Miscellaneous	422,790	0.42%	571,900	0.59%	(149,110)	-26.07%
State Sources	13,251,516	13.29%	12,611,688	13.04%	639,828	5.07%
Federal Sources	98,376	0.10%	80,710	0.08%	17,666	21.89%
TOTAL REVENUES	<u>99,687,557</u>	<u>100.00%</u>	<u>96,724,030</u>	<u>100.00%</u>	<u>2,963,527</u>	<u>3.06%</u>
<u>EXPENSES</u>						
General Support	9,839,398	8.84%	9,138,154	9.49%	701,244	7.67%
Instruction	53,326,593	47.94%	53,531,381	55.56%	(204,788)	-0.38%
Pupil Transportation	4,303,924	3.87%	4,139,152	4.30%	164,772	3.98%
Community Services	93,416	0.08%	63,120	0.07%	30,296	48.00%
Employee Benefits	40,001,763	35.95%	25,561,259	26.54%	14,440,504	56.49%
Debt Service Interest	338,127	0.30%	414,578	0.43%	(76,451)	-18.44%
Depreciation	2,612,174	2.35%	2,576,189	2.67%	35,985	1.40%
School Lunch Program	746,880	0.67%	904,127	0.94%	(157,247)	-17.39%
TOTAL EXPENSES	<u>111,262,275</u>	<u>100.00%</u>	<u>96,327,960</u>	<u>100.00%</u>	<u>14,934,315</u>	<u>15.50%</u>
CHANGES IN NET POSITION	<u>\$ (11,574,718)</u>		<u>\$ 396,070</u>		<u>\$ (11,970,788)</u>	<u>3022.39%</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK

**SOURCES OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2020**

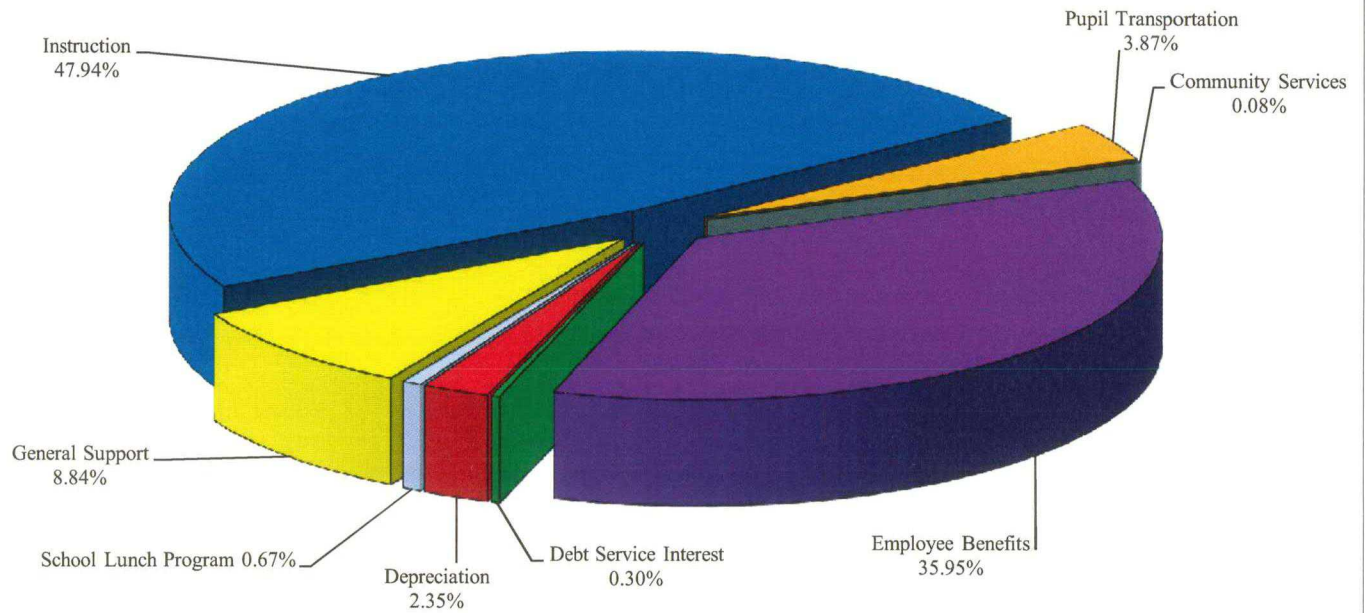


**SOURCES OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2019**

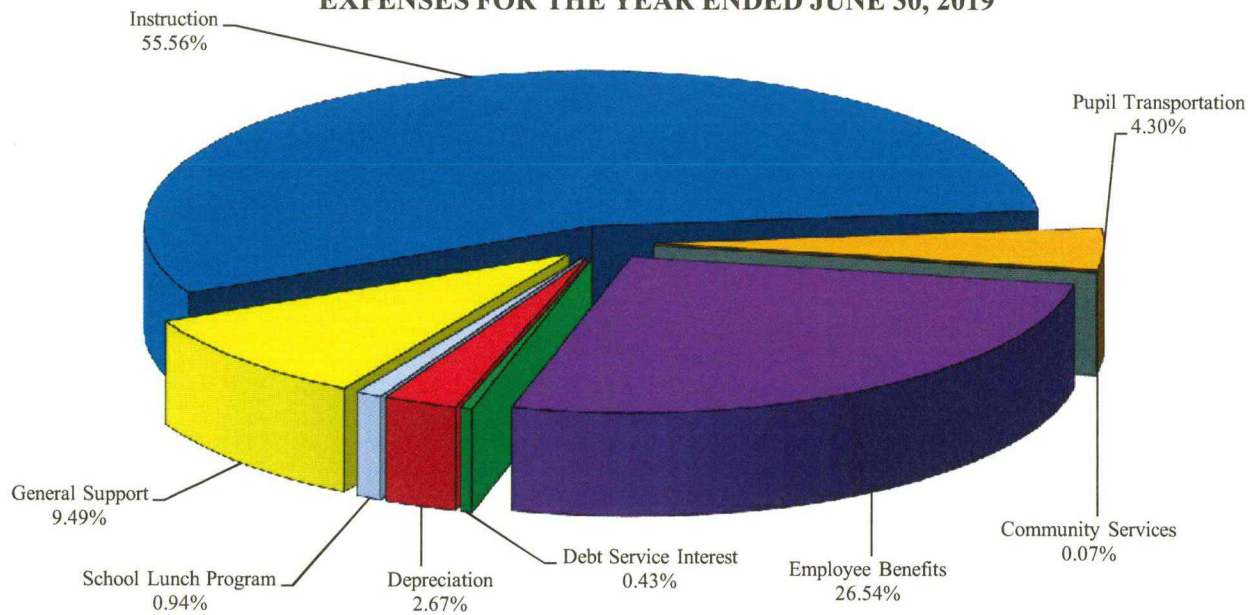


SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK

EXPENSES FOR THE YEAR ENDED JUNE 30, 2020



EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

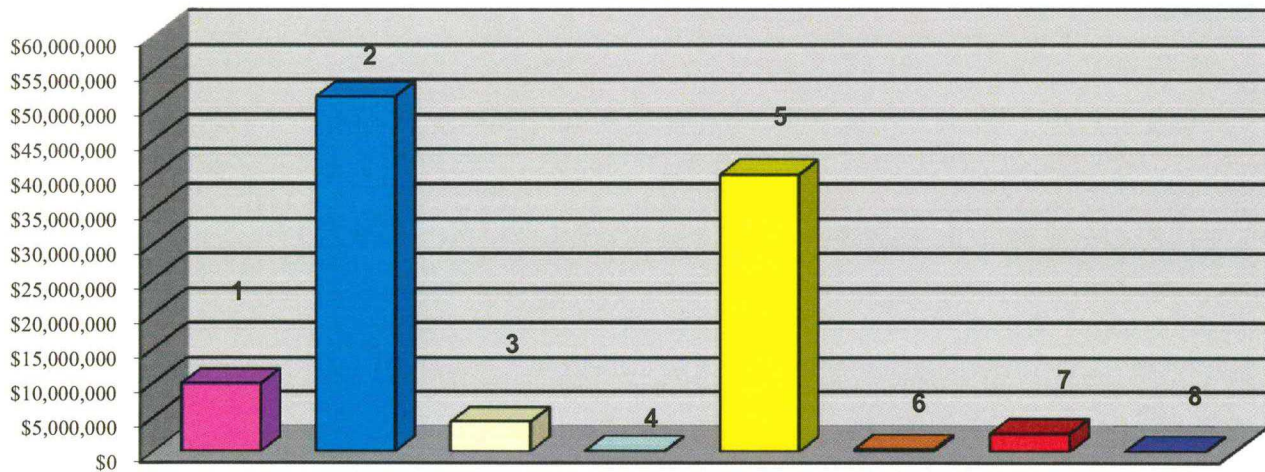


SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
STATEMENT OF ACTIVITIES
NET COSTS

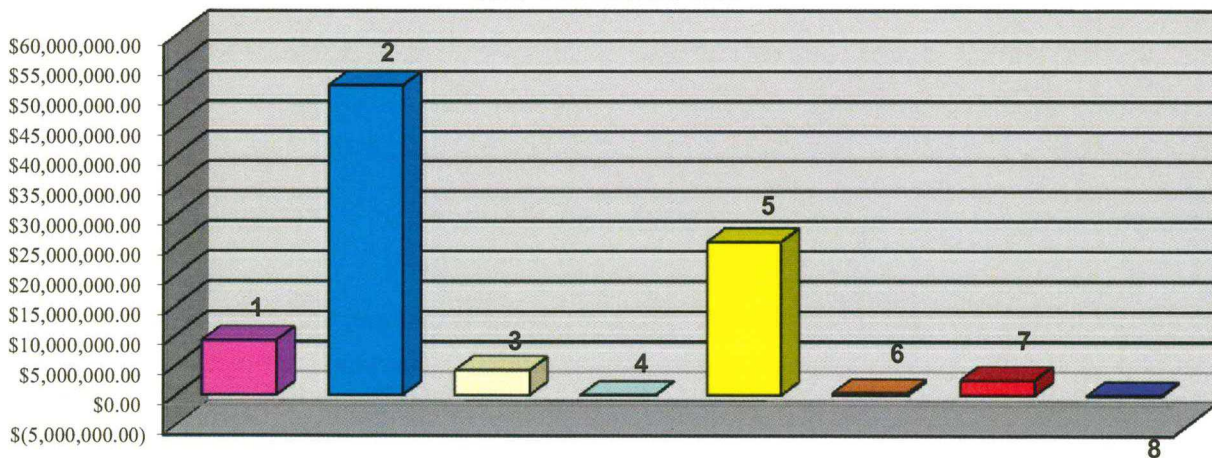
The following information is provided to disclose the net cost of governmental activities:

		TOTAL COST OF SERVICES 2019-2020	NET COST OF SERVICES 2019-2020	TOTAL COST OF SERVICES 2018-2019	NET COST OF SERVICES 2018-2019
General Support	1	\$ 9,839,398	\$ 9,839,398	\$ 9,138,154	\$ 9,138,154
Instruction	2	53,326,593	51,228,807	53,531,381	51,561,395
Pupil Transportation	3	4,303,924	4,303,924	4,139,152	4,139,152
Community Services	4	93,416	93,416	63,120	63,120
District's proportionate share	5	40,001,763	40,001,763	25,561,259	25,561,259
Debt Service - Interest	6	338,127	338,127	414,578	414,578
Depreciation	7	2,612,174	2,612,174	2,576,189	2,576,189
School Lunch Program	8	746,880	49,120	904,127	(105,987)
		<u>\$ 111,262,275</u>	<u>\$ 108,466,729</u>	<u>\$ 96,327,960</u>	<u>\$ 93,347,860</u>

NET COSTS 2019-2020



NET COSTS 2018-2019



SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

Financial Analysis of the District's Funds

As discussed, the District's governmental funds are reported in the fund statements with a modified accrual basis that uses a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The major governmental funds of the District consist of the General Fund, Special Aid Fund, School Lunch Fund, Debt Service Fund and Capital Projects Fund. The total fund balances allocated between non-spendable, restricted, assigned, and unassigned fund balance for each of these funds is as follows:

	June 30, 2020				
	Nonspendable	Restricted	Assigned	Unassigned	Total
General	\$ 1,644	\$ 23,942,388	\$ 373,751	\$ 3,871,930	\$ 28,189,713
Special Aid	0	6,185	0	0	6,185
School Lunch	5,419	375,113	0	0	380,532
Capital Projects	0	9,082,588	0	0	9,082,588
Debt Service	0	1,554,653	0	0	1,554,653
	<u>\$ 7,063</u>	<u>\$ 34,960,927</u>	<u>\$ 373,751</u>	<u>\$ 3,871,930</u>	<u>\$ 39,213,671</u>

	June 30, 2019				
	Nonspendable	Restricted	Assigned	Unassigned	Total
General	\$ 0	\$ 17,549,857	\$ 770,267	\$ 3,790,206	\$ 22,110,330
Special Aid	0	10,259	0	0	10,259
School Lunch	11,091	431,897	0	0	442,988
Capital Projects	0	13,602,606	0	0	13,602,606
Debt Service	0	1,615,039	0	0	1,615,039
	<u>\$ 11,091</u>	<u>\$ 33,209,658</u>	<u>\$ 770,267</u>	<u>\$ 3,790,206</u>	<u>\$ 37,781,222</u>

General Fund Budgetary Highlights

In the General Fund, for the year ended June 30, 2020, actual revenues were greater than revised budgeted revenues by \$2,104,064 or 2.22% primarily due to additional State Aid being received in the amount of \$1,092,470 and additional rental income being received in the amount of \$856,015 and refund of prior year's BOCES and other expenses in the amount of \$235,515. Actual expenditures and encumbrances were less than the revised budgeted expenditures by \$6,028,219 or (6.20%). Savings were reflected in various budgets such as Central Services, Regular School, Programs for Children with Handicap Conditions, Pupil Transportation and Employee Benefits.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

Other Fund Highlights

The Special Aid Fund ended the year with a fund balance of \$6,185. The revenues of this fund are expenditure driven meaning that the District receives funds based on the amount of expenditures for each grant. The District is responsible for paying 20% of the expenditures of the Summer Handicap program and as such transferred \$83,017 from the General Fund budgeted amounts to the Special Aid Fund to cover these costs for the current year.

The School Lunch Program Fund ended the year with a fund balance of \$380,532. The expenditures exceeded revenue by \$62,456. The District contracted Whitsons Culinary Group to provide the lunch services for year 2019/2020.

The Capital Projects Fund ended the year with a fund balance of \$9,082,588. Revenue in the amount of \$1,417,727 was transferred from the General Fund Appropriations/Capital Reserve to fund the minor capital projects of 2019-2020. Cumulative expenses for open projects paid through June 30, 2020 totaled \$7,717,412. Expenses relate to the District Minor Capital Projects for years 2015 – 2017 and the Capital Project 2017-2020.

The Debt Service Fund ended the year with a fund balance of \$1,554,653. This fund balance will be appropriated in future years to offset principal and interest payments.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of June 30, 2020 was \$58,166,964. The total increase in this net investment was 7.95% for the District as a whole (see schedule on page 15). The District's investment in capital assets, net of accumulated depreciation as of June 30, 2019, was \$53,881,152. The District expended \$6,912,311 to acquire and construct capital assets during the year ended June 30, 2020 and depreciation expense for the year was \$(2,612,174).

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Capital Assets (Continued)

CAPITAL ASSETS
Net of Accumulated Depreciation

	School District Activities		% Change
	June 30, 2020	June 30, 2019	
Non-Depreciable Assets:			
Land	\$ 616,672	\$ 616,672	0.00%
Construction in Progress	1,095,767	1,480,934	-26.01%
Depreciable Assets:			
Building and Improvements	55,303,744	50,524,832	9.46%
Machinery & Equipment	1,150,781	1,258,714	-8.57%
TOTALS	<u>\$ 58,166,964</u>	<u>\$ 53,881,152</u>	7.95%

Long-Term Debt

At the end of the year, the District had total bonded and installment purchase debt outstanding of \$12,080,000. This amount is backed by the full faith and credit of the South Orangetown Central School District with debt service fully funded by voter approved property taxes. Activity in bonded debt outstanding during the year was as follows:

	Beginning Balance	Issued	Paid	Ending Balance
Serial Bond	\$ 820,000	\$ 0	\$ 150,000	\$ 670,000
Serial Bond	2,145,000	0	240,000	1,905,000
Serial Bond	10,730,000	0	1,225,000	9,505,000
Total Bonded Debt Outstanding	<u>\$ 13,695,000</u>	<u>\$ 0</u>	<u>\$ 1,615,000</u>	<u>\$ 12,080,000</u>

Bond Ratings

Standard & Poor's has assigned a rating of Aa2 to outstanding uninsured bonds of the District. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's Investors Service. There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, 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 Alicia Koster, Executive Director of Finance & Management Services, at the District's business offices at 160 Van Wyck Road Blauvelt, New York 10913.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

ASSETS

Unrestricted Cash	\$ 8,602,438
Restricted Cash	34,960,927
State & Federal Aid Receivable	3,152,693
Due from Other Governments	54,714
Due from Fiduciary Funds	2,279
Other Receivables, Net	122,894
Inventories	5,419
TRS Net Pension Asset - Proportionate Share	6,049,128
Non-Depreciable Capital Assets	1,712,439
Capital Assets, Net	56,454,525
TOTAL ASSETS	<u>111,117,456</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	22,330,916
Other Postemployment Benefits	53,174,831
Deferred Charges	208,457
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>75,714,204</u>

LIABILITIES

Accounts Payable	3,536,995
Accrued Liabilities	221,254
Due to Other Governments	32
Due to Fiduciary Funds	11,484
Due to Teachers' Retirement System	3,696,044
Due to Employees' Retirement System	185,428
Unearned Revenues	96,472
Long-term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable (including deferred amount on refunding)	1,906,949
Due and Payable In More Than One Year:	
Bonds Payable (including deferred amount on refunding)	11,577,190
Compensated Absences	1,635,041
ERS Net Pension Liability - Proportionate Share	3,974,746
Other Postemployment Benefits	253,648,122
Judgements and Claims	432,284
TOTAL LIABILITIES	<u>280,922,041</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	8,516,840
Other Postemployment Benefits	10,752,114
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>19,268,954</u>

NET POSITION

Net Investment in Capital Assets	44,889,638
Restricted	41,010,055
Unrestricted (Deficit)	(199,259,028)
TOTAL NET POSITION	<u>\$ (113,359,335)</u>

See notes to financial statement.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		PROGRAM REVENUES		NET (EXPENSE) REVENUE & CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS	
<u>FUNCTIONS & PROGRAMS</u>	<u>EXPENSES</u>			
General Support	\$ (15,811,720)	\$ 0	\$ 0	\$ (15,811,720)
Instruction	(87,381,923)	66,935	2,030,851	(85,284,137)
Pupil Transportation	(6,864,948)	0	0	(6,864,948)
Community Services	(93,416)	0	0	(93,416)
Debt Service - Interest	(338,127)	0	0	(338,127)
School Lunch Program	(772,141)	399,903	297,857	(74,381)
TOTAL FUNCTIONS & PROGRAMS	<u><u>\$ (111,262,275)</u></u>	<u><u>\$ 466,838</u></u>	<u><u>\$ 2,328,708</u></u>	<u>(108,466,729)</u>
<u>GENERAL REVENUES</u>				
Real Property Taxes				75,886,750
Other Tax Items				5,312,511
Use of Money & Property				1,909,169
Sale of Property & Compensation for Loss				10,899
Miscellaneous				422,790
State Sources				13,251,516
Federal Sources				98,376
TOTAL GENERAL REVENUES				<u>96,892,011</u>
CHANGE IN NET POSITION				(11,574,718)
NET POSITION, BEGINNING OF YEAR				<u>(101,784,617)</u>
NET POSITION, END OF YEAR				<u><u>\$ (113,359,335)</u></u>

See notes to financial statement.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>						
Unrestricted Cash	\$ 8,359,530	\$ 0	\$ 242,908	\$ 0	\$ 0	\$ 8,602,438
Restricted Cash	25,349,849	2,412	375,113	7,678,901	1,554,652	34,960,927
State & Federal Aid Receivable	1,760,825	1,364,615	27,253	0	0	3,152,693
Due from Other Governments	54,714	0	0	0	0	54,714
Due from Other Funds	1,460,262	9,749	0	1,417,727	1	2,887,739
Due from Fiduciary Funds	2,279	0	0	0	0	2,279
Other Receivables, Net	122,894	0	0	0	0	122,894
Deferred Charges	1,644	0	0	0	0	1,644
Inventories	0	0	5,419	0	0	5,419
TOTAL ASSETS	<u>\$ 37,111,997</u>	<u>\$ 1,376,776</u>	<u>\$ 650,693</u>	<u>\$ 9,096,628</u>	<u>\$ 1,554,653</u>	<u>\$ 49,790,747</u>
<u>LIABILITIES & FUND BALANCES</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 3,423,284	\$ 39	\$ 113,672	\$ 0	\$ 0	\$ 3,536,995
Accrued Liabilities	162,481	401	0	0	0	162,882
Due to Other Governments	0	0	32	0	0	32
Due to Other Funds	1,427,737	1,363,006	82,956	14,040	0	2,887,739
Due to Fiduciary Funds	11,484	0	0	0	0	11,484
Due to Teachers' Retirement System	3,696,044	0	0	0	0	3,696,044
Due to Employees' Retirement System	185,428	0	0	0	0	185,428
Unearned Revenues	15,826	7,145	73,501	0	0	96,472
TOTAL LIABILITIES	<u>8,922,284</u>	<u>1,370,591</u>	<u>270,161</u>	<u>14,040</u>	<u>0</u>	<u>10,577,076</u>
<u>FUND BALANCES</u>						
Nonspendable	1,644	0	5,419	0	0	7,063
Restricted	23,942,388	6,185	375,113	9,082,588	1,554,653	34,960,927
Assigned	373,751	0	0	0	0	373,751
Unassigned	3,871,930	0	0	0	0	3,871,930
TOTAL FUND BALANCES	<u>28,189,713</u>	<u>6,185</u>	<u>380,532</u>	<u>9,082,588</u>	<u>1,554,653</u>	<u>39,213,671</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 37,111,997</u>	<u>\$ 1,376,776</u>	<u>\$ 650,693</u>	<u>\$ 9,096,628</u>	<u>\$ 1,554,653</u>	<u>\$ 49,790,747</u>

See notes to financial statement.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF NET POSITION TOTALS
<u>ASSETS</u>				
Unrestricted Cash	\$ 8,602,438	\$ 0	\$ 0	\$ 8,602,438
Restricted Cash	34,960,927	0	0	34,960,927
State & Federal Aid Receivable	3,152,693	0	0	3,152,693
Due from Other Governments	54,714	0	0	54,714
Due from Other Funds	2,887,739	0	(2,887,739)	0
Due from Fiduciary Funds	2,279	0	0	2,279
Other Receivables, Net	122,894	0	0	122,894
Inventories	5,419	0	0	5,419
TRS Net Pension Asset - Proportionate Share	0	6,049,128	0	6,049,128
Non-Depreciable Capital Assets	0	1,712,439	0	1,712,439
Capital Assets, Net	0	56,454,525	0	56,454,525
TOTAL ASSETS	49,789,103	64,216,092	(2,887,739)	111,117,456
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pensions	0	22,330,916	0	22,330,916
Other Postemployment Benefits	0	53,174,831	0	53,174,831
Deferred Charges	1,644	206,813	0	208,457
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,644	75,712,560	0	75,714,204
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 49,790,747	\$ 139,928,652	\$ (2,887,739)	\$ 186,831,660
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES / NET POSITION</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 3,536,995	\$ 0	\$ 0	\$ 3,536,995
Accrued Liabilities	162,882	58,372	0	221,254
Due to Other Governments	32	0	0	32
Due to Other Funds	2,887,739	0	(2,887,739)	0
Due to Fiduciary Funds	11,484	0	0	11,484
Due to Teachers' Retirement System	3,696,044	0	0	3,696,044
Due to Employees' Retirement System	185,428	0	0	185,428
Bonds Payable (including deferred amount on refunding)	0	13,484,139	0	13,484,139
Compensated Absences	0	1,635,041	0	1,635,041
Unearned Revenues	96,472	0	0	96,472
ERS Net Pension Liability - Proportionate Share	0	3,974,746	0	3,974,746
Other Postemployment Benefits	0	253,648,122	0	253,648,122
Judgements and Claims	0	432,284	0	432,284
TOTAL LIABILITIES	10,577,076	273,232,704	(2,887,739)	280,922,041
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pensions	0	8,516,840	0	8,516,840
Other Postemployment Benefits	0	10,752,114	0	10,752,114
TOTAL DEFERRED INFLOWS OF RESOURCES	0	19,268,954	0	19,268,954
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	10,577,076	292,501,658	(2,887,739)	300,190,995
<u>FUND BALANCES / NET POSITION</u>				
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES / NET POSITION	39,213,671	(152,573,006)	0	(113,359,335)
	\$ 49,790,747	\$ 139,928,652	\$ (2,887,739)	\$ 186,831,660

See notes to financial statement.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>						
Real Property Taxes	\$ 75,886,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75,886,750
Other Tax Items	5,312,511	0	0	0	0	5,312,511
Charges for Services	66,935	0	0	0	0	66,935
Use of Money & Property	1,809,448	0	0	0	99,721	1,909,169
Sale of Property & Compensation for Loss	10,899	0	0	0	0	10,899
Miscellaneous	422,790	0	23	0	0	422,813
State Sources	13,251,516	814,311	12,952	0	0	14,078,779
Federal Sources	98,376	1,216,540	284,905	0	0	1,599,821
Sales	0	0	399,880	0	0	399,880
TOTAL REVENUES	96,859,225	2,030,851	697,760	0	99,721	99,687,557
<u>EXPENDITURES</u>						
General Support	10,813,964	0	0	0	0	10,813,964
Instruction	51,286,607	1,772,536	0	0	0	53,059,143
Pupil Transportation	4,212,126	91,798	0	0	0	4,303,924
Community Services	93,416	0	0	0	0	93,416
Employee Benefits	20,888,835	253,608	13,336	0	0	21,155,779
Debt Service:						
Principal	0	0	0	0	1,615,000	1,615,000
Interest	0	0	0	0	529,257	529,257
Cost of Sales	0	0	746,880	0	0	746,880
Capital Outlay	0	0	0	5,937,745	0	5,937,745
TOTAL EXPENDITURES	87,294,948	2,117,942	760,216	5,937,745	2,144,257	98,255,108
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	9,564,277	(87,091)	(62,456)	(5,937,745)	(2,044,536)	1,432,449
<u>OTHER SOURCES & USES</u>						
Operating Transfers In	0	83,017	0	1,417,727	1,984,150	3,484,894
Operating Transfers (Out)	(3,484,894)	0	0	0	0	(3,484,894)
TOTAL OTHER SOURCES & USES	(3,484,894)	83,017	0	1,417,727	1,984,150	0
NET CHANGE IN FUND BALANCE	6,079,383	(4,074)	(62,456)	(4,520,018)	(60,386)	1,432,449
FUND BALANCES, BEGINNING OF YEAR	22,110,330	10,259	442,988	13,602,606	1,615,039	37,781,222
FUND BALANCES, END OF YEAR	\$ 28,189,713	\$ 6,185	\$ 380,532	\$ 9,082,588	\$ 1,554,653	\$ 39,213,671

See notes to financial statement.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE & EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF ACTIVITIES
<u>REVENUES</u>						
Real Property Taxes	\$ 75,886,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75,886,750
Other Tax Items	5,312,511	0	0	0	0	5,312,511
Charges for Services	66,935	0	0	0	0	66,935
Use of Money & Property	1,909,169	0	0	0	0	1,909,169
Sale of Property & Compensation for Loss	10,899	0	0	0	0	10,899
Miscellaneous	422,813	0	0	0	0	422,813
State Sources	14,078,779	0	0	0	0	14,078,779
Federal Sources	1,599,821	0	0	0	0	1,599,821
Sales	399,880	0	0	0	0	399,880
TOTAL REVENUES	99,687,557	0	0	0	0	99,687,557
<u>EXPENDITURES</u>						
General Support	9,839,398	0	117,447	0	5,854,875	15,811,720
Instruction	53,059,143	253,125	2,497,127	0	31,572,528	87,381,923
Pupil Transportation	4,303,924	0	0	0	2,561,024	6,864,948
Community Services	93,416	0	0	0	0	93,416
Employee Benefits	21,155,779	18,845,984	0	0	(40,001,763)	0
Debt Service:						
Principal	1,615,000	0	0	(1,615,000)	0	0
Interest	529,257	(11,741)	0	(179,389)	0	338,127
Cost of Sales	746,880	0	11,925	0	13,336	772,141
Capital Outlay	6,912,311	0	(6,912,311)	0	0	0
TOTAL EXPENDITURES	98,255,108	19,087,368	(4,285,812)	(1,794,389)	0	111,262,275
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	1,432,449	(19,087,368)	4,285,812	1,794,389	0	(11,574,718)
<u>OTHER SOURCES & USES</u>						
Operating Transfers In	3,484,894	0	0	0	(3,484,894)	0
Operating Transfers (Out)	(3,484,894)	0	0	0	3,484,894	0
TOTAL OTHER SOURCES & USES	0	0	0	0	0	0
NET CHANGE FOR THE YEAR	\$ 1,432,449	\$ (19,087,368)	\$ 4,285,812	\$ 1,794,389	\$ 0	\$ (11,574,718)

See notes to financial statement.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	PRIVATE PURPOSE TRUSTS	AGENCY
<u>ASSETS</u>		
Cash	\$ 154,497	\$ 164,544
Other Receivables	2,775	33,544
Due from Other Funds	<u>0</u>	<u>11,484</u>
TOTAL ASSETS	<u>\$ 157,272</u>	<u>\$ 209,572</u>
<u>LIABILITIES & NET POSITION</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 2,279	\$ 0
Extraclassroom Activity Balances	0	155,607
Other Liabilities	<u>0</u>	<u>53,965</u>
TOTAL LIABILITIES	<u>2,279</u>	<u>\$ 209,572</u>
<u>NET POSITION</u>		
Restricted Donations	<u>154,993</u>	
TOTAL LIABILITIES & NET POSITION	<u>\$ 157,272</u>	

See notes to financial statement.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Gifts and Contributions	\$ 118,483
Investment Earnings	<u>10</u>
TOTAL ADDITIONS	<u>118,493</u>
<u>DEDUCTIONS</u>	
Scholarships & Awards	16,350
Other Expenses	<u>77,730</u>
TOTAL DEDUCTIONS	<u>94,080</u>
CHANGE IN NET POSITION	24,413
NET POSITION, BEGINNING OF YEAR	<u>130,580</u>
NET POSITION, END OF YEAR	<u><u>\$ 154,993</u></u>

See notes to financial statement.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES.

The financial statements of the South Orangetown Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Where comparative amounts are presented, certain reclassifications may have been made to the prior year amounts so that they would be in conformity with the current year's presentation. Significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

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

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

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

1. Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds have been included in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

B. Joint Venture

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

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

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

During the year ended June 30, 2020, the South Orangetown Central School District was billed \$10,676,003 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,314,692. Financial statements for BOCES are available from the BOCES administrative office at 65 Parrott Road, West Nyack, New York 10994-0607.

C. Basis of Presentation

1. District-Wide Statements

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

The Statement of Net Position presents the financial position of the District at June 30, 2020. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended in 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.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

C. Basis of Presentation (Continued)

2. Funds Statements

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

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of the specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

Special Aid Fund: Used to account for proceeds received from State and Federal grants that are restricted for specific educational programs.

School Lunch Fund: This fund is used to account for the school lunch operations. The school lunch operation is supported by federal and state grants and charges participants for its services.

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

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

The District reports the following fiduciary funds:

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

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.

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the year.

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

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1st and became a lien on August 19, 2019. Taxes were collected by the District during the period September 1, 2019 through October 31, 2019.

Uncollected real property taxes are subsequently enforced by Rockland County, which is the county the District is located in. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement, to the District no later than the following April 1.

F. Restricted Resources

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

G. Interfund Transactions

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

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

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

Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H. Estimates

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

I. Cash and Investments

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

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

J. Accounts Receivable

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

K. Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. There were no prepaid items at June 30, 2020.

L. Other Assets/Restricted Assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

M. Capital Assets

Capital assets are reported at cost for acquisitions subsequent to June 30, 2002. For assets acquired prior to June 30, 2002, estimated historical costs, based on an independent third-party appraisal were used. Donated assets are reported at estimated fair market value at the time received.

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land Improvements	\$ 5,000	Straight Line	50 years
Buildings and Improvements	5,000	Straight Line	50 years
Furniture and Equipment	5,000	Straight Line	5-10 years
Vehicles	5,000	Straight Line	5-10 years

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that may qualify for reporting in this category. The District reports deferred amounts on refunding in the Statement of Net Position as a deferred outflow of resources. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second deferred outflow is related to pensions reported in the Statement of Net Position. For the additional information on these deferred outflows related to pensions, see Note 7. The third deferred outflow is related to other postemployment benefits reported in the statement of Net Position. For additional information on these deferred outflows related to other postemployment benefits, see Note 9.

In addition to liabilities, the District 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 District reports deferred inflows of resources in the Statement of Net Position related to pensions reported in the district-wide statements. For additional information on deferred inflows related to pensions, see Note 7. The District also reports deferred inflows of resources in the Statement of Net Position related to other postemployment benefits reported in the district-wide statements. For additional information on deferred inflows related to other postemployment benefits see Note 9.

O. Unearned Revenue

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

P. Vested Employee Benefits

1. Compensated Absences

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

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

District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken in varying time periods. Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

2. Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

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 provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Q. Short-Term Debt

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

Q. Short-Term Debt (continued)

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

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

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

R. Accrued Liabilities and Long-Term Obligations

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

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

S. Equity Classifications

1. District-wide Statements

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

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

1. District-wide Statements (Continued)

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

Unrestricted - reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

2. Fund Statements

In the fund statements there are five classifications of fund balances:

Non-spendable – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$5,419 and deferred charges within the general fund of \$1,644.

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

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.

Teachers Retirement Contribution Reserve

According to amendments to General Municipal Law §6-r, this reserve must be used to finance retirement contributions to the New York State Teachers Retirement System ("TRS") and/or offset all or some of the amount deducted from the moneys apportioned to the District from the state under Education Law § 521. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. The amount of moneys contributed to the TRS Sub-fund annually cannot exceed 2% of the total salaries of all teachers employed by the District paid during the previous fiscal year. In addition, the total balance of the TRS Sub-fund cannot exceed 10% of the total salaries of all teachers employed by the District paid during the previous fiscal year.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

Tax Certiorari Reserve

According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth year after deposit of these monies. The reserve is accounted for in the General fund.

Unemployment Insurance

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

Employee Benefit Accrued Liability Reserve

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

Capital Reserve

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure's may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

Restricted fund balance at June 30, 2020 consisted of the following:

General Fund:

Capital Reserve	\$ 13,042,121
Unemployment Insurance Reserve	50,000
Tax Certiorari Reserve	7,257,563
Employee Benefit Accrued Liability Reserve	1,635,041
Retirement Contribution Reserve	1,174,938
Teacher Retirement Contributions Reserve	782,725
	<hr/>
	\$ 23,942,388

Special Aid Fund	6,185
School Lunch Fund	375,113
Capital Fund	9,082,588
Debt Service Fund	1,554,653
	<hr/>

Total Restricted Fund Balance	<u><u>\$ 34,960,927</u></u>
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Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Board of Education. The District did not classify any of its fund balances as committed as of June 30, 2020.

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

Unassigned: Includes fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance is reported.

Order of Use of Fund Balance:

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

Limitation on Unexpended Surplus Funds:

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds the District can retain to no more than 4% of the District's General Fund budget for the ensuing year. Non-spendable 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.

T. New Accounting Standards

GASB has issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the several pronouncements were postponed by one year. Effective dates provided in Note U have been updated to reflect this.

U. Future Changes in Accounting Standards

GASB has issued Statement 84, *Fiduciary Activities*, which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2021 financial statements.

GASB has issued Statement 87, *Leases*, which will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were not classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under, this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2022 financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

U. Future Changes in Accounting Standards (Continued)

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2022 financial statements.

GASB has issued Statement 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, which will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and will improve the relevance of financial statement information of certain component units. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2021 financial statements.

GASB has issued Statement 91, *Conduit Debt Obligations*, which will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2023 financial statements.

GASB has issued Statement 92, *Omnibus 2020*, which will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics.

The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2022 financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which addresses accounting and financial reporting implications that result from the replacement of an IBOR (interbank offered rate). The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2021 financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will improve financial reporting by establishing the definitions of public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

U. Future Changes in Accounting Standards (Continued)

disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2023 financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2023 financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2022 financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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

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

1. The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives. The balances at June 30, 2020 were as follows:

Original Cost of Capital Assets	\$ 109,304,823
Accumulated Depreciation	(51,137,859)
	<u>\$ 58,166,964</u>

2. In the Statement of Net Position, a liability is recognized for the District's proportionate share of the net pension liability attributable to each defined benefit pension plan in which the District participates. A net pension liability is measured as the proportionate share of the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service (proportionate share of total pension liability), net of the proportionate share of that pension plan's fiduciary net position. If a pension plan's fiduciary net position exceeds its total pension liability, the District's proportionate share of the pension plan's net pension asset is recognized. Also, deferred outflows and inflows of resources related to pensions primarily result from contributions subsequent to the measurement date, as well as changes in the components of the net pension liability or asset. However, none of these amounts are included on the Balance Sheet as they are only recognized to the extent the pension liability is normally expected to be liquidated with expendable available financial resources. These balances at June 30, 2020 were as follows:

TRS Net Pension Asset - Proportionate Share	\$ 6,049,128
Deferred Outflows of Resources - Pensions	22,330,916
ERS Net Pension Liability - Proportionate Share	(3,974,746)
Deferred Inflows of Resources - Pensions	(8,516,840)

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

A. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:
(Continued)

3. Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The balance at June 30, 2020 was as follows:

Deferred Charges	\$ 206,813
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4. Interest is accrued in the Statement of Net Position, regardless of when it is due. This liability does not appear on the Balance Sheet because interest is expended when it is due, and thus requires the use of current financial resources. This liability at June 30, 2020 was as follows:

Accrued Interest	\$ 58,372
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5. Long-term liabilities and related deferred outflows and inflows are reported in the Statement of Net Position, but not in the Balance Sheet, because the liabilities are not due and payable in the current period. The balances at June 30, 2020 were as follows:

Bonds Payable	\$ 12,080,000
Deferred Amount on Refunding	1,404,139
Compensated Absences	1,635,041
Judgements and Claims	432,284
Other Postemployment Benefits	253,648,122
Deferred Inflows of Resources - Other Post Employment Benefits	10,752,114
Deferred Outflows of Resources - Other Post Employment Benefits	(53,174,831)
	<u>\$ 226,776,869</u>

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

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

1. Long-Term Revenue Differences

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

2. Capital Related Differences

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

3. Long-Term Debt Transaction Differences

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

4. Pension Plan Transaction Differences

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

5. OPEB differences

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

Explanation of Differences between Governmental Funds Operating Statement
and the Statement of Activities

Total Revenues and Other Funding Sources

Total revenues and other funding sources reported in governmental funds: (Schedule 5)	\$ 99,687,557
Differences	<u>0</u>
Total revenues in the Statement of Activities (Schedule 2)	<u><u>\$ 99,687,557</u></u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

Explanation of Differences between Governmental Funds Operating Statement
and the Statement of Activities (Continued)
Total Expenditures & Other Uses/Expenses

Total expenditures and other uses reported in governmental funds (Schedule 5)	\$	98,255,108
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<p>When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$6,912,311 were greater than depreciation of \$2,612,174.</p>		(4,300,137)
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<p>In the Statement of Activities, certain operating expenses (compensated absences and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid) of \$295,966. Compensated Absences issued were more than the paid of \$80,821. Insurance contract payments were \$2,036 and Judgements and Claims issued were \$50,135 which was greater than claims paid of \$10,119.</p>		253,125
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<p>Interest payable is recognized as an accrued liability in the entity wide statements under full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which interest payable last year exceeds the interest payable this year.</p>		(11,741)
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<p>In the statement of Activities, the expense for other postemployment benefits (OPEB) includes changes in the OPEB liability such as service cost, interest cost and changes in benefit terms, as well as amortization of deferred outflows of resources and deferred inflows of resources related to OPEB. In the governmental funds, however, OPEB expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This is the amount by which the OPEB expense in the Statement of Activities exceeded the amount of financial resources used during the year.</p>		14,003,540
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SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

Explanation of Differences between Governmental Funds Operating Statement
and the Statement of Activities (Continued)

In the Statement of Activities , pension expense related to ERS and TRS defined benefit pension plans is measured as the change in the District's proportionate shares of the net pension assets and liabilities as of the measurement dates for each plan. In the governmental funds, however, these expenditures are recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. This is the amount by which pension expense was exceeded by the amount of financial resources expended during the fiscal year.	4,842,444
Loss on disposal of fixed assets	14,325
Premiums and discounts on long-term debt issuances, bond issuance costs and deferred amounts from debt refunding are recognized in the fiscal year in which the transactions occur in the governmental fund statements. These amounts are amortized in the Statement of Activities. This is the amount that was amortized during the current year.	(179,389)
Repayment of bond and installment debt principal is an expenditure in the governmental funds, but reduces liabilities in the Statement of Net Position, and does not affect the Statement of Activities	<u>(1,615,000)</u>
Total expenses in the Statement of Activities (Schedule 2)	<u>\$ 111,262,275</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3. STEWARDSHIP AND COMPLIANCE.

A. Budgets

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

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

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved 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 that occurred during the year are shown on Supplemental Schedule #5.

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.

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

B. Encumbrances

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4. CASH - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$ 0
Collateralized with securities held by the pledging financial institution, or or its trust department or agent, but not in the District's name	\$ 45,918,464

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$34,960,927 within the governmental funds.

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5. CAPITAL ASSETS.

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 616,672	\$ 0	\$ 0	\$ 616,672
Construction in Progress	1,480,934	5,937,745	(6,322,912)	1,095,767
Total Nondepreciable Assets	2,097,606	5,937,745	(6,322,912)	1,712,439
Capital assets that are depreciated:				
Land Improvements	6,669,424	325,913	0	6,995,337
Buildings and Improvements	90,890,792	569,246	6,299,041	97,759,079
Furniture & Equipment	2,250,233	79,407	(17,397)	2,312,243
Vehicles	551,653	0	(25,928)	525,725
Total Depreciable Assets	100,362,102	974,566	6,255,716	107,592,384
Less: Accumulated Depreciation	(48,578,556)	(2,612,174)	52,871	(51,137,859)
Capital Assets, Net	\$ 53,881,152	\$ 4,300,137	\$ (14,325)	\$ 58,166,964

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 117,447
Instruction	2,482,802
Cost of Sales	11,925
Total Depreciation	\$ 2,612,174

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6. LONG-TERM LIABILITIES.

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

	Beginning Balance	Issued	Paid/ Redeemed	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Notes					
Payable:					
Bonds Payable	\$ 13,695,000	\$ 0	\$ 1,615,000	\$ 12,080,000	\$ 1,690,000
Deferred Amount on Refunding	1,621,088	0	216,949	1,404,139	216,949
Total Bonds and Notes Payable	15,316,088	0	1,831,949	13,484,139	1,906,949
Other Liabilities:					
Compensated Absences	1,419,896	295,966	80,821	1,635,041	0
Other Postemployment Benefits	183,975,052	75,903,234	6,230,164	253,648,122	0
Net Pension Liability					
Proportionate Share	1,114,469	3,974,746	1,114,469	3,974,746	0
Insurance Contract	2,036	0	2,036	0	0
Judgements and Claims	392,268	50,135	10,119	432,284	0
Total Other Liabilities	186,903,721	80,224,081	7,437,609	259,690,193	0
Total Long-Term Liabilities	\$ 202,219,809	\$ 80,224,081	\$ 9,269,558	\$ 273,174,332	\$ 1,906,949

At June 30, 2020, Bonds Payable includes unamortized premiums of \$1,404,139. This amount is being amortized over the life of the debt issuance to which it relates.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6. LONG-TERM LIABILITIES. (Continued)

Existing serial bond and installment purchase obligations are as follows:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Balance
Serial Bonds:				
Serial Bond	12/09/08	12/01/23	4.05% -4.35%	\$ 670,000
Serial Bond	08/09/11	08/01/26	5.00%	1,905,000
Serial Bond	02/11/16	12/01/26	3.0 - 5.0%	9,505,000
				<u>\$ 12,080,000</u>

The following is a summary of maturing bond debt service requirements:

For the Year Ended June 30,	Bonds and Notes Payable	
	Principal	Interest
2021	\$ 1,690,000	\$ 452,887
2022	1,760,000	373,027
2023	1,820,000	289,975
2024	1,945,000	202,356
2025	1,835,000	113,225
2026 and thereafter	<u>3,030,000</u>	<u>61,225</u>
Total	<u>\$ 12,080,000</u>	<u>\$ 1,492,695</u>

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

Interest paid	\$ 529,257
Less: Interest accrued in the prior year	(70,113)
Less: Amortization of premiums, deferred amounts on refunding and bond issue costs	(179,389)
Plus: Interest accrued in the current year	<u>58,372</u>
Total interest expense	<u>\$ 338,127</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS.

Employees' Retirement System Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS).

ERS and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the ERS System).

These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the ERS 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 fiduciary net position allocated to the ERS System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. 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. Separately issued financial statements for the System can be accessed on the Comptroller's website at

www.osc.state.ny.us/retire/about_us/financial_statements_index.php.

Teachers' Retirement System Plan Description

The New York State Teachers Retirement System (the TRS System) was created and exists pursuant to Article 11 of the New York State Education Law. The System is the administrator of a cost-sharing, multiple-employer public employee retirement system (PERS), administered by a 10-member Board to provide pension and ancillary benefits to teachers employed by participating employers in the State of New York, excluding New York City. For additional Plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the System's website located at www.nystrs.org.

ERS Benefits Provided

The ERS System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

Tiers 1 and 2 (Continued)

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits; ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offsets or other benefits depend on a members tier, years of service and plan.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for 10 years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

TRS Benefits Provided

The benefits provided to members of the TRS System are established by New York State and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

TRS Benefits Provided (Continued)

Tier 3

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tier 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

Tier 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credit service times final average salary.

Under Article 19 of the RSSL, eligible Tiers 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of two additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or a reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at ages 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

TRS Benefits Provided (Continued)

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55 through 62 regardless of service credit.

Vested Benefits

Retirement benefits after 5 years of credited service except for Tiers 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations noted for service requirements above.

Disability Retirement

Members are eligible for disability years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tiers 1 and 2 members may, under certain conditions, claim out of state service.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

Permanent Cost of Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of the annual benefit. The applicable percentage payable beginning September 2019 is 1.0%.

Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% 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 for the ERS' year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. These contributions were as follows:

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2019-2020	\$ 4,127,391	\$ 690,743
2018-2019	3,692,683	696,058
2017-2018	4,059,219	673,344

The District chose to prepay the required contributions to ERS by December 15th each year and received a discount.

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

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

At March 31, 2020, the District's proportion of the NYSERS net pension asset/(liability) was 0.01501%; there was a decrease of 0.0007193% from its proportion measured as of March 31, 2019.

At June 30, 2019, the District's proportion of the NYSTRS net pension asset/(liability) was 0.232837%, which was an increase of 0.001511% from its proportion measured as of June 30, 2018.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

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

For the year ended June 30, 2020, the District recognized pension expense of \$722,113 for ERS and \$4,120,331 for TRS. At June 30, 2020 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 233,930	\$ 4,099,339	\$ 4,333,269
Changes of Assumptions	80,033	11,427,611	11,507,644
Net difference between projected and actual earnings on pension plan investments	2,037,648	0	2,037,648
Changes in proportion and difference between the District's contributions and proportionate share of contributions	259,622	545,427	805,049
District's contributions subsequent to the measurement date	<u>185,428</u>	<u>3,461,878</u>	<u>3,647,306</u>
Total	<u>\$ 2,796,661</u>	<u>\$ 19,534,255</u>	<u>\$ 22,330,916</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

	Deferred Inflows of Resources		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 0	\$ 449,825	\$ 449,825
Changes of Assumptions	69,107	2,786,375	2,855,482
Net difference between projected and actual earnings on pension plan investments	0	4,851,088	4,851,088
Changes in proportion and difference between the District's contributions and proportionate share of contributions	<u>78,841</u>	<u>281,604</u>	<u>360,445</u>
Total	<u>\$ 147,948</u>	<u>\$ 8,368,892</u>	<u>\$ 8,516,840</u>

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	<u>ERS</u>	<u>TRS</u>
2020	\$ 185,428	\$ 6,291,975
2021	453,219	267,037
2022	623,859	2,820,178
2023	782,055	1,822,268
2024	604,152	180,875
Thereafter	-	(216,970)

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

Actuarial Assumptions

The total ERS pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2020. The total TRS pension liability at June 30, 2019 was determined by using an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. These actuarial valuations used the following actuarial assumptions.

Significant actuarial assumptions used in the actuarial valuations referred to above were as follows:

	ERS	TRS										
Measurement Date	March 31, 2020	June 30, 2019										
Investment Rate of Return	6.80% compounded annually, net of investment expense, including inflation	7.10% compounded annually, net of investment expense, including inflation										
Projected Salary Increases	5.0%	1.9% - 4.72% Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience										
		<table><tr><th>Service</th><th>Rate</th></tr><tr><td>5</td><td>4.72%</td></tr><tr><td>15</td><td>3.46%</td></tr><tr><td>25</td><td>2.37%</td></tr><tr><td>35</td><td>1.90%</td></tr></table>	Service	Rate	5	4.72%	15	3.46%	25	2.37%	35	1.90%
Service	Rate											
5	4.72%											
15	3.46%											
25	2.37%											
35	1.90%											
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience										
Inflation Rate	2.5%	2.20%										
Mortality Improvement	Society of Actuaries Scale MP-2018	Society of Actuaries Scale MP-2018										

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	ERS		Measurement Date	TRS	
	March 31, 2020			June 30, 2019	
	Target Allocation	Long-term expected real rate of return		Target Allocation	Long-term expected real rate of return
Asset Class:			Asset Class:		
Domestic Equity	36%	4.05%	Domestic Equities	33%	6.30%
International Equity	14%	6.15%	International Equities	16%	7.80%
Private Equity	10%	6.75%	Global Equities	4%	7.20%
Real Estate	10%	4.95%	Real Estate Equities	11%	4.60%
Absolute Return Strategies	2%	3.25%	Private Equities	8%	9.90%
Opportunistic Portfolio	3%	4.65%	Domestic fixed income securities	16%	1.30%
Real Assets	3%	5.95%	Global fixed income securities	2%	0.90%
Bonds and Mortgages	17%	0.75%	Private Debt	1%	6.50%
Cash	1%	0.00%	Real Estate Debt	7%	2.90%
Inflation-indexed bonds	4%	0.50%	High Yield Fixed Income Securities	1%	3.60%
			Cash Equivalents	1%	0.30%
Total	100%		Total	100%	

Discount Rate

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

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

The following presents the District's proportionate share of the ERS and TRS net pension liability calculated using the discount rates referred to above, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate referred to above:

	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)	\$ (7,294,781)	\$ (3,974,746)	\$ (916,980)
	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)	\$ (27,305,131)	\$ 6,049,128	\$ 34,029,587

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers were as follows:

(Dollars in Thousands)

	ERS March 31, 2020	TRS June 30, 2019
Measurement Date		
Employers' total pension asset/(liability)	\$ (194,596,261)	\$ (119,879,474)
Plan net position	168,115,682	122,477,481
Employer's net pension asset/(liability)	<u>\$ (26,480,579)</u>	<u>\$ 2,598,007</u>
Ratio of plan net position to the employers' total pension asset/(liability)	86.39%	102.17%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contributions 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 \$185,428 of employer contributions. Employee contributions are remitted monthly.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

Payables to the Pension Plan (Continued)

For TRS, employer and employee contributions for the year ended June 30, 2020 are paid to the System in September, October and November 2020 through state aid intercept. Accrued retirement contributions as of June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the year as reported to the TRS system. Accrued retirement contributions as of June 30, 2020 amounted to \$3,696,044.

NOTE 8. INTERFUND BALANCES AND ACTIVITY.

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

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,462,541	\$ 1,439,221	\$ 0	\$ 3,484,894
Special Aid Fund	9,749	1,363,006	83,017	0
School Lunch Fund	0	82,956	0	0
Capital Fund	1,417,727	14,040	1,417,727	0
Debt Service Fund	1	0	1,984,150	0
Total Governmental Activities	2,890,018	2,899,223	3,484,894	3,484,894
Fiduciary Agency Fund	11,484	2,279	0	0
Totals	<u>\$ 2,901,502</u>	<u>\$ 2,901,502</u>	<u>\$ 3,484,894</u>	<u>\$ 3,484,894</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

The District typically transfers from the General Fund to the Special Aid Fund to fund the portion of the Summer Handicapped Program not funded by aid from New York State.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS.

General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan ("the District's OPEB plan"), provides OPEB for eligible retired employees, their spouses and their dependents. The District's OPEB plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

Benefits Provided – The District provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the school district has in place with different classifications of employees.

The District acquires health insurance through a consortium known as the New York State Health Insurance Program (NYSHIP). Benefits Provided by NYSHIP are administered by Empire BlueCross BlueShield, United HealthCare, and MEDCO. The NYSHIP plan covers medical and pharmaceutical costs. Refer to the plan documents for the specifics and limitations of the coverage offered to retirees. Many of the services in the NYSHIP plan require co-payments at various levels depending on the nature of the service.

Employees Covered by Benefit Terms – At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	388
Active employees	<u>458</u>
Total Employees Covered by Benefit Terms	<u><u>846</u></u>

Total OPEB Liability

The District's total OPEB liability of \$253,648,122 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019 with update procedures used to roll forward the actuarial accrued liability to June 30, 2020.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Projected Salary Increases	3.0%
Discount Rate	2.44%
Healthcare Cost Trend Rates	7.0% in 2021, decreasing 0.5% per year to an ultimate rate of 4.5% in 2027
Current Retirees' Share of Benefit Related Costs	Contributions range from 0% - 30% of the applicable premium for both the retiree only and the excess portion. The majority of current retirees contribute 0% to 20%
Future Retirees' Share of Benefit Related Costs	Contributions vary by bargaining unit.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

The discount rate was based on a review of July 1, 2018 S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017.

The actuarial assumptions used in the June 30, 2020 valuation were based on tables used by the New York State Teachers' Retirement System and the New York State and Local Retirement System.

Changes in the Total OPEB Liability

Balance at June 30, 2019	<u>\$ 183,975,052</u>
<u>Changes for the Year:</u>	
Service cost	7,573,030
Interest	4,412,983
Changes in assumptions or other inputs	63,917,221
Benefit payments	<u>(6,230,164)</u>
Net Changes	<u>69,673,070</u>
Balance at June 30, 2020	<u><u>\$ 253,648,122</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.44 percent) or 1 percentage point higher (3.44 percent) than the current discount rate:

	1% Decrease (1.44%)	Current Discount Rate (2.44%)	1% Increase (3.44%)
Total OPEB Liability	<u>\$ 310,041,327</u>	<u>\$ 253,648,122</u>	<u>\$ 210,803,363</u>

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

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Total OPEB Liability	<u>\$ 206,018,972</u>	<u>\$ 253,648,122</u>	<u>\$ 318,326,097</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$14,003,540. At June 30, 2020, the District reported a deferred inflows of resources of \$10,752,114 related to OPEB from the following source.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 292,633
Changes of assumptions or other inputs	<u>53,174,831</u>	<u>10,459,481</u>
District's contributions subsequent to the measurement date	<u>0</u>	<u>0</u>
Total	<u><u>\$ 53,174,831</u></u>	<u><u>\$ 10,752,114</u></u>

District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended South Orangetown Central School District June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 10,742,390	\$ 2,494,699
2022	10,742,390	2,494,699
2023	10,742,390	2,494,699
2024	10,742,390	2,494,699
2025	10,205,271	773,318

NOTE 10. RETIREMENT INCENTIVES.

The South Orangetown Central School District approved a local retirement incentive whereby administrators who were eligible to retire during the 2018-2019 year under the New York State Teacher's Retirement System, will receive a non-elective employer contribution. Total incentives of \$488,800 for the 2018-2019 year were paid during the year ended June 30, 2020.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11. RISK MANAGEMENT.

General Information

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

The School District is a member of an insurance reciprocal (NYSIR). The purpose of NYSIR is to provide general liability, school board legal liability, auto liability and auto physical damage coverage, excess insurance, equipment floaters, boilers and machinery insurance and all risk building and contents. In addition, as part of the reciprocal program, crime and bond coverages will be purchased from commercial carriers and be available to the subscriber districts. NYSIR retains a management company, which is responsible for all the overall supervision and management of the reciprocal. The reciprocal is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts. The subscribers have elected those who sit on the board and each subscriber has a single vote. The Company is an "assessable" insurance company, in that, the subscribers are severally liable for any financial shortfall of the Company and can be assessed their proportionate share by the State Insurance Department if the funds of the Company are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimum capital contribution. The School District purchases various insurance coverages from NYSIR to reduce its exposure to loss. The School District maintains general liability insurance coverage with policy limits of \$1 million per occurrence and unlimited general aggregate and an excess liability policy which provides coverage up to \$25 million. The School District also maintains liability for school board members with policy limits of \$1 million. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

Pool, Risk Sharing

The District participates in the Rockland County Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled and open claims is \$432,284.

NOTE 12. COMMITMENTS AND CONTINGENCIES.

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

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of GASB #16, the value for accumulating, non-vesting sick leave is considered a contingent liability.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13. ENCUMBRANCES.

Encumbrances represent contracts, purchase orders, payroll commitments, tax payables, or legal penalties that are chargeable to an account. They cease to be encumbrances when paid or when the actual liability amount is determined and recorded as an expenditure. As discussed in Note 1, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At June 30, 2020 the amount of encumbrances expected to be honored upon performance by the vendor in the subsequent year were as follows:

General Fund	\$ 373,751
School Lunch Fund	3,294
Capital Projects Fund	<u>5,875,998</u>
Total Encumbrances	<u>\$ 6,253,043</u>

NOTE 14. DONOR-RESTRICTED ENDOWMENTS.

The District administers endowment funds, which are restricted by the donor for the purpose of student scholarships and awards.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

NOTE 15. TAX ABATEMENTS.

Local municipalities, within Rockland County, entered into various property tax abatement programs for the purpose of economic Development. For the year ended June 30, 2020, the School District abated property tax by \$1,762,117 and received payments in lieu of tax (PILOT) payment totaling \$72,982.

NOTE 16. SUBSEQUENT EVENTS.

The District has evaluated subsequent events through October 2, 2020 the date that the financial statements were available to be issued. On August 13, 2020, the New York State Division of the Budget (DOB) issued the *FY 2021 First Quarterly State Budget Financial Plan Update* which notes that, in the absence of Federal action since enactment of the fiscal year 2021 budget, DOB began withholding 20% of most local aid payments in June, and that all or a portion of these withholds may be converted to permanent reductions, depending on the size and timing of new Federal aid, if any. No other significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>06/30/20</u>	<u>06/30/19</u>	<u>06/30/18</u>
<u>Total OPEB Liability</u>			
Service cost	\$ 7,573,030	\$ 6,892,711	\$ 6,691,952
Interest	4,412,983	5,878,622	5,656,457
Differences between expected and actual experience	0	0	(479,419)
Changes in assumptions or other inputs	63,917,221	(15,324,355)	0
Benefit payments	<u>(6,230,164)</u>	<u>(5,029,410)</u>	<u>(4,304,359)</u>
Net change in total OPEB liability	69,673,070	(7,582,432)	7,564,631
Total OPEB liability-beginning	<u>183,975,052</u>	<u>191,557,484</u>	<u>183,992,853</u>
Total OPEB liability-ending	<u>\$ 253,648,122</u>	<u>\$ 183,975,052</u>	<u>\$ 191,557,484</u>
Covered-employee payroll	\$ 42,591,388	\$ 38,922,412	\$ 38,922,412
Total OPEB liability as a percentage of covered-employee payroll	595.54%	472.67%	492.15%

Notes to Schedule

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

*GASB 75 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended June 30, 2018, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 75.

See paragraph on supplementary schedules included in auditor's report.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	REVISED BUDGET	CURRENT YEAR'S REVENUES	OVER (UNDER) REVISED BUDGET
<u>REVENUES</u>				
LOCAL SOURCES:				
Real Property Taxes	\$ 81,273,542	\$ 76,034,013	\$ 75,886,750	\$ (147,263)
Other Tax Items	72,997	5,312,526	5,312,511	(15)
Charges for Services	108,868	108,868	66,935	(41,933)
Use of Money & Property	953,433	953,433	1,809,448	856,015
Sale of Property & Compensation for Loss	0	0	10,899	10,899
Miscellaneous	187,275	187,275	422,790	235,515
STATE SOURCES	12,159,046	12,159,046	13,251,516	1,092,470
FEDERAL SOURCES	0	0	98,376	98,376
TOTAL REVENUES	94,755,161	94,755,161	\$ 96,859,225	\$ 2,104,064
APPROPRIATED FUND BALANCE	770,267	2,426,653		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	\$ 95,525,428	\$ 97,181,814		

See paragraph on supplementary schedules included in auditor's report.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	REVISED BUDGET	CURRENT YEAR'S EXPENDITURES	ENCUMBRANCES	UNENCUMBERED BALANCE
<u>EXPENDITURES</u>					
GENERAL SUPPORT:					
Board of Education	\$ 76,589	\$ 115,972	\$ 88,597	\$ 0	\$ 27,375
Central Administration	368,129	375,498	364,194	0	11,304
Finance	966,276	1,045,780	984,643	50,070	11,067
Staff	799,364	898,530	842,866	0	55,664
Central Services	8,498,112	8,506,800	7,479,197	205,269	822,334
Special Items	998,186	1,075,249	1,054,467	0	20,782
INSTRUCTIONAL:					
Instruction, Administration & Improvement	4,024,959	3,923,209	3,686,389	6,816	230,004
Programs for Children with Handicapping Conditions	12,375,530	12,374,400	11,874,735	0	499,665
Teaching - Regular School	28,410,801	27,941,537	27,177,837	54,380	709,320
Occupational Education	712,302	712,302	345,462	0	366,840
Teaching - Special Schools	101,194	101,194	68,727	0	32,467
Instructional Media	4,118,980	4,131,277	3,568,397	48,784	514,096
Pupil Services	5,028,899	5,016,352	4,565,060	8,432	442,860
PUPIL TRANSPORTATION	4,345,051	4,360,034	4,212,126	0	147,908
COMMUNITY SERVICES	98,687	98,686	93,416	0	5,270
EMPLOYEE BENEFITS	22,468,099	23,003,118	20,888,835	0	2,114,283
CAPITAL OUTLAY	50,120	0	0	0	0
	93,441,278	93,679,938	87,294,948	373,751	6,011,239
OTHER USES:					
Operating Transfers Out	2,084,150	3,501,876	3,484,894	0	16,982
TOTAL EXPENDITURES & OTHER USES	<u>\$ 95,525,428</u>	<u>\$ 97,181,814</u>	<u>90,779,842</u>	<u>\$ 373,751</u>	<u>\$ 6,028,221</u>
NET CHANGE IN FUND BALANCE			<u>\$ 6,079,383</u>		

See paragraph on supplementary schedules included in auditor's report.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020

	NYSERS Pension Plan Last 10 Fiscal Years*					
	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015
District's proportion of the net pension asset/(liability)	0.0150100%	0.0157293%	0.0140296%	0.0159894%	0.0159926%	0.0163551%
District's proportionate share of the net pension asset/(liability)	\$ (3,974,746)	\$ (1,114,469)	\$ (452,798)	\$ (1,502,402)	\$ (2,566,800)	\$ (552,500)
District's covered-employee payroll	\$ 4,835,525	\$ 4,749,517	\$ 4,456,780	\$ 4,644,510	\$ 4,275,000	\$ 4,578,000
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-82.20%	-23.46%	-10.16%	-32.35%	-60.04%	-12.07%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.95%
	NYSTRS Pension Plan Last 10 Fiscal Years*					
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension asset/(liability)	0.232837%	0.231326%	0.230187%	0.235136%	0.246339%	0.238380%
District's proportionate share of the net pension asset/(liability)	\$ 6,049,128	\$ 4,182,987	\$ 1,749,649	\$ (2,518,400)	\$ 25,587,000	\$26,554,000
District's covered-employee payroll	\$ 39,073,117	\$38,983,729	\$ 37,824,904	\$ 36,633,540	\$ 36,572,000	\$37,076,000
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	15.48%	10.73%	4.63%	-6.87%	69.96%	71.62%
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended June 30, 2015, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

See paragraph on supplementary schedules included in auditor's report.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
SCHEDULE OF DISTRICTS CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020

NYSERS Pension Plan Last 10 Fiscal Years*						
	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015
Contractually required contribution	\$ 690,743	\$ 692,612	\$ 685,994	\$ 725,000	\$ 719,000	\$ 932,000
Contributions in relation to the contractually required contribution	690,743	692,612	685,994	725,000	719,000	932,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 4,835,525	\$ 4,749,517	\$ 4,456,780	\$ 4,644,510	\$ 4,275,000	\$ 4,578,000
Contributions as a percentage of its covered-employee payroll	14.28%	14.58%	15.39%	15.61%	16.82%	20.36%

NYSTRS Pension Plan Last 10 Fiscal Years*						
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Contractually required contribution	\$ 4,127,391	\$ 3,692,683	\$ 4,275,109	\$ 4,811,000	\$ 4,825,000	\$ 6,411,000
Contributions in relation to the contractually required contribution	4,127,391	3,692,683	4,275,109	4,811,000	4,825,000	6,411,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 39,073,117	\$ 38,983,729	\$ 37,824,904	\$ 36,633,540	\$ 36,572,000	\$ 37,076,000
Contributions as a percentage of its covered-employee payroll	10.56%	9.47%	11.30%	13.13%	13.19%	17.29%

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended June 30, 2015, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

See paragraph on supplementary schedules included in auditor's report.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET &
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

CHANGE FROM ADOPTED TO FINAL BUDGET

ADOPTED BUDGET	\$ 94,755,161
ADDITIONS:	
Encumbrances from Prior Year	<u>770,267</u>
ORIGINAL BUDGET	95,525,428
BUDGET REVISIONS:	
Budget Amendment to Fund Tax Certiorari Settlements from Reserve Funds:	
General Support	107,837
Budget Amendment to Fund Capital Projects through the use of Capital Reserve Funds	1,417,727
Budget Amendment to Increase Employee Benefits. Funded from the following Reserve Funds:	
Unemployment Reserve	50,000
EBLAR Reserve	<u>80,822</u>
FINAL BUDGET	<u><u>\$ 97,181,814</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-2021 Voter-approved expenditure budget maximum allowed (4% of 2020-2021 budget of \$96,839,306)	\$ 3,873,572
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 373,751
Unassigned Fund Balance	<u>3,871,930</u>
Total Unrestricted Fund Balance	<u>4,245,681</u>
Less:	
Encumbrances Included in Assigned Fund Balance	<u>373,751</u>
Total Adjustments	<u>373,751</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 3,871,930</u></u>
Actual Percentage	4.00%

See paragraph on supplementary schedules included in auditor's report.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
SCHEDULE OF CAPITAL PROJECTS FUND - PROJECT EXPENDITURES AND FINANCING RESOURCES
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL APPROPRIATION	REVISED APPROPRIATION	EXPENDITURES TO DATE			AVAILABLE BALANCE
			PRIOR YEARS	CURRENT YEAR	TOTAL	
Phase I Minor Capital Project 2015-2016 & 2016-2017	\$ 3,500,000	\$ 3,500,000	\$ 841,999	\$ 2,206,608	\$ 3,048,607	\$ 451,393
Phase II - Capital Project 2017-2018 & 2019-2020	1,750,000	11,550,000	937,668	3,731,137	4,668,805	6,881,195
Minor Capital Project 2018-2019	1,750,000	1,750,000	0	0	0	1,750,000
TOTALS	<u>\$ 7,000,000</u>	<u>\$ 16,800,000</u>	<u>\$ 1,779,667</u>	<u>\$ 5,937,745</u>	<u>\$ 7,717,412</u>	<u>\$ 9,082,588</u>
	METHODS OF FINANCING					FUND BALANCE June 30, 2020
	PROCEEDS OF OBLIGATIONS	STATE AID	LOCAL SOURCES	INTERFUND REVENUE	TOTAL	
Phase I Minor Capital Project 2015-2016 & 2016-2017	\$ 0	\$ 0	\$ 3,500,000	\$ 0	\$ 3,500,000	\$ 451,393
Phase II - Capital Project 2017-2018	0	0	11,550,000	0	11,550,000	6,881,195
Minor Capital Project 2018-2019	0	0	1,750,000	0	1,750,000	1,750,000
TOTALS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,800,000</u>	<u>\$ 0</u>	<u>\$ 16,800,000</u>	<u>\$ 9,082,588</u>

See paragraph on supplementary schedules included in auditor's report.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

CAPITAL ASSETS, NET		\$ 58,166,964
ADDITIONS:		
Deferred Charges on Refunding		206,813
DEDUCTIONS:		
Short-term Portion of Bonds Payable (including unamortized Bond Premium \$216,949)	1,906,949	
Long-term Portion of Bonds Payable (including unamortized Bond Premium \$1,187,190)	<u>11,577,190</u>	
Total Deductions		<u>(13,484,139)</u>
NET INVESTMENT IN CAPITAL ASSETS		<u>\$ 44,889,638</u>

See paragraph on supplementary schedules included in auditor's report.



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

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

To the President and Members
of the Board of Education of the
South Orangetown Central School District
Blauvelt, 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 fiduciary funds of South Orangetown Central School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the South Orangetown Central School District's basic financial statements and have issued our report thereon dated October 2, 2020.

Internal Control over Financial Reporting

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

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

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

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Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Orangetown Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Montgomery, New York
October 2, 2020



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CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

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

To the President and Members
of the Board of Education of the
South Orangetown Central School District
Blauvelt, New York

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Report on Compliance for Each Major Federal Program

We have audited South Orangetown Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Orangetown Central School District's major federal programs for the year ended June 30, 2020. South Orangetown Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Mugent & Haussler, P.C.

Montgomery, New York
October 2, 2020

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PASS-THROUGH TO SUBRECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed-through NYS Education Department:				
Special Education Cluster:				
Special Education Grants to States (IDEA, Part B - Section 611)	84.027	0032-20-0770	\$ 51,193	\$ 713,500
Special Education Preschool Grants (IDEA Preschool - Section 619)	84.173	0033-20-0770	14,162	36,834
Total Special Education Cluster			<u>\$ 65,355</u>	750,334
Title I Grants to Local Educational Agencies	84.010	0021-20-2250		275,908
Title I Grants to Local Educational Agencies	84.010	0021-19-2250		29,908
Title III Part A, LEP	84.365	0293-20-2550		19,610
Title III Part A, LEP	84.365	0293-19-2550		3,817
Title III Part A, Immigrant Education	84.365	0149-20-2550		21,206
Title III Part A, Immigrant Education	84.365	0149-19-2550		4,139
Title IV - Student Support & Academic Achievement (SSAE)	84.424	0204-20-2250		15,852
Title IV - Student Support & Academic Achievement (SSAE)	84.424	0204-19-2250		2,715
Title II, Improving Teacher Quality State Grants	84.367	0147-20-2550		19,210
Title II, Improving Teacher Quality State Grants	84.367	0147-19-2550		74,833
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>1,217,532</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Cluster:				
Cash Assistance				
National School Lunch Program	10.555	N/A		216,526
National School Breakfast Program	10.553	N/A		49,775
Cash Assistance Subtotal				<u>266,301</u>
Non-Cash Assistance (food distribution)				
National School Lunch Program	10.555	N/A		<u>18,604</u>
TOTAL U.S. DEPT. OF AGRICULTURE, CHILD NUTRITION CLUSTER				<u>284,905</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,502,437</u>

The accompanying notes are an integral part of the schedule.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1. BASIS OF PRESENTATION.

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Because the schedule of expenditures of federal awards presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net assets, or cash flows of the District.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon a rate established by New York State and the District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance applied to overall expenditures. There is no other indirect cost allocation plan in effect.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

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

NOTE 2. NON-CASH ASSISTANCE.

The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted \$18,604 of commodities under the Commodity Supplemental Food Program (CFDA 10.555).

NOTE 3. OTHER DISCLOSURES.

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

There were no loans or loan guarantees outstanding at year-end.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Report the Auditor Issued on Whether the Financial Statements
Audited Were Presented in Accordance with GAAP: Unmodified

Internal Control over Financial Reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal Control over Major Programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Type of Auditor's Opinion Issued on Compliance for
Major Programs: Unmodified

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

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA NUMBERS</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000.00
Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements as required to be reported in accordance with the Uniform Guidance.

SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. Significant Deficiencies in Internal Control

There were no findings relating to the major federal awards as required to be reported in accordance with Section 2 CFR-200.516(a).

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with Section 2 CFR-200.516(a).



Nugent & Haeussler, P.C.
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ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
South Orangetown Central School District
Blauvelt, New York

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Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

Report on Financial Statements

We have audited the accompanying financial statements of the South Orangetown Central School District's extraclassroom activity funds, which comprise the statement of assets, liabilities, and fund balance-cash basis as of June 30, 2020, and the related statement of receipts and disbursements-cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the President and Members
of the Board of Education of the
South Orangetown Central School District

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Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets liabilities and fund balance of the extraclassroom activity funds of the South Orangetown Central School District as of June 30, 2020, and its cash receipts and cash disbursements for the year then ended, in accordance with the basis of accounting described in Note #1.

Basis of Accounting

We draw your attention to Note #1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Mugger & Hausler, P.C.

Montgomery, New York
October 2, 2020

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
EXTRACLASROOM ACTIVITY FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS
JUNE 30, 2020

ASSETS

Cash in Checking	
Middle School	\$ 31,879
High School	123,728
	<u>\$ 155,607</u>

FUND BALANCE

Fund Balance, Beginning of Year	\$ 133,922
Excess of Receipts over Disbursements	<u>21,685</u>
Fund Balance, End of Year	<u>\$ 155,607</u>

See notes to financial statement.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
EXTRACLASROOM ACTIVITY FUND
SUMMARY OF RECEIPTS & DISBURSEMENTS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	CASH BALANCE JUNE 30, 2019	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2020
<u>Middle School</u>				
8th Grade	\$ 403	\$ 11,742	\$ 10,817	\$ 1,328
7th Grade	575	771	0	1,346
6th Grade	1,186	7,020	5,426	2,780
Digital Media Club	658	0	0	658
French Club	227	0	126	101
Spanish Club	287	694	484	497
Italian Club	1,064	0	379	685
Debate Club	1,119	5,670	4,362	2,427
Music Department (Club)	5,402	56,310	56,090	5,622
NJHS	596	6,383	745	6,234
Science Olympiad	460	399	0	859
Spring Musical	3,338	1,789	674	4,453
Student Govt/Council	1,934	1,933	250	3,617
ICT	1,933	0	1,933	0
Yearbook	1,749	999	2,200	548
Sales Tax	0	9	9	0
8th Grade Trip	3,207	872	3,355	724
Total Middle School	\$ 24,138	\$ 94,591	\$ 86,850	\$ 31,879

See notes to financial statement.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
EXTRACLASROOM ACTIVITY FUND
SUMMARY OF RECEIPTS & DISBURSEMENTS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	CASH BALANCE JUNE 30, 2019	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2020
<u>High School</u>				
Class of 2019	\$ 8,357	\$ 0	\$ 8,357	\$ 0
Class of 2020	6,321	26,963	22,278	11,006
Class of 2021	6,033	1,224	1,033	6,224
Class of 2022	6,144	1,724	1,271	6,597
Class of 2023	0	5,682	852	4,830
Multi-Cultural Club	2,969	32	407	2,594
Spanish Honor Society	668	656	790	534
Italian Club	4,440	5,791	2,770	7,461
English Honor Society	3,287	0	225	3,062
Spanish Club	91	0	0	91
Student Organization	8,126	0	488	7,638
Cheerleaders Club	3,978	15,218	13,935	5,261
Cove Club	8,183	358	3,343	5,198
Model UN	70	0	0	70
Mu Alpha Theta	6,548	150	1,300	5,398
Arts & Crafts Club	1,545	0	383	1,162
Leo Club	1,264	500	1,000	764
Lighting Serv. Club	1,549	0	1,549	0
Interact Club	610	3,657	3,671	596
Science Honor Society	8	1,791	1,727	72
Art Service Club	3,354	4,400	3,642	4,112
Chamber Orchestra Club	4,014	115	400	3,729
Handbell Club	85	2,780	2,860	5
Science Olympiad	0	320	309	11
French Club	260	3,767	2,274	1,753
Robotics Club	2,391	28,365	18,297	12,459
Soccer Club	1,008	0	435	573
Drama Club	0	415	0	415
Social Justice Club	378	0	0	378
Film Club	250	2,715	2,600	365
Halfmoon Yearbook	1,303	1,027	240	2,090
National Honor Society	15,293	910	794	15,409
Z Mart	9,407	19,365	16,297	12,475
Sales Tax	1,549	2,799	3,477	871
Interest Inc. Sweep	301	234	10	525
Total High School	109,784	130,958	117,014	123,728
Total Extraclassroom Activities	\$ 133,922	\$ 225,549	\$ 203,864	\$ 155,607

See notes to financial statement.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
BLAUVELT, NEW YORK
EXTRACLASSTROOM ACTIVITY FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

- (a) The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the South Orangetown Central School District. We have included the Extraclassroom Activity Fund balances within the fiduciary funds of the financial statements. The separate audit report of the Extraclassroom Activity Funds is required due to the fact that the transactions of this fund are controlled by student management.
- (b) The books and records of the South Orangetown Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures recognized when cash is disbursed.
- (c) The Extraclassroom Activity Funds are used to record the activity of all student-related activities within the District. These funds are under the control of an appointed central treasurer who maintains cash receipts and cash disbursement books. All receipts are collected by the student activity treasurer and disbursements must be approved by the student management.