

**T**ULLY CENTRAL SCHOOL DISTRICT

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*FINANCIAL STATEMENTS*

June 30, 2020

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Dermody, Burke & Brown, CPAs, LLC

## INDEPENDENT AUDITORS' REPORT

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### BOARD OF EDUCATION TULLY CENTRAL SCHOOL DISTRICT

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each fund of **TULLY CENTRAL SCHOOL DISTRICT** ("the District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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**Auditor's Responsibility – Continued**

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the District as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in conformity 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 on pages 4 through 18, the Schedule of Changes in District's Total OPEB Liability and Related Ratios on page 72, the Schedule of School District Contributions on page 73, the Schedule of School District's Proportionate Share of the Net Pension (Asset) Liability on page 74, and Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual – General Fund on pages 75 to 77 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 the 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.

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***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information included in the report shown on pages 78 to 82 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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. 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Dermody, Burke & Brown*

**DERMODY, BURKE & BROWN, CPAs, LLC**

Syracuse, NY

September 21, 2020

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**TULLY CENTRAL SCHOOL DISTRICT**

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

Our discussion and analysis of **TULLY CENTRAL SCHOOL DISTRICT’S** financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Independent Auditors’ Report on page 1 and the District’s financial statements, which begins on page 19.

**Financial Highlights**

The District experienced a slightly improved fiscal climate from a year-over-year standpoint. The continuing challenge is trying to maintain the District’s quality of education and services while receiving limited resources from New York State without overburdening the local taxpayers.

Every year, the District presents its general fund budget to the voters. As is discussed later in the Management’s Discussion and Analysis (MD&A), the 2020-21 budget was approved. Below is a detail of the District’s budget, State aid and required levy to meet the budget.

<b>Year</b>	<b>Budget</b>	<b>State Aid</b>	<b>Levy</b>
2015-2016	<u>\$ 19,692,212</u>	<u>\$ 9,382,197</u>	<u>\$ 9,534,730</u>
2016-2017	<u>\$ 19,830,196</u>	<u>\$ 9,314,646</u>	<u>\$ 9,649,351</u>
2017-2018	<u>\$ 19,873,421</u>	<u>\$ 9,354,878</u>	<u>\$ 9,765,039</u>
2018-2019	<u>\$ 19,925,421</u>	<u>\$ 9,367,864</u>	<u>\$ 9,950,241</u>
2019-2020	<u>\$ 20,844,017</u>	<u>\$ 10,206,973</u>	<u>\$ 10,226,754</u>

The District had a budget increase from the prior year which was mostly attributed to increases in: contractually agreed upon salary adjustments, health insurance, increase in BOCES services, equipment purchases, debt service principle and interest payments and the next round of bus leasing. The budget increase was primarily funded by an increase in the annual local tax levy and an increase in building aid from the capital project. As discussed later in the MD&A section, increases in the budget without corresponding increases in State aid will require an inflow of funds from the local community, or the use of fund balance or reserves. If fund balance and reserves are consumed and the budget becomes tighter, then the District will face additional fiscal challenges going forward.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**Financial Highlights – Continued**

Additional Information Relating to the General Fund is as Follows:

- ◆ 2019-20 original general fund budget has increased from the prior year.
- ◆ 2019-20 general fund expenditures of \$22,229,677 were an increase of approximately \$2,900,000 over the 2018-19 year.
- ◆ 2019-20 general fund revenues of \$21,124,903 was an increase of approximately \$1,130,000 over the 2018-19 year.
- ◆ The general fund reported a deficiency of revenue over expenditures this year of approximately \$1,105,000.

District-Wide View

As is discussed later in the MD&A, the District not only presents its financial statements on a fund level (such as the general fund) but also on a combined district-wide basis. The district-wide presentation shows all of the funds of the District combined, but shows them in a different way using a longer term view rather than the short term/more current view in the fund statements presentation. See page 8 of the MD&A and Note 2 to the financial statements for more information regarding the district-wide financial presentation and how it differs from the fund financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**Financial Highlights** – Continued

District-Wide View – Continued

Summary information on this district-wide presentation is as follows:

- ◆ The District's net position increased by \$2,427,151 as a result of this year's operations.
- ◆ During the year, the District had expenses from providing functions and programs of \$19,458,660, of which it received \$10,222,704 from State sources. This left the balance to be funded by taxes and other miscellaneous revenues.
- ◆ Known changes in State aid

Volatility in State aid, along with continued limitations of available funds at the State level, has required the District to maintain a relatively aggressive approach with regard to the tax levy each year. The District is aware of increased concerns of the local community regarding the school property tax burden. The District is committed to an open budget process. There are several Board of Education public meetings during the winter months devoted specifically to budget development. This gives the community an opportunity to take part in the process. The District is committed to holding levy increases to a minimum level while still working to meet the community's educational needs.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**Using This Annual Report**

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. Because of this, the statement of net position will include assets such as buildings and equipment and long-term balances receivable due to the District as well as long-term liabilities such as bonds payable. In addition, payments for principal on long-term bond obligations will be shown as a reduction of the liability, and payments for buildings and equipment will be shown as additions to assets. See page 8 of the MD&A and Note 2 to the financial statements for additional information.
- 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 most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending. As such, in this presentation, payments for buildings and equipment will be shown as expenditures rather than an increase in assets, proceeds from new long-term borrowings will be shown as a source of revenues rather than a long-term liability, and principal payments on the long-term borrowings will be shown as expenditures. See page 8 of the MD&A and Note 2 to the financial statements for additional information.
- *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 notes to the financial statements begin on page 30. The statements are followed by a section of required supplementary information and a section of other supplementary information. These schedules further explain and support the financial statements with a comparison of the District's budget for the year, a detailed capital project schedule, and other financial information. This supplementary information begins on page 78.

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**Using This Annual Report – Continued**

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

<b>Figure A-1</b> 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 School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School 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"> <li>• Statement of net position</li> <li>• Statement of activities and change in net position</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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, 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 outflow 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

See notes to financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**Reporting the School District as a Whole – District-Wide Statements**

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

The two district-wide statements report the District's *net position* and how they have 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 are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

**TULLY CENTRAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**Reporting the School District as a Whole – District-Wide Statements – Continued**

In Table 1, total assets saw an increase of \$1,822,684, which is primarily due to work on the capital project and a decrease in cash related to the project. Total Deferred Outflows of Resources increased by \$292,465 due to an increase in deferred outflow recorded for pension. Total liabilities saw a decrease of \$689,748 due to principal payments made on long-term liabilities offset by an increase in the other post-employment benefits due to service costs and interest. Total Deferred Inflows of Resources increased by \$377,746 due to a deferred charge on bonding offset by a decrease in deferred inflow recorded for other post-employment benefit.

**TABLE 1**

	<b>Governmental Activities</b>		<b>Total Percent Change</b>
	<b>2019</b>	<b>2020</b>	<b>2019-2020</b>
Current and Other Assets	\$ 11,635,350	\$ 10,965,202	-5.8%
Capital Assets	<u>29,907,577</u>	<u>32,400,409</u>	8.3%
Total Assets	41,542,927	43,365,611	4.4%
Deferred Outflow of Resources	<u>4,917,085</u>	<u>5,209,550</u>	5.9%
Total Assets and Deferred Outflow of Resources	<u>\$ 46,460,012</u>	<u>\$ 48,575,161</u>	4.6%
Long-Term Liabilities - Due in One Year	\$ 975,000	\$ 1,320,000	35.4%
Long-Term Liabilities - Due in More Than One Year	28,120,062	37,534,231	33.5%
Other Liabilities	<u>12,224,221</u>	<u>1,775,304</u>	-85.5%
Total Liabilities	41,319,283	40,629,535	-1.7%
Deferred Inflows of Resources	<u>9,647,156</u>	<u>10,024,902</u>	3.9%
Total Liabilities and Deferred Inflows of Resources	<u>\$ 50,966,439</u>	<u>\$ 50,654,437</u>	-0.6%
Net Position:			
Invested in Capital Assets	\$ 29,907,577	\$ 32,400,409	8.3%
Related Debt	(16,974,535)	(13,759,900)	-18.9%
Restricted	7,281,078	6,788,368	-6.8%
Unrestricted	<u>(24,720,547)</u>	<u>(27,508,153)</u>	-11.3%
Total Net Position	<u>\$ (4,506,427)</u>	<u>\$ (2,079,276)</u>	53.9%

See notes to financial statements.

**TULLY CENTRAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**Reporting the School District as a Whole – District-Wide Statements – Continued**

**TABLE 2  
Changes in Net Position**

	<b>Governmental Activities</b>		<b>Total Percent Change</b>
	<b>2019</b>	<b>2020</b>	<b>2019-2020</b>
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$ 313,122	\$ 270,405	-13.6%
Operating Grants and Contributions	568,065	609,814	7.3%
General Revenue:			
Property Taxes and Other Tax Items	10,116,881	10,313,882	1.9%
State Sources	9,121,027	10,222,704	12.1%
Federal Sources	168,935	78,358	-53.6%
Other General Revenues	545,156	390,648	-28.3%
Total Revenues	20,833,186	21,885,811	5.1%
<b>PROGRAM EXPENSES</b>			
General Support	2,465,382	2,520,319	2.2%
Instruction	13,021,061	14,389,926	10.5%
Transportation	1,400,532	1,705,854	21.8%
Debt Service - Interest	540,928	438,006	-19.0%
School Lunch Program	416,377	404,555	-2.8%
Total Expenses	17,844,280	19,458,660	9.0%
Change in Net Position	\$ 2,988,906	\$ 2,427,151	-23.1%

See notes to financial statements.

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**TULLY CENTRAL SCHOOL DISTRICT**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**Reporting the School District as a Whole – District-Wide Statements – Continued**

In Table 2, the District's total revenues increased by \$1,052,625, while the total cost of all programs and services increased by \$1,614,380 on a year-over-year basis.

Revenue increases are primarily attributed to increases in State sources.

Expenditures increases are primarily due to Instruction's cost of service being up \$1.3 million in the current year. The overall increase is attributed to an increase in the other post-employment benefits that is a result of service costs and interest.

Table 3 presents the cost of each of the District's largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the District's taxpayers and general State aid by each of these functions. See the statement of activities and change in net position on page 20 for further information.

**TABLE 3**  
**Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>
General Support	\$ 2,465,382	\$ 2,520,319	\$ 2,347,741	\$ 2,372,308
Instruction	13,021,061	14,389,926	12,635,531	13,981,003
Pupil Transportation	1,400,532	1,705,854	1,400,532	1,705,854
Debt Service - Interest	540,928	438,006	540,928	438,006
School Lunch Program	416,377	404,555	38,361	81,270
	<u>416,377</u>	<u>404,555</u>	<u>38,361</u>	<u>81,270</u>
Total	<u>\$ 17,844,280</u>	<u>\$ 19,458,660</u>	<u>\$ 16,963,093</u>	<u>\$ 18,578,441</u>

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See notes to financial statements.

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**The School District’s 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 debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 at the bottom of the governmental funds statements 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.

The term “fund balance” refers to the particular fund’s equity (assets – liabilities) in a similar manner to the way the term “net position” is used in the district-wide financial statement presentation.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**The School District's Fund Financial Statements – Continued**

As the District completed the year, its governmental funds (as presented in the balance sheet on pages 21 and 22) reported a combined fund balance of \$8,197,344, which is an increase of \$9,461,285 from last year's total fund balance (shown on page 24).

Highlights of some of the District's larger funds are as follows:

General Fund – The general fund had over \$11.9 million in assets consisting primarily of cash and aid due from New York State. Liabilities consisted primarily of monies due to other funds and due to the Teachers' Retirement System and Employees' Retirement System. 49% of the District's revenues came from State and Federal sources and 44% from real property taxes. At June 30, 2020, the District showed a deficiency of revenues over expenditures in its general fund by \$1,104,774 and total fund balance of \$5,885,054. See Note 8 for an analysis of fund balance segregations and restrictions.

Special Aid Fund – The special aid fund had approximately \$1.0 million in assets at June 30, 2020, which consisted primarily of amounts due from other funds and due from State and Federal governments. Liabilities of approximately \$1.0 million consisted primarily of monies borrowed from the general fund. During 2020, revenues in the special aid fund of approximately \$463,000 consisted of State and Federal aid.

School Lunch Fund – School lunch fund assets consisted primarily of due from other funds. Revenues were approximately \$362,000, compared to prior year at approximately \$418,000. Expenditures were \$405,000, compared to prior year at approximately \$418,000. The school lunch fund balance at June 30, 2020 was approximately \$58,000.

Capital Projects Fund – The capital projects fund had over \$4.1 million in assets consisting primarily of cash and aid monies due from other funds. Liabilities consisted primarily of monies due to other funds and accounts payable. Revenue was approximately \$13,659,000 from serial bond proceeds, bond anticipation note proceeds and interfund transfers. Expenditures were approximately \$3.0 million of capital outlay for the capital project. At June 30, 2020, the District showed an excess of revenues over expenditures in its capital projects fund of \$10,608,237 and total fund balance of \$2,116,834.

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**General Fund Budgetary Highlights**

Budget transfers are made as needed through the year. Unforeseeable under-budgeting in a given code; when transfers into a code are necessary three years in a row, the situation is addressed in the following year’s budget development process.

**Capital Assets and Debt Administration**

Capital Assets

As of June 30, 2020, the District had approximately \$32.4 million invested in a broad range of capital assets, including equipment and buildings (see Table 4 below). This amount represents a net increase (including additions, deductions and depreciation) of approximately \$2.5 million from last year. This increase is due to additions being greater than the current year depreciation, which is primarily the result of the work on the capital project.

**TABLE 4  
Capital Assets at Year End  
(Net of Depreciation)**

	Governmental Activities		Total Percent Change
	2019	2020	2019-2020
Land	\$ 900	\$ 900	0.0%
Buildings and Improvements	30,420,375	43,118,488	41.7%
Equipment and Vehicles	3,292,875	3,260,995	-1.0%
Construction-in-Progress	10,306,513	633,166	-93.9%
Less: Accumulated Depreciation	<u>(14,113,086)</u>	<u>(14,613,140)</u>	3.5%
<b>Total</b>	<u><u>\$ 29,907,577</u></u>	<u><u>\$ 32,400,409</u></u>	8.3%

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See notes to financial statements.

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**Capital Assets and Debt Administration – Continued**

Debt

At year end, the District had \$13.7 million in debt outstanding versus \$6.0 million last year. The District issued new serial bonds in the 2019-20 for \$8.7 million and continued to pay down the existing debt in the current year.

**TABLE 5**  
**Outstanding Debt, at Year End**  
**(in millions)**

	<b>Total School District</b>		<b>Total Percentage Change</b>
	<b>2019</b>	<b>2020</b>	<b>2019-2020</b>
General Obligation Bonds (Financed with Property Taxes)	\$ 3,490,000	\$ 11,430,000	227.5%
Long-Term Lease	<u>2,544,900</u>	<u>2,329,900</u>	-8.4%
Total Outstanding Debt	<u>\$ 6,034,900</u>	<u>\$ 13,759,900</u>	128.0%

The District’s debt – principally general obligation bonds – carries the fifth highest possible rating, as assigned by national rating agencies in 2020. The State limits the amount of general obligation debt that school districts can issue to 10% of all taxable property within the District’s geographic limits, or \$495.5 million for 2020-21 before any tax certiorari claims. If the amount holds true, then the 10% State imposed debt limit will be \$49.6 million. As such, the District’s outstanding general obligation debt is significantly below the State-imposed limit.

More detailed information about the District’s long-term liabilities is presented in Notes 2 and 7 to the financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**Economic Factors and Next Year's Budgets and Rates**

- Legislative mandates and State Education Department initiatives, which are accompanied by limited financial support, continue to be a significant concern to the District. The District remains concerned with the ability of the State to sustain State Aid funding for education.
- The District is currently facing a 20% reduction in overall state aid per the recently announced 20% withholding of state aid for all school districts across New York State. This reduction would amount to approximately \$2 million of lost revenue for Tully Schools. The Governor recently signed legislation to allow the use of reserve funds to temporarily transfer money from any reserve fund to pay for school operating costs or other COVID-19 costs as an option to address the deficit this reduction will present to school districts. However, these funds would need to be reimbursed over a five-year period, at a minimum of 20% per year, plus interest. A loss this large would require the District to use reserves and fund balance, make staffing cuts, and probably reduce programs and services to balance the budget gap this would cause. An additional distribution of federal stimulus money to offset this reduction has been requested by the Governor but as of the present time period there has not been any indication that will happen.
- District voters approved a \$10.7 million capital project in October 2019. The \$10.7 million project is projected to use \$2.75 million from Capital Project Reserves with the remaining balance of \$7.95 million paid through debt issuance. The project is split into two separate phases.

Phase 1 scope of work is projected to cost approximately \$2 million. The scope of work primarily consists of a new generator, sidewalk, and steps replacement at the elementary school, with new bleachers and an HVAC system replacement at the Junior Senior High School. Construction started in late spring 2020 and is expected to be completed in the fall of 2020. Phase 1 of the project is currently on budget. Phase 2 is projected to cost approximately \$8.6 million.

Phase 2 scope of work primarily consists of renovations at the Elementary school for the auditorium, various classrooms, music rooms, physical education office, and records retention room. There is also scheduled renovations at the Junior Senior High School for the auditorium, various classrooms, locker rooms, common areas, public restrooms, Guidance office, and Nurse's office. Construction is projected to start in late spring 2022 and is expected to be completed before winter of 2023.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2020

**Economic Factors and Next Year's Budgets and Rates – Continued**

- The District has no remaining tax certiorari claims that are currently pending. The current Tax Certiorari Reserve in 2019-2020 has a residual balance of \$15,753 to be used for future outstanding claims. Ultimately, the District continues to see tax certiorari claims filed on a more consistent basis and anticipates the pressure of property taxes on businesses will continue to prompt more tax certiorari filings in the future due to the continued fiscal strain on the economy. These claims will ultimately increase the pressure on the District's budget, as the District would have to put aside additional money into the Tax Certiorari reserve account for the other potential tax certiorari liabilities.
- During 2011, the Governor signed Chapter 97 of the Laws of 2011, Part A – Property Tax Cap, affecting all local governments and establishing a property tax cap. The tax cap went into effect in 2012-13 and under this law the growth in the property tax levy, the total amount to be raised through property taxes charged on the District's taxable assessed value of property, is capped at two percent (not including exclusions) or the rate of inflation, whichever is less, with some exceptions. Given that State mandated pension costs and health insurance costs are rising at a higher than two percent rate, the District anticipates related budget constraints for the foreseeable future, unless significant mandate relief is provided by the State.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at 315-696-6206.

**TULLY CENTRAL SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**

June 30, 2020

**ASSETS**

Unrestricted Cash	\$ 4,162,886
Restricted Cash	4,868,527
Accounts Receivable	43,014
Due from Other Governments	806,213
Inventories	7,467
Capital Assets, Net	32,400,409
Net Pension Asset - Proportionate Share	1,077,095

**TOTAL ASSETS** 43,365,611

**DEFERRED OUTFLOWS OF RESOURCES**

Prepaid	53,689
Pension	4,613,873
Other Post-Employment Benefits	541,988

**TOTAL DEFERRED OUTFLOWS OF RESOURCES** 5,209,550

**LIABILITIES**

Accounts Payable	872,939
Accrued Liabilities	90,199
Accrued Interest	84,541
Due to Other Governments	2,182
Due to Teachers' Retirement System	673,819
Due to Employees' Retirement System	51,624
Long-Term Liabilities:	
Due Within One Year	1,320,000
Due Within More Than One Year	36,138,499
Net Pension Liability - Proportionate Share	1,395,732

**TOTAL LIABILITIES** 40,629,535

**DEFERRED INFLOWS OF RESOURCES**

Deferred Charge on Bonding	1,538,200
Pension	1,542,684
Other Post-Employment Benefits	6,944,018

**TOTAL DEFERRED INFLOWS OF RESOURCES** 10,024,902

**NET POSITION**

Net Investment in Capital Assets	18,640,509
Restricted	6,788,368
Unrestricted	(27,508,153)

**TOTAL NET POSITION** \$ (2,079,276)

See notes to financial statements.

**TULLY CENTRAL SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION**

Year Ended June 30, 2020

		Program Revenues		Net (Expense) Revenue and Change in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<b>FUNCTIONS AND PROGRAMS</b>				
General Support	\$ (2,520,319)	\$ 148,011	\$ 0	\$ (2,372,308)
Instruction	(14,389,926)	0	408,923	(13,981,003)
Pupil Transportation	(1,705,854)	0	0	(1,705,854)
Debt Service	(438,006)	0	0	(438,006)
Cost of Sales	(404,555)	122,394	200,891	(81,270)
	<u>\$ (19,458,660)</u>	<u>\$ 270,405</u>	<u>\$ 609,814</u>	<u>(18,578,441)</u>
<b>GENERAL REVENUES</b>				
Real Property Taxes				9,192,351
Other Tax Items				1,037,484
Nonproperty Tax Items				84,047
Use of Money and Property				13,664
Sale of Property and Compensation for Loss				8,848
Miscellaneous				368,136
State Sources				10,222,704
Federal Sources - Medicaid Reimbursement				78,358
Total General Revenues				<u>21,005,592</u>
Change in Net Position				2,427,151
Net Position, Beginning of Year				<u>(4,506,427)</u>
Net Position, End of Year				<u>\$ (2,079,276)</u>

See notes to financial statements.

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**BALANCE SHEET – GOVERNMENTAL FUNDS**

June 30, 2020

	<b>General</b>
<b>ASSETS</b>	
Unrestricted Cash	\$ 4,111,688
Restricted Cash	4,717,071
Due from Other Funds	2,513,198
Due from Other Governments	594,160
Inventories	<u>0</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,936,117</u></b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 14,129
Accrued Liabilities	89,122
Due to Other Funds	5,222,369
Due to Other Governments	0
Due to Teachers' Retirement System	673,819
Due to Employees' Retirement System	<u>51,624</u>
Total Liabilities	6,051,063
<b>FUND BALANCE</b>	
Fund Balances:	
Nonspendable	0
Restricted	4,717,071
Assigned	309,762
Unassigned	<u>858,221</u>
Total Fund Balance	<u>5,885,054</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 11,936,117</u></b>

**TULLY CENTRAL SCHOOL DISTRICT**

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Special Aid	School Lunch	Capital Projects	Debt Service	Total
\$ 32,503	\$ 0	\$ 0	\$ 18,695	\$ 4,162,886
0	25,313	126,143	0	4,868,527
824,850	40,954	3,976,504	118,363	7,473,869
191,544	20,509	0	0	806,213
0	7,467	0	0	7,467
<u>\$ 1,048,897</u>	<u>\$ 94,243</u>	<u>\$ 4,102,647</u>	<u>\$ 137,058</u>	<u>\$ 17,318,962</u>
\$ 0	\$ 34,733	\$ 444,926	\$ 0	\$ 493,788
0	1,077	0	0	90,199
1,046,750	0	1,540,887	0	7,810,006
2,147	35	0	0	2,182
0	0	0	0	673,819
0	0	0	0	51,624
1,048,897	35,845	1,985,813	0	9,121,618
0	7,467	0	0	7,467
0	28,828	2,116,834	0	6,862,733
0	22,103	0	0	331,865
0	0	0	137,058	995,279
<u>0</u>	<u>58,398</u>	<u>2,116,834</u>	<u>137,058</u>	<u>8,197,344</u>
<u>\$ 1,048,897</u>	<u>\$ 94,243</u>	<u>\$ 4,102,647</u>	<u>\$ 137,058</u>	<u>\$ 17,318,962</u>

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See notes to financial statements.

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**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS**  
Year Ended June 30, 2020

	<b>General</b>
<b>REVENUES</b>	
Real Property Taxes	\$ 9,192,351
Other Tax Items	1,094,088
Nonproperty Tax Items	27,443
Charges for Services	148,011
Use of Money and Property	13,461
Sale of Property and Compensation of Loss	14,167
Miscellaneous	362,978
State Sources	10,168,325
Federal Sources	78,358
Sales	0
Total Revenues	<u>21,099,182</u>
<b>EXPENDITURES</b>	
General Support	2,067,926
Instruction	10,100,102
Pupil Transportation	1,444,608
Employee Benefits	3,767,974
Debt Service	2,065,336
Cost of Sales	0
Capital Outlay	0
Total Expenditures	<u>19,445,946</u>
<b>EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES</b>	1,653,236
<b>OTHER FINANCING SOURCES AND USES</b>	
Proceeds from Debt	0
Operating Transfers In	25,721
Operating Transfers Out	<u>(2,783,731)</u>
Total Other Sources and Uses	<u>(2,758,010)</u>
<b>EXCESS (DEFICIENCY) REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(1,104,774)
Fund Balance (Deficit), Beginning of Year	<u>6,989,828</u>
Fund Balance, End of Year	<u><u>\$ 5,885,054</u></u>

**TULLY CENTRAL SCHOOL DISTRICT**

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Special Aid	School Lunch	Capital Projects	Debt Service	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,192,351
0	0	0	0	1,094,088
0	0	0	0	27,443
0	0	0	0	148,011
0	4	0	199	13,664
0	0	0	0	14,167
0	5,158	670,524	0	1,038,660
54,379	6,601	0	0	10,229,305
408,923	194,290	0	0	681,571
0	122,394	0	0	122,394
<u>463,302</u>	<u>328,447</u>	<u>670,524</u>	<u>199</u>	<u>22,561,654</u>
0	121,518	0	0	2,189,444
463,302	0	0	0	10,563,404
0	0	0	0	1,444,608
0	11,606	0	0	3,779,580
0	0	0	0	2,065,336
0	271,431	0	0	271,431
0	0	3,024,766	0	3,024,766
<u>463,302</u>	<u>404,555</u>	<u>3,024,766</u>	<u>0</u>	<u>23,338,569</u>
0	(76,108)	(2,354,242)	199	(776,915)
0	0	10,238,200	0	10,238,200
0	33,731	2,750,000	0	2,809,452
0	0	(25,721)	0	(2,809,452)
<u>0</u>	<u>33,731</u>	<u>12,962,479</u>	<u>0</u>	<u>10,238,200</u>
0	(42,377)	10,608,237	199	9,461,285
<u>0</u>	<u>100,775</u>	<u>(8,491,403)</u>	<u>136,859</u>	<u>(1,263,941)</u>
<u>\$ 0</u>	<u>\$ 58,398</u>	<u>\$ 2,116,834</u>	<u>\$ 137,058</u>	<u>\$ 8,197,344</u>

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See notes to financial statements.

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**TULLY CENTRAL SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2020

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash	\$ 29,212	\$ 185,873
Restricted Cash	0	90,900
Accounts Receivable	11,314	0
Due from Other Funds	144	379,007
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 40,670</b>	<b>\$ 655,780</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>		
Extraclassroom Activity Balances	\$ 0	\$ 90,900
Due to Other Funds	0	43,014
Other Liabilities	0	521,866
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>\$ 655,780</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>NET POSITION</b>		
Reserved for Scholarships	40,670	
	<hr/>	
<b>TOTAL NET POSITION</b>	<b>\$ 40,670</b>	
	<hr/> <hr/>	

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See notes to financial statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

Year Ended June 30, 2020

	<b>Private Purpose Trust</b>
ADDITIONS	
Interest	\$ 8
Donations	<u>598</u>
Total Additions	606
DEDUCTIONS	
Scholarships and Awards	<u>1,426</u>
Changes in Net Position	(820)
Net Position, Beginning of Year	<u>41,490</u>
Net Position, End of Year	<u><u>\$ 40,670</u></u>

**TULLY CENTRAL SCHOOL DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET POSITION**

June 30, 2020

	Total Governmental Funds	Adjustments to Accrual Basis	Reclassifications and Eliminations	Statement of Net Position Total
<b>ASSETS</b>				
Unrestricted Cash	\$ 4,162,886	\$ 0	\$ 0	\$ 4,162,886
Restricted Cash	4,868,527	0	0	4,868,527
Accounts Receivable	0	0	43,014	43,014
Due from Other Funds	7,473,869	0	(7,473,869)	0
Due from Other Governments	806,213	0	0	806,213
Inventories	7,467	0	0	7,467
Capital Assets, Net	0	32,400,409	0	32,400,409
Net Pension Asset - Proportionate Share	0	1,077,095	0	1,077,095
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	17,318,962	33,477,504	(7,430,855)	43,365,611
Deferred Outflow of Resources	0	5,209,550	0	5,209,550
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 17,318,962</b>	<b>\$ 38,687,054</b>	<b>\$ (7,430,855)</b>	<b>\$ 48,575,161</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>				
Accounts Payable	\$ 493,788	\$ 0	\$ 379,151	\$ 872,939
Accrued Liabilities	90,199	0	0	90,199
Accrued Interest	0	84,541	0	84,541
Due to Other Funds	7,810,006	0	(7,810,006)	0
Due to Other Governments	2,182	0	0	2,182
Due to Teachers' Retirement System	673,819	0	0	673,819
Due to Employees' Retirement System	51,624	0	0	51,624
Long-Term Liabilities:				
Due Within One Year	0	1,320,000	0	1,320,000
Due Within More Than One Year	0	36,138,499	0	36,138,499
Net Pension Liability	0	1,395,732	0	1,395,732
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	9,121,618	38,938,772	(7,430,855)	40,629,535
Deferred Inflows of Resources	0	10,024,902	0	10,024,902
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE (DEFICIT)/NET POSITION</b>	<b>8,197,344</b>	<b>(10,276,620)</b>	<b>0</b>	<b>(2,079,276)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)/NET POSITION</b>	<b>\$ 17,318,962</b>	<b>\$ 38,687,054</b>	<b>\$ (7,430,855)</b>	<b>\$ 48,575,161</b>
	<hr/>	<hr/>	<hr/>	<hr/>

See notes to financial statements.

**TULLY CENTRAL SCHOOL DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION**  
Year Ended June 30, 2020

	<b>Total Governmental Funds</b>	<b>Adjustments to Accrual Basis</b>	<b>Reclassifications and Eliminations</b>	<b>Statement of Activities and Change in Net Position</b>
<b>REVENUES</b>				
Real Property Taxes	\$ 9,192,351	\$ 0	\$ 0	\$ 9,192,351
Other Tax Items	1,094,088	0	(56,604)	1,037,484
Nonproperty Tax Items	27,443	0	56,604	84,047
Charges for Services	148,011	0	0	148,011
Use of Money and Property	13,664	0	0	13,664
Sale of Property and Compensation for Loss	14,167	(5,319)	0	8,848
Miscellaneous	1,038,660	(670,524)	0	368,136
State Sources	10,229,305	0	(6,601)	10,222,704
Federal Sources	681,571	0	6,601	688,172
Sales	122,394	0	0	122,394
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	22,561,654	(675,843)	0	21,885,811
<b>EXPENDITURES</b>				
General Support	2,189,444	(10,527)	341,402	2,520,319
Instruction	10,563,404	1,250,492	2,576,030	14,389,926
Pupil Transportation	1,444,608	75,027	186,219	1,705,854
Employee Benefits	3,779,580	(664,323)	(3,115,257)	0
Debt Service	2,065,336	(1,627,330)	0	438,006
Cost of Sales	271,431	121,518	11,606	404,555
Capital Outlay	3,024,766	(3,024,766)	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	23,338,569	(3,879,909)	0	19,458,660
<b>EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES</b>				
	(776,915)	3,204,066	0	2,427,151

See notes to financial statements.

**TULLY CENTRAL SCHOOL DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION**

Year Ended June 30, 2020

	<b>Total Governmental Funds</b>	<b>Adjustments to Accrual Basis</b>	<b>Reclassifications and Eliminations</b>	<b>Statement of Activities and Change in Net Position</b>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	(776,915)	3,204,066	0	2,427,151
OTHER FINANCING SOURCES AND USES				
Proceeds from Debt	10,238,200	(10,238,200)	0	0
Operating Transfers In	2,809,452	0	(2,809,452)	0
Operating Transfers Out	(2,809,452)	0	2,809,452	0
Total Other Sources and Uses	<u>10,238,200</u>	<u>(10,238,200)</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	9,461,285	(7,034,134)	0	2,427,151
Fund Balance/Net Position, Beginning of Year	<u>(1,263,941)</u>	<u>(3,242,486)</u>	<u>0</u>	<u>(4,506,427)</u>
Fund Balance (Deficit)/Net Position, End of Year	<u>\$ 8,197,344</u>	<u>\$ (10,276,620)</u>	<u>\$ 0</u>	<u>\$ (2,079,276)</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of **TULLY CENTRAL SCHOOL DISTRICT** (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as apply to government 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.

Certain significant accounting principles and policies used by the District are described below:

**A. Reporting Entity**

The 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 seven 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 as well as the component units and other organizational entities determined to be includable in the District’s financial reporting entity. 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 can be found at the District’s business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**B. Joint Venture**

The District is a component District in the Onondaga-Cortland-Madison Board of Cooperative Educational Services. A Board of Cooperative Educational Services (BOCES) is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, that 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 Section 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 Section 1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation [Section 1950(6)]. In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the 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, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$2,821,209 for Onondaga-Cortland-Madison BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year, the District issued no serial bonds on behalf of BOCES and had no outstanding BOCES debt.

The District's share of BOCES aid amounted to \$921,677.

Financial statements for the BOCES are available from the Onondaga-Cortland-Madison BOCES administrative office.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**C. Basis of Presentation**

1. District-Wide Statements

The statement of net position and the statement of activities and change in net position 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, while the capital grants column reflects capital-specific grants.

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

2. Fund Financial Statements

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 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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C. **Basis of Presentation** – Continued

2. Fund Financial Statements – Continued

Special Revenue Funds

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

Capital Projects Funds

These funds are 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. When a capital asset is sold and all or a portion of the bonds used to finance the capital assets are outstanding, this fund must be used to account for the proceeds for the sale of capital assets up to the balance of related bonds outstanding.

The District reports the following fiduciary fund:

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 benefit 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.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**D. Measurement Focus and Basis of Accounting**

Accounting and financial reporting treatment is determined by the applicable measurements 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 fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The 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 60 days after the end of the fiscal year, except real property taxes which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

**E. Cash (and Cash Equivalents) 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. Investments are stated at fair value.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**F. Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 4th and become a lien on November 1st. Taxes were collected during the period September 4, 2019 through October 31, 2019 by the District.

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

**G. 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.

**H. Due from Other Governments**

Due from other governments include receivables due from BOCES and state and federal agencies. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**I. 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 inventoriable 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 in the statement of net position or balance sheet. A current asset for the prepaid amounts is recorded at the time of purchase and an expense is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (inventory and prepaid items) has been identified as not available for other subsequent expenditures.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

**J. Interfund Transactions**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as 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 paid within one year. Permanent transfers of funds include the transfer of expenditures 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 represents 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 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

**K. Capital Assets**

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

Land and construction in process are not depreciated. The capitalization threshold (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:

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Buildings	<u>\$50,000</u>	Straight-Line	50 Years
Building Improvements	<u>\$50,000</u>	Straight-Line	20 to 50 Years
Site Improvements	<u>\$25,000</u>	Straight-Line	20 Years
Furniture and Equipment	<u>\$5,000</u>	Straight-Line	5 to 15 Years

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**L. Vested Employee Benefits**

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

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

Consistent with GASB Statement 16, “*Accounting for Compensated Absences*”, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements only the amount of the 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.

**M. Other Post-Employment Benefits**

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the 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.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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 reports deferred outflows related to prepaids, other post-employment benefits, and pensions in the district-wide statement of net position.

In addition to liabilities, the statement of net position reports 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 reports deferred outflows related to deferred charges on bonding, pensions and other post-employment benefits in the district-wide statement of net position.

**Pension Obligations**

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

**Plan Descriptions and Benefits Provided**

***Teachers' Retirement System (TRS)***

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**N. Deferred Outflows and Inflows of Resources – Continued**

**Plan Descriptions and Benefits Provided – Continued**

***Employees' Retirement System (ERS)***

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

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% 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 ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**N. Deferred Outflows and Inflows of Resources – Continued**

**Plan Descriptions and Benefits Provided – Continued**

The District is required to contribute at a rate determined actuarially by the Systems. The District contributions made to the Systems were equal to 100% of the contributions required for each year. Required contributions for the current and two preceding years were:

	<b>NYSTRS</b>	<b>NYSERS</b>
2020	<u>\$ 614,798</u>	<u>\$ 194,480</u>
2019	<u>\$ 735,257</u>	<u>\$ 184,913</u>
2018	<u>\$ 655,265</u>	<u>\$ 188,911</u>

**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. The District's proportionate share 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.

	<b>ERS</b>	<b>TRS</b>
Actuarial Valuation Date	April 1, 2019	June 30, 2018
Net Pension (Asset)/Liability	<u>\$ 26,480,579,000</u>	<u>\$ (2,598,007,000)</u>
District's Portion of the Plan's Total Net Pension (Asset)/Liability	<u>\$ 1,395,732</u>	<u>\$ (1,077,095)</u>

**TULLY CENTRAL SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

**N. Deferred Outflows and Inflows of Resources – 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 \$465,377 for ERS and \$1,324,989 for TRS in the district-wide financial statements. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 82,144	\$ 729,920	\$ 0	\$ 80,095
Changes of Assumptions	28,103	2,034,777	24,267	496,136
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	715,520	0	0	863,775
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	15,595	25,557	26,424	51,987
District's Contributions Subsequent to the Measurement Date	193,937	788,320	0	0
Total	\$ 1,035,299	\$ 3,578,574	\$ 50,691	\$ 1,491,993

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**N. Deferred Outflows and Inflows of Resources – Continued**

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

District contributions subsequent to the measurement date, reported as deferred outflow of resources, will be recognized as a reduction of the net pension (asset) 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:

<b>Year Ended</b>	<b>ERS</b>	<b>TRS</b>
2021	\$ 127,803	\$ 23,804
2022	195,817	478,411
2023	257,758	317,983
2024	209,293	37,920
Thereafter	0	(40,035)

**Actuarial Assumptions**

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**N. Deferred Outflows and Inflows of Resources – Continued**

**Actuarial Assumptions – Continued**

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2020	June 30, 2019
Actuarial Valuation Date	April 1, 2019	June 30, 2018
Interest Rate	6.8%	7.10%
Salary Scale	4.2%	1.90% - 4.72%
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation Rate	2.5%	2.2%
Cost of Living Adjustments	1.3%	1.3%

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

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

**N. Deferred Outflows and Inflows of Resources – Continued**

**Actuarial Assumptions – Continued**

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

	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2020	June 30, 2019
<b>Asset Type</b>		
Domestic Equities	4.05%	6.30%
International Equities	6.15%	7.80%
Global Equities	0.00%	7.20%
Real Estate	4.95%	4.60%
Private Equity/Alternative Investments	6.75%	9.90%
Absolute Return Strategies	3.25%	0.00%
Opportunistic Portfolio	4.65%	0.00%
Real Assets	5.95%	0.00%
Inflation Indexed Bonds	0.50%	0.00%
Domestic Fixed Income Securities	0.00%	1.30%
Global Fixed Income Securities	0.00%	0.90%
Private Debt	0.00%	6.50%
High-yield Fixed Income Securities	0.00%	3.60%
Real Estate Debt	0.00%	2.80%
Cash Equivalents	0.00%	0.30%

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

**N. Deferred Outflows and Inflows of Resources – Continued**

**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 Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<b>1% Decrease</b>	<b>Current Assumption</b>	<b>1% Increase</b>
<b>ERS</b>	<b>5.80%</b>	<b>6.80%</b>	<b>7.80%</b>
District's Proportionate Share of the Net Pension (Asset)/Liability	<u>\$ 2,561,562</u>	<u>\$ 1,395,732</u>	<u>\$ 321,997</u>
	<b>1% Decrease</b>	<b>Current Assumption</b>	<b>1% Increase</b>
<b>TRS</b>	<b>6.10%</b>	<b>7.10%</b>	<b>8.10%</b>
District's Proportionate Share of the Net Pension (Asset)/Liability	<u>\$ 4,861,895</u>	<u>\$ (1,077,095)</u>	<u>\$ (6,059,238)</u>

**Changes of Assumptions**

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

**N. Deferred Outflows and Inflows of Resources – Continued**

**Pension Plan Fiduciary Net Position**

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

	(Dollars in Thousands)	
	ERS	TRS
Measurement Date	March 31, 2020	June 30, 2018
Employers' Total Pension (Asset)/Liability Plan Net Position	\$ 194,596,261 <u>(168,115,682)</u>	\$ 119,879,474 <u>(122,477,481)</u>
Employers' 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	<u>86.4%</u>	<u>102.2%</u>

**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rates, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$51,624.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October, and November 2020 through a State aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$673,819.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**O. Unearned Revenue**

The District reports unearned revenue 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.

**P. Restricted Resources**

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

**Q. 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 and liabilities 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, potential contingent liabilities and useful lives of long-lived assets.

**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 a timely manner and in full from current financial resources. Claims and judgements, other post-employment benefits payable and compensated absences that will be paid from governmental funds, are reported as a liability in the fund 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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S. Equity Classifications

District-wide Statements: The statement of net position requires the classification of net position into three components as follows:

*Net Investment in Capital Assets* – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

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

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

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

- Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$7,467.
- 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 general fund are classified as restricted fund balance.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**S. Equity Classifications – Continued**

1. Workers' Compensation Reserve

According to General Municipal Law Section 6-j, must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund.

2. Unemployment Insurance Reserve

According to General Municipal Law Section 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 fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund.

3. Tax Certiorari Reserve

According to (Education Law Section 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 which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**S. Equity Classifications – Continued**

4. Repair Reserve

According to General Municipal Law Section 6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent years. This reserve is accounted for in the general fund.

5. Reserve for Employee Benefit Accrued Liability

According to General Municipal Law Section 6-p, must be used for the payment of accrued employee benefits 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.

6. Employee Retirement Contributions

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. 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 under restricted fund balance.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**S. Equity Classifications – Continued**

7. Reserve for Teachers Retirement

Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. This reserve is accounted for in the General Fund under restricted fund balance.

7. Capital Reserve

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

8. Encumbrances

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

**S. Equity Classifications – Continued**

At June 30, 2020, restricted funds consisted of the following:

General Fund:	
Workers' Compensation Reserve	\$ 137,656
Unemployment Insurance Reserve	982,684
Tax Certiorari Reserve	15,753
Repair Reserve	503,219
Employee Benefit Accrued Liability	1,722,993
Employee Retirement Contributions	1,194,946
Reserve for Teachers Retirement	134,100
Capital Reserve	25,720
Total General Fund Restricted	4,717,071
Encumbrances:	
School Lunch	28,828
Capital Reserve	2,116,834
Total Restricted Fund Balance	\$ 6,862,733

- Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances 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. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$159,762.
- Unassigned – Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**S. Equity Classifications – Continued**

**Order of Use 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 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 general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

**T. New Accounting Standards**

There were no new accounting standards adopted for the year ending June 30, 2020.

**U. Future Changes in Accounting Standards**

GASB Statement No. 84, “*Fiduciary Activities*”, was issued in January 2017. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all State and Local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The District is required to adopt the provisions of this Statement for the year ending June 30, 2021.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**U. Future Changes in Accounting Standards – Continued**

GASB Statement No. 87, “*Leases*”, was issued in June 2017. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were 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, and 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 required to adopt the provisions of this Statement for the year ending June 30, 2022.

GASB Statement No. 89, “*Accounting for Interest Cost Incurred Before the End of a Construction Period*”, was issued in June 2018. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. The District is required to adopt the provisions of this Statement for the year ending June 30, 2022.

GASB Statement No. 91, “*Conduct Debt Obligations*”, was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The District is required to adopt the provisions of this Statement for the year ending June 30, 2023.

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

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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 district-wide statements, compared with the current financial resources focus of the governmental funds.

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the statement of net position. The difference primarily results from the long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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

**A. Total Fund Balances of Governmental Funds Versus Net Position of Governmental Activities**

**Explanation of Differences Between Governmental Funds Balance Sheet  
and the Statement of Net Position**

**TOTAL GOVERNMENTAL FUND BALANCES** \$ 8,197,344

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 32,400,409

Prepaid expenses are recognized when paid in funds. 53,689

The School District's proportionate share of the employee retirement systems' collective net pension asset or liability is not reported in the funds.

TRS Net Pension Asset - Proportionate Share	1,077,095	
ERS Net Pension Liability - Proportionate Share	(1,395,732)	
Total		(318,637)

Deferred outflows of resources, including deferred charges on defeased debt and pensions, represents a consumption of net pension that applies to future periods and, therefore, are not reported in the funds.

Deferred inflows of resources including unavailable revenue and pensions, represents an acquisition of net position that applies to future periods and, therefore, are not reported in the funds.

ERS Deferred Outflows - Pension	1,035,299	
TRS Deferred Outflows - Pension	3,578,574	
Deferred Charge from Bonding	(1,538,200)	
Deferred Outflows - Other Post-Employment Benefits	541,988	
ERS Deferred Inflows - Pension	(50,691)	
TRS Deferred Inflows - Pension	(1,491,993)	
Deferred Inflows - Other Post-Employment Benefits	(6,944,018)	
Total		(4,869,041)

Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.

General Obligation Bonds	(11,430,000)	
Long-Term Lease	(2,329,900)	
Accrued Interest	(84,541)	
Post-Retirement Health Care Benefits	(23,224,204)	
Compensated Absences	(474,395)	
Total		(37,543,040)

Net Position of Governmental Activities \$ (2,079,276)

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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

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**B. Statement of Revenues, Expenditures and Changes in Fund Balance Versus Statement of Activities and Change in Net Position**

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities and change in net position fall into one of five broad categories.

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 and change in net position 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 and change in net position.

2. *Capital Related Differences*

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

3. *Long-Term Debt Transaction Differences*

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the statement of activities and change in net position as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

4. *Pension Differences*

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

5. *Other Postemployment Benefits Differences*

Other post-employment benefit (OPEB) differences occur as a result of changes in the District's OPEB liability.

**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 Versus Statement  
of Activities and Change in Net Position – Continued**

**Explanation of Differences Between Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balance and the Statement of Activities and Change in Net Position**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 9,461,285

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	2,498,151
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid.	(18,194)
Repayment of bond principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities.	1,645,524
Proceeds from long-term debt are reported as revenue in the governmental funds but are reported as liabilities in the statement of net assets.	(8,700,000)
Payments made on short-term debt are reported as revenue in the governmental funds but are reported as liabilities in the statement of net assets.	(670,524)
Premiums on bonding are reported as revenue in the governmental funds but are amortized as deferred charge on bonding in the statement of net assets.	(1,538,200)
Loss on disposal of fixed assets.	(5,319)
In the governmental funds, prepaids are recorded as expenses when paid, but in the statement of activities these items are reclassified to prepaids.	(108,889)
Expenditures booked as part of the Net OPEB benefit.	664,323
Changes in pension assets/liabilities and related deferred inflows and outflows.	(777,212)
Some expenses reported in the statement of activities, such as compensated absences, ERS/TRS and retiree insurance do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(23,794)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 2,427,151</u>

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND  
ACCOUNTABILITY**

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**Budgets**

The District 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 fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

The District modified the original budget for the use of \$9,650 from grant revenue.

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 fiscal years until the completion of the projects.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued**

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**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.

**NOTE 4 – CASH (AND CASH EQUIVALENTS) CUSTODIAL CREDIT AND CONCENTRATION OF CREDIT RISK**

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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 – cash held in escrow held by the pledging financial institution’s trust department or agent in the District’s name.	<u>\$ 0</u>
Collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.	<u>\$ 9,200,336</u>

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 \$4,868,527 within the governmental funds and \$90,900 in the fiduciary funds.

The District’s cash balance at June 30, 2020 consists of the following:

	<b>Carrying Value</b>	<b>Bank Balance</b>
Cash:		
Bank Accounts	<u>\$ 9,337,398</u>	<u>\$ 9,722,641</u>

**TULLY CENTRAL SCHOOL DISTRICT**

**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:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balance</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets that are Not Depreciated:				
Land	\$ 900	\$ 0	\$ 0	\$ 900
Construction-in-Progress	<u>10,306,513</u>	<u>3,024,766</u>	<u>(12,698,113)</u>	<u>633,166</u>
Total Non-Depreciable Assets	<u>\$ 10,307,413</u>	<u>\$ 3,024,766</u>	<u>\$ (12,698,113)</u>	<u>\$ 634,066</u>
Capital Assets that are Depreciated:				
Land Improvements	\$ 1,548,088	\$ 0	\$ 0	\$ 1,548,088
Buildings	28,872,287	0	12,698,113	41,570,400
Vehicles	672,458	86,857	(62,852)	696,463
Equipment	<u>2,620,417</u>	<u>15,644</u>	<u>(71,529)</u>	<u>2,564,532</u>
Total Depreciated Assets	33,713,250	102,501	12,563,732	46,379,483
Less Accumulated Depreciation:				
Land Improvements	1,507,527	16,224	0	1,523,751
Buildings	10,416,486	505,858	0	10,922,344
Vehicles	614,950	19,395	(62,852)	571,493
Equipment	<u>1,574,123</u>	<u>87,639</u>	<u>(66,210)</u>	<u>1,595,552</u>
Total Accumulated Depreciation	<u>14,113,086</u>	<u>629,116</u>	<u>(129,062)</u>	<u>14,613,140</u>
Total Depreciated Net Assets	<u>\$ 19,600,164</u>	<u>\$ (526,615)</u>	<u>\$ 12,692,794</u>	<u>\$ 31,766,343</u>

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 6 – SHORT-TERM DEBT**

The District may issue revenue anticipation notes and tax anticipation notes, in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

The District may issue bond anticipation notes, 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 BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

Interest Paid	\$ 218,185
Less: Interest Accrued in the Prior Year	2,398
Plus: Interest Accrued in the Current Year	0
Total Expense	\$ 215,787

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

	Beginning Balance	Issued	Redeemed	Ending Balance
BAN maturing June 26, 2020 at 2.00%	\$ 10,939,635	\$ 0	\$ 10,939,635	\$ 0
Total	\$ 10,939,635	\$ 0	\$ 10,939,635	\$ 0

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 7 – LONG-TERM DEBT**

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

Interest Paid	\$ 201,627
Less: Interest Accrued in the Prior Year	63,949
Plus: Interest Accrued in the Current Year	84,541
 Total Expense	 \$ 222,219

Long-term liability balances and activity for the year ended June 30, 2020 are summarized below:

	Beginning Balance	Issued	Deductions	Ending Balance	Amounts Due Within One Year
General Obligation Debt:					
Serial Bond	\$ 2,540,000	\$ 0	\$ 610,000	\$ 1,930,000	\$ 615,000
Serial Bond	950,000	0	150,000	800,000	150,000
Serial Bond	0	8,700,000	0	8,700,000	330,000
Long-Term Lease	2,544,900	0	215,000	2,329,900	225,000
 Total General Obligation Debt	 6,034,900	 8,700,000	 975,000	 13,759,900	 1,320,000
Other Liabilities:					
Compensated					
Absences	450,601	23,794	0	474,395	0
Due to the					
Retirement System	352,116	1,043,616	0	1,395,732	0
Post-Retirement					
Healthcare					
Benefits	22,257,445	966,759	0	23,224,204	0
 Total Other Liabilities	 \$ 29,095,062	 \$ 10,734,169	 \$ 975,000	 \$ 38,854,231	 \$ 1,320,000

**TULLY CENTRAL SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 7 – LONG-TERM DEBT – Continued**

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

The following is a summary of the maturity of long-term indebtedness:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Fiscal Year Ended June 30,			
2021	\$ 1,320,000	\$ 738,521	\$ 2,058,521
2022	1,505,000	559,851	2,064,851
2023	1,565,000	498,170	2,063,170
2024	940,000	433,924	1,373,924
2025	975,000	394,499	1,369,499
2026 - 2030	<u>7,454,900</u>	<u>1,779,159</u>	<u>9,234,059</u>
Total	<u>\$ 13,759,900</u>	<u>\$ 4,404,124</u>	<u>\$ 18,164,024</u>

<b>Description of Issue</b>	<b>Serial Bonds</b>			<b>Long-Term Lease</b>
Issue Date	2012	2017	2020	2013
Final Maturity	2023	2025	2034	2029
Interest Rate	2.00%	3.00%	5.00%	3.29%
Outstanding at Year End	<u>\$ 1,930,000</u>	<u>\$ 800,000</u>	<u>\$ 8,700,000</u>	<u>\$ 2,329,900</u>

**TULLY CENTRAL SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 8 – FUND BALANCE REPORTING**

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

	General Fund	Special Aid	School Lunch	Capital Fund	Debt Service	Total
Nonspendable	\$ 0	\$ 0	\$ 7,467	\$ 0	\$ 0	\$ 7,467
Restricted:						
Capital Reserve	25,720	0	0	0	0	25,720
Repair Reserve	503,219	0	0	0	0	503,219
Workers' Compensation Reserve	137,656	0	0	0	0	137,656
Unemployment Insurance Reserve	982,684	0	0	0	0	982,684
Tax Certiorari Reserve	15,753	0	0	0	0	15,753
Retirement Contributions	1,194,946	0	0	0	0	1,194,946
Reserve for Teachers Retirement	134,100	0	0	0	0	134,100
Employee Benefit Accrued Liability	1,722,993	0	0	0	0	1,722,993
School Lunch	0	0	28,828	0	0	28,828
Capital Reserve	0	0	0	2,116,834	0	2,116,834
Total Restricted	<u>4,717,071</u>	<u>0</u>	<u>28,828</u>	<u>2,116,834</u>	<u>0</u>	<u>6,862,733</u>
Assigned:						
Board of Education	560	0	0	0	0	560
Finance	189	0	0	0	0	189
Central Services	6,858	0	0	0	0	6,858
Instruction, Administration and Improvement	4,750	0	0	0	0	4,750
Teaching - Regular School	35,682	0	0	0	0	35,682
Occupational Education	1,312	0	0	0	0	1,312
Instructional Media	3,974	0	0	0	0	3,974
Pupil Services	5,408	0	0	0	0	5,408
Pupil Transportation	2,568	0	0	0	0	2,568
Employee Benefits	98,461	0	0	0	0	98,461
Appropriated Fund Balance	150,000	0	0	0	0	150,000
School Lunch	0	0	22,103	0	0	22,103
Total Assigned	<u>309,762</u>	<u>0</u>	<u>22,103</u>	<u>0</u>	<u>0</u>	<u>331,865</u>
Unassigned	<u>858,221</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>137,058</u>	<u>995,279</u>
<b>TOTAL FUND BALANCE</b>	<u><u>\$ 5,885,054</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 58,398</u></u>	<u><u>\$ 2,116,834</u></u>	<u><u>\$ 137,058</u></u>	<u><u>\$ 8,197,344</u></u>

**TULLY CENTRAL SCHOOL DISTRICT**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 9 – INTERFUND BALANCES AND ACTIVITY**

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

	<u>Interfund</u>		<u>Interfund</u>	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 2,513,198	\$ 5,222,369	\$ 25,721	\$ 2,783,731
Special Aid Fund	824,850	1,046,750	0	0
School Lunch Fund	40,954	0	33,731	0
Debt Service Fund	118,363	0	0	0
Capital Projects Fund	<u>3,976,504</u>	<u>1,540,887</u>	<u>2,750,000</u>	<u>25,721</u>
Total Government Activities	7,473,869	7,810,006	2,809,452	2,809,452
Fiduciary Fund	<u>379,151</u>	<u>43,014</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 7,853,020</u>	<u>\$ 7,853,020</u>	<u>\$ 2,809,452</u>	<u>\$ 2,809,452</u>

The District typically transfers from the general fund to the special aid fund.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS**

**A. General Information about the OPEB Plan**

Plan Description

The District’s defined OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Funding Policy

The obligations of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 3 to 15 years of service to qualify for other post-employment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2020 \$520,121 was paid on behalf of 78 retirees.

Benefits Provided

The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms

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

Retirees and Survivors	78
Terminated Vested Employees	0
Active Employees	<u>163</u>
Total	<u><u>241</u></u>

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – Continued**

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**B. Total OPEB Liability**

The District’s total OPEB liability of \$23,224,204 was measured as of July 1, 2019 and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability from the June 30, 2020 actuarial report uses the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Rate of Inflation	2.4%
Salary Increases	3.5%
Discount Rate	3.5%
Healthcare Cost Trend Rates	8.00% for 2020, decreasing per year to an ultimate rate of 3.94% for 2089 and later years
Retiree's Share of Benefit-Related Costs	35% of projected health insurance premiums for retirees

The discount rate was based on Bond Buyer Weekly 20-Bond GO Index on July 1, 2019.

Mortality – Actives – The RPH-2014 mortality table for employees, sex distinct with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2018.

Mortality – Retirees – The RPH-2014 mortality table for healthy annuitants, sex distinct with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2018.

The actuarial assumptions used in the June 30, 2020 actuarial report were based on the results of an actuarial experience study for the period July 1, 2018 – July 1, 2019.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – Continued**

C. Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 22,257,445
Changes for the Year -	
Service Cost	847,753
Interest	884,107
Changes in Benefit Terms	(187,178)
Difference Between Expected and Actual Experience	0
Changes in Assumptions or Other Inputs	(57,802)
Benefits Payments	(520,121)
Net Changes	966,759
Balance at June 30, 2020	\$ 23,224,204

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2019 to 3.50% in 2020.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current discount rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 27,577,105	\$ 23,224,204	\$ 19,765,076

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	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 19,184,468	\$ 23,224,204	\$ 28,518,631

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – Continued**

**D. OPEB Expense and Deferred Outflows of Resources**

For the year ended June 30, 2020, the District recognized OPEB expense of (\$122,335). At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual	\$ 0	\$ 3,360,760
Changes of Assumptions or Other Inputs	0	3,583,258
Contributions Subsequent to Measurement Period	541,988	0
<b>Total</b>	<b>\$ 541,988</b>	<b>\$ 6,944,018</b>

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

Fiscal Year Ending June 30,

2021	\$ (1,667,017)
2022	(1,667,017)
2023	(1,667,017)
2024	(1,413,815)
2025 and Thereafter	(529,152)

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 11 – RISK MANAGEMENT**

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

The District participates in a risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 25 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members up to \$350,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$350,000 limit, and the District has essentially transferred all related risk to the pool.

The District participates in 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 \$-0-.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

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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 audits, the District's administration believes disallowances, if any, will be immaterial.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 13 – LEASE OBLIGATIONS (OPERATING LEASES)**

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The District leases buses under the terms of various non-cancelable leases. Lease expense for the year was \$330,787.

Minimum annual rentals for each of the remaining years of the lease are:

Fiscal Year Ended June 30,

2021	\$ 256,858
2022	188,799
2023	165,113
2024	<u>77,439</u>
Total	<u>\$ 688,209</u>

**NOTE 14 – TAX ABATEMENTS**

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The County of Onondaga, entered into various property tax abatement programs for the purpose of economic development. The District’s property tax revenue was reduced \$82,055. The District received payments in Lieu of Tax (PILOT) payments totaling \$37,794.

**NOTE 15 – SUBSEQUENT EVENTS**

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In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the District’s operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge. The related financial impact and duration cannot be reasonably quantified at this time.

Management has evaluated subsequent events through September 21, 2020, which is the date the financial statements were available to be issued.

**TULLY CENTRAL SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**SCHEDULE OF CHANGES IN DISTRICT'S TOTAL  
OPEB LIABILITY AND RELATED RATIOS**

Year Ended June 30, 2020

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Measurement Date	July 1, 2019	July 1, 2018	July 1, 2017
<b>Total OPEB Liability</b>			
Service Cost	\$ 847,753	\$ 957,575	\$ 1,242,289
Interest	884,107	1,052,485	919,041
Changes in Benefit Terms	(187,178)	(1,313,441)	0
Differences Between Expected and Actual Experience	0	(4,847,822)	0
Changes in Assumptions and Other Inputs	(57,802)	(1,618,837)	(4,411,031)
Benefit Payments	<u>(520,121)</u>	<u>(501,224)</u>	<u>(452,715)</u>
Net Change in Total OPEB Liability	966,759	(6,271,264)	(2,702,416)
Total OPEB Liability - Beginning	<u>22,257,445</u>	<u>28,528,709</u>	<u>31,231,125</u>
Total OPEB Liability - Ending	<u><u>\$ 23,224,204</u></u>	<u><u>\$ 22,257,445</u></u>	<u><u>\$ 28,528,709</u></u>
Covered Payroll	<u><u>\$ 8,643,021</u></u>	<u><u>\$ 8,868,618</u></u>	<u><u>\$ 8,309,720</u></u>
Total OPEB Liability as a Percentage of Covered Payroll	<u><u>268.7%</u></u>	<u><u>251.0%</u></u>	<u><u>343.3%</u></u>

See notes to financial statements.

**TULLY CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS**

Year Ended June 30, 2020

	<b>Employees' Retirement System</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually Required Contributions	\$ 194,480	\$ 184,913	\$ 188,911	\$ 194,881	\$ 217,416	\$ 268,772	\$ 253,013
Contributions in Relation to Contractually Required Contributions	<u>194,480</u>	<u>184,913</u>	<u>188,911</u>	<u>194,881</u>	<u>217,416</u>	<u>268,772</u>	<u>253,013</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered-Employee Payroll	<u>\$ 1,617,984</u>	<u>\$ 1,593,730</u>	<u>\$ 1,427,884</u>	<u>\$ 1,390,044</u>	<u>\$ 1,257,571</u>	<u>\$ 1,314,015</u>	<u>\$ 1,345,005</u>
Contribution as a Percentage of Covered-Employee Payroll	<u>12.0%</u>	<u>11.6%</u>	<u>13.2%</u>	<u>14.0%</u>	<u>17.3%</u>	<u>20.5%</u>	<u>18.8%</u>
	<b>Teachers' Retirement System</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually Required Contributions	\$ 614,798	\$ 735,257	\$ 655,265	\$ 768,279	\$ 1,114,443	\$ 1,072,924	\$ 968,718
Contributions in Relation to Contractually Required Contributions	<u>614,798</u>	<u>735,257</u>	<u>655,265</u>	<u>768,279</u>	<u>1,114,443</u>	<u>1,072,924</u>	<u>968,718</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered-Employee Payroll	<u>\$ 7,037,219</u>	<u>\$ 7,049,291</u>	<u>\$ 6,721,284</u>	<u>\$ 6,682,398</u>	<u>\$ 6,347,534</u>	<u>\$ 6,173,492</u>	<u>\$ 6,029,789</u>
Contribution as a Percentage of Covered-Employee Payroll	<u>8.7%</u>	<u>10.4%</u>	<u>9.7%</u>	<u>11.5%</u>	<u>17.6%</u>	<u>17.4%</u>	<u>16.1%</u>

See notes to financial statements.

**TULLY CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION (ASSET) LIABILITY**

Year Ended June 30, 2020

<b>Employees' Retirement System</b>						
<b>Measurement Date</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
School District's Proportion of the Net Pension (Asset)/Liability	<u>0.0052708%</u>	<u>0.0049697%</u>	<u>0.0049921%</u>	<u>0.0052693%</u>	<u>0.0050189%</u>	<u>0.0052298%</u>
School District's Proportion of the Net Pension (Asset)/Liability	<u>\$ 1,395,732</u>	<u>\$ 352,116</u>	<u>\$ 161,117</u>	<u>\$ 495,112</u>	<u>\$ 832,882</u>	<u>\$ 176,677</u>
School District's Covered-Employee Payroll During Measurement Period	<u>\$ 1,617,984</u>	<u>\$ 1,593,730</u>	<u>\$ 1,427,884</u>	<u>\$ 1,390,044</u>	<u>\$ 1,257,571</u>	<u>\$ 1,314,015</u>
School District's Proportion of the Net Pension (Asset)/Liability as a Percentage of its Covered-Employee Payroll	<u>86.3%</u>	<u>22.1%</u>	<u>11.3%</u>	<u>35.6%</u>	<u>66.2%</u>	<u>13.4%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability	<u>86.4%</u>	<u>96.3%</u>	<u>98.2%</u>	<u>94.7%</u>	<u>90.7%</u>	<u>97.9%</u>
<b>Teachers' Retirement System</b>						
<b>Measurement Date</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
School District's Proportion of the Net Pension (Asset)/Liability	<u>0.0414590%</u>	<u>0.0410020%</u>	<u>0.0415070%</u>	<u>0.0412310%</u>	<u>0.0409600%</u>	<u>0.0407270%</u>
School District's Proportion of the Net Pension (Asset)/Liability	<u>\$ (1,077,095)</u>	<u>\$ (741,417)</u>	<u>\$ (315,498)</u>	<u>\$ 441,599</u>	<u>\$ (4,254,388)</u>	<u>\$ (4,536,745)</u>
School District's Covered-Employee Payroll During Measurement Period	<u>\$ 7,037,219</u>	<u>\$ 7,049,291</u>	<u>\$ 6,721,284</u>	<u>\$ 6,682,397</u>	<u>\$ 6,347,534</u>	<u>\$ 6,173,492</u>
School District's Proportion of the Net Pension (Asset)/Liability as a Percentage of its Covered-Employee Payroll	<u>-15.3%</u>	<u>-10.5%</u>	<u>-4.7%</u>	<u>6.6%</u>	<u>-67.0%</u>	<u>-73.5%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability	<u>102.2%</u>	<u>101.5%</u>	<u>100.7%</u>	<u>99.0%</u>	<u>110.5%</u>	<u>112.0%</u>

See notes to financial statements.

**TULLY CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND**

Year Ended June 30, 2020

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Final Budget Variance with Budgetary Actual</b>
<b>REVENUES</b>				
Local Sources:				
Real Property Taxes	\$ 10,226,754	\$ 9,192,351	\$ 9,192,351	\$ 0
Other Tax Items	50,000	1,084,403	1,094,088	9,685
Nonproperty Tax Items	31,590	31,590	27,443	(4,147)
Charges for Services	63,000	63,000	148,011	85,011
Use of Money and Property	2,700	2,700	13,461	10,761
Sale of Property and Compensation for Loss	1,000	1,000	14,167	13,167
Miscellaneous	77,000	86,650	362,978	276,328
State Sources	10,206,973	10,206,973	10,168,325	(38,648)
Federal Sources	35,000	35,000	78,358	43,358
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	20,694,017	20,703,667	21,099,182	395,515
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	0	0	25,721	25,721
Appropriated Reserves	150,000	438,837	0	(438,837)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues and Other Sources	<u>\$ 20,844,017</u>	<u>\$ 21,142,504</u>	<u>\$ 21,124,903</u>	<u>\$ (17,601)</u>

See notes to financial statements.

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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND**  
Year Ended June 30, 2020

	<b>Original Budget</b>
<b>EXPENDITURES</b>	
General Support:	
Board of Education	\$ 30,642
Central Administration	209,628
Finance	292,259
Staff	106,543
Central Services	1,628,823
Special Items	159,493
Instruction:	
Instruction, Administration and Improvement	760,539
Teaching - Regular School	4,962,004
Programs for Children with Handicapping Conditions	2,197,547
Occupational Education	638,654
Instructional Media	782,182
Pupil Services	963,875
Pupil Transportation	1,393,944
Employee Benefits	4,180,437
Debt Service	2,121,417
	<hr/>
Total Expenditures	20,427,987
<b>OTHER USES</b>	
Transfers Out	416,030
	<hr/>
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<b>20,844,017</b>
	<hr/>
Net Change in Fund Balance	\$ 0
	<hr/> <hr/>
Fund Balance, Beginning of Year	
Fund Balance, End of Year	

**TULLY CENTRAL SCHOOL DISTRICT**

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Final Budget	Actual (Budgetary Basis)	Year End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
\$ 28,540	\$ 26,375	\$ 560	\$ 1,605
215,311	212,867	0	2,444
321,517	307,387	189	13,941
109,018	83,147	0	25,871
1,699,792	1,270,670	6,858	422,264
170,469	167,480	0	2,989
807,182	768,694	4,750	33,738
4,909,524	4,780,904	35,682	92,938
2,226,940	2,140,863	0	86,077
645,115	637,381	1,312	6,422
953,105	936,294	3,974	12,837
961,131	835,966	5,408	119,757
1,591,533	1,444,608	2,568	144,357
4,149,272	3,767,974	98,461	282,837
2,121,417	2,065,336	0	56,081
<u>20,909,866</u>	<u>19,445,946</u>	<u>159,762</u>	<u>\$ 1,304,158</u>
<u>232,638</u>	<u>2,783,731</u>	<u>0</u>	
<u>21,142,504</u>	<u>22,229,677</u>	<u>\$ 159,762</u>	
<u>\$ 0</u>	(1,104,774)		
	<u>6,989,828</u>		
	<u>\$ 5,885,054</u>		

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See notes to financial statements.

## SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

**SCHEDULE OF CHANGE FROM ADOPTED BUDGET  
TO FINAL BUDGET – GENERAL FUND**

Year Ended June 30, 2020

**Change from Adopted Budget to Final Budget**

Original Budget	\$ 20,844,017
Add: Prior Year Encumbrances	<u>288,837</u>
Modified Budget	21,132,854
Budget Revision: Grant	<u>9,650</u>
Final Budget	<u><u>\$ 21,142,504</u></u>

See notes to financial statements.

**REAL PROPERTY TAX LAW LIMIT – GENERAL FUND**

Year Ended June 30, 2020

**Section 1318 of Real Property Tax Law Limit Calculation**

2020-21 Subsequent Year's Voter Approved Expenditure Budget		\$ 21,455,530
		<u>                    </u>
Maximum Allowed (4% of 2020-21 Budget)		\$ 858,221
		<u>                    </u>
General Fund Balance Subject to Section 1318 of		
Real Property Tax Law*:		
Unrestricted Fund Balance:		
Committed Fund Balance	\$ 0	
Assigned Fund Balance	309,762	
Unassigned Fund Balance	<u>858,221</u>	
Total Unrestricted Fund Balance	<u>\$ 1,167,983</u>	
Less:		
Appropriated Fund Balance	\$ 150,000	
Tax Reduction Reserve	0	
Insurance Recovery Reserve	0	
Encumbrances Included in Committed and		
Assigned Fund Balance	<u>159,762</u>	
Total Adjustments	<u>\$ 309,762</u>	
General Fund Balance Subject to Section 1318		
of Real Property Tax Law		<u>\$ 858,221</u>
Actual Percentage		<u>4.00%</u>

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**SCHEDULE OF PROJECT EXPENDITURES –  
CAPITAL PROJECTS FUND**  
Year Ended June 30, 2020

<b>Project Title</b>	<b>Original Appropriation</b>	<b>Revised Appropriation</b>	<b>Prior Year's Expenditures</b>	<b>Current Year's Expenditures</b>	<b>Total Expenditures</b>	<b>Unexpended Balance</b>
Asbestos Project	\$ 450,000	\$ 450,000	\$ 422,568	\$ 0	\$ 422,568	\$ 27,432
HVAC Project	225,000	225,000	225,000	0	225,000	0
2018 Capital Project	12,300,000	12,300,000	9,882,679	2,417,321	12,300,000	0
2022 Capital Project	<u>10,700,000</u>	<u>10,700,000</u>	<u>0</u>	<u>633,166</u>	<u>633,166</u>	<u>10,066,834</u>
<b>TOTALS</b>	<u>\$ 23,675,000</u>	<u>\$ 23,675,000</u>	<u>\$ 10,530,247</u>	<u>\$ 3,050,487</u>	<u>\$ 13,580,734</u>	<u>\$ 10,094,266</u>

**TULLY CENTRAL SCHOOL DISTRICT**

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**Methods of Financing**

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<b>Proceeds of Obligations</b>	<b>State Aid</b>	<b>Local Sources</b>	<b>Total</b>	<b>Fund Balance June 30, 2020</b>
\$ 0	\$ 0	\$ 422,568	\$ 422,568	\$ 0
0	0	225,000	225,000	0
10,908,724	0	1,391,276	12,300,000	0
<u>0</u>	<u>0</u>	<u>2,750,000</u>	<u>2,750,000</u>	<u>2,116,834</u>
<u>\$ 10,908,724</u>	<u>\$ 0</u>	<u>\$ 4,788,844</u>	<u>\$ 15,697,568</u>	<u>\$ 2,116,834</u>

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See notes to financial statements.

**NET INVESTMENT IN CAPITAL ASSETS**

Year Ended June 30, 2020

Capital Assets, Net		\$ 32,400,409
Deduct:		
Short-Term Portion of Bonds Payable	1,095,000	
Short-Term Portion of Lease Payable	225,000	
Long-Term Portion of Lease Payable	2,104,900	
Long-Term Portion of Bonds Payable	<u>10,335,000</u>	<u>13,759,900</u>
Net Investment in Capital Assets		<u>\$ 18,640,509</u>



Dermody, Burke & Brown, CPAs, LLC

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

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**BOARD OF EDUCATION  
TULLY CENTRAL SCHOOL DISTRICT**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each fund of **TULLY CENTRAL SCHOOL DISTRICT** (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 21, 2020.

**Internal Control Over Financial Reporting**

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

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

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

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements 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.

*Dermody, Burke & Brown*

**DERMODY, BURKE & BROWN, CPAs, LLC**

Syracuse, NY

September 21, 2020