

**FORESTVILLE CENTRAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2020**

**FORESTVILLE CENTRAL SCHOOL DISTRICT**

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**JOHNSON, MACKOWIAK  
& ASSOCIATES, LLP**

Certified Public Accountants & Consultants

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Forestville Central School District  
Forestville, NY 14062

**Report on the Financial Statements**

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

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

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

***Auditors' Responsibility***

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

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

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

## ***Opinions***

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

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, OPEB and Pension information, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Forestville Central School District's basic financial statements. The combining and individual nonmajor fund financial statements, and other schedules required by the New York State Education Department are presented for purposes of additional analysis and are not a required part of the basic financial statements

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020, on our consideration of the Forestville Central School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Forestville Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Forestville Central School District's internal control over financial reporting and compliance.

Johnson Mackowiak & Associates, LLP

*Johnson, Mackowiak & Associates, LLP*

Fredonia, New York  
October 13, 2020

**FORESTVILLE CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

Within this section of the Forestville Central School District's annual financial report, management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the District's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

**Financial Highlights**

The District's assets exceeded its liabilities by \$11,837,631 (net position) for the fiscal year reported.

Total net position is comprised of the following:

1. Net Investment in Capital Assets of \$9,061,744 include property, construction in progress and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
2. Net position of \$1,278,780 is restricted by constraints imposed from outside the District such as debt covenants, grantors, laws, or regulations.
3. Unrestricted net position of \$1,497,107 represents the portion available to maintain the District's continuing obligations to citizens and creditors.

Total liabilities and deferred inflows of resources of the District are \$14,068,756. Bonds payable total \$5,250,000, of which \$890,000 is the current portion.

**Overview of the Financial Statements**

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: (1) governmentwide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

**Governmentwide Financial Statements**

The District's annual report includes two governmentwide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these governmentwide statements is the Statement of Net Position. This is the Districtwide statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of District infrastructure in addition to the financial information provided in this report.

The second governmentwide statement is the Statement of Activities which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both governmentwide financial statements distinguish governmental activities of the District that are principally supported by taxes and intergovernmental revenues from business-type activities, that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, pupil instruction, transportation, and community service. The District has no business-type activities.

The District's financial reporting includes the funds of the District (primary government) and the Extraclassroom Activity Fund for which the District is accountable (component unit). The Extraclassroom Activity Fund is reported in the Agency Fund. Separate audited financial statements of the Extraclassroom Activity Fund can be found at the end of Forestville Central School District's audited financial statements.

## **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The District has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the governmentwide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the governmentwide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the governmentwide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement is presented as supplemental information later in this report. This statement demonstrates compliance with the District's adopted and final revised budget.

Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Extraclassroom Activity Fund. 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. We exclude these activities from the Districtwide financial statements because the District cannot use these assets to finance its operations.

## **Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the governmentwide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's compliance with NYS Education requirements. Supplementary information follows the notes to the financial statements.

## Financial Analysis of the District as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District reported positive balances in net position for governmental activities.

	Governmental Activities		
	2020	2019	Amount of Change
Assets:			
Current and Other Assets	\$ 5,858,956	\$ 5,277,261	\$ 581,695
Capital Assets	17,032,540	15,082,454	1,950,086
Total Assets	22,891,496	20,359,715	2,531,781
Deferred Outflows of Resources:			
Pensions and other post employment benefits	3,014,891	2,778,169	236,722
Total Deferred Outflows of Resources	3,014,891	2,778,169	236,722
Liabilities:			
Current Liabilities	5,237,576	2,454,155	2,783,421
Non-Current Liabilities	7,791,159	7,930,482	(139,323)
Total Liabilities	13,028,735	10,384,637	2,644,098
Deferred Inflows of Resources:			
Pensions	1,040,021	723,093	316,928
Total Deferred Inflows of Resources	1,040,021	723,093	316,928
Net Position:			
Net Investment in Capital Assets	9,061,744	8,298,605	763,139
Restricted	1,278,780	1,351,027	(72,247)
Unrestricted	1,497,107	2,380,522	(883,415)
Total Net Position	\$ 11,837,631	\$ 12,030,154	\$ (192,523)

The District's net position at fiscal year end 2020 is \$11,837,631. This is a decrease from net position of \$12,030,154 at fiscal year end 2019.

### Summary of Net Position As of June 30, 2020 and 2019

The Net Investment in Capital Assets amount represents 76 percent of the District's total net position.

Resources that are subject to restrictions on how they may be utilized represent 11 percent of the District's net position. These restrictions are for Debt Service, Capital Project, and other requirements.

The remaining category of net position, 13 percent, represents unrestricted net position.

The following table provides a summary of the District's changes in net position:

Governmental Activities			
	2020	2019	Amount of Change
Revenues			
Real Property Taxes and Tax Items	\$ 3,973,387	\$ 3,886,788	\$ 86,599
Other	233,202	154,242	78,960
State Sources	7,789,863	7,743,151	46,712
Medicaid Reimbursement	43,205	49,747	(6,542)
Federal Sources	584,077	451,803	132,274
Sales	44,305	65,805	(21,500)
Total Revenues	<u>12,668,039</u>	<u>12,351,536</u>	<u>316,503</u>
Expenses:			
General Support	2,160,863	2,100,632	60,231
Instruction	9,163,502	8,349,477	814,025
Pupil Transportation	1,117,573	1,090,597	26,976
Community Service	84,019	71,960	12,059
Capital Outlay	29,496	-	29,496
Interest	168,372	198,072	(29,700)
Principal	152,500	181,500	(29,000)
Cost of Sales	158,995	156,352	2,643
Total Expenses	<u>13,035,320</u>	<u>12,148,590</u>	<u>886,730</u>
Other Financing Sources and (Uses)			
Gain on Sale of Equipment	22,258	-	22,258
Loss on Disposition of Equipment	-	(14,678)	14,678
BAN Redeemed From Appropriations	152,500	181,500	(29,000)
Net Other Financing Sources and (Uses)	<u>174,758</u>	<u>166,822</u>	<u>7,936</u>
Change in Net Position	(192,523)	369,768	(562,291)
Beginning Net Position	<u>12,030,154</u>	<u>11,660,386</u>	<u>369,768</u>
Net Position at End of Year	<u>\$ 11,837,631</u>	<u>\$ 12,030,154</u>	<u>\$ (192,523)</u>

As shown above and discussed earlier, the District is heavily reliant on property taxes and state aid to support District operations. Property taxes and tax items provided 31 percent of the District's total governmental revenues in 2020 and 2019, while state aid provided 61 percent and 63 percent of the District's total governmental revenues in 2020 and 2019 respectively. Total governmental revenues increased \$316,503 from 2019 to 2020. In addition, gains on sale of equipment were \$22,258 in 2020 in comparison to \$0 in 2019.

The total governmental activities cost \$13,035,320 for this year. Of this amount, Instruction, with \$9,163,502, was the largest operating service cost at 70 percent of total cost of services in fiscal year end 2020. General Support cost was 17 percent of the total for 2020 and 2019. Each of these services were primarily funded by the District's taxing authority and New York State sources. Other District activities with significant funding requirements include Pupil Transportation, which was 9 percent of the total cost at \$1,117,573, an increase of \$26,976 from last year, and Debt Interest, which totaled \$168,372, representing 1 percent of the total cost. It should be noted that General Support, Instruction, Pupil Transportation, and Capital Outlay have been adjusted for the purchase of capital assets and capital improvements for fiscal year 2020. Also, \$757,729 of depreciation expense is allocated to General Support, Instruction, Pupil Transportation, and Cost of Sales.

## **Financial Analysis of the District's Funds**

### **Governmental Funds**

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported an overall fund balance of \$1,091,229. The General Fund reported a fund balance of \$3,350,315 of which approximately \$374,863 is unassigned, indicating availability for continuing District service requirements. Restricted fund balances include: \$35,985 committed to service debt, \$36,085 for unemployment, other insurance reserves of \$51,100, \$44,540 for other property loss, \$183,849 for employee benefits and \$329,184 for retirement contributions. There are capital reserves of \$598,037. Non-spendable fund balance includes \$7,875 for Inventories and \$158,109, \$45,105 and \$435,714 for Special Aid, School Lunch and Capital Fund Receivables, respectively. Fund Balance has been assigned to the School lunch fund in the amount of \$82,556. Fund balance has also been assigned to Teaching-Regular School, Pupil Services, and Employee Benefits for encumbrances totaling \$821. The amount of \$1,092,908 has been assigned to reduce taxes for the subsequent year.

The total ending fund balances of governmental funds show an increase of \$57,264 for the General Fund and a net decrease of \$2,415,281 for other governmental funds over the prior year. The changes are primarily the result of the events and programs described within the analysis of the District's governmental activities.

### **Major Governmental Funds**

The General Fund is the District's primary operating fund and the largest source of day-to-day service delivery.

The Special Aid Fund is used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes.

The Capital Projects Fund is used to account for capital improvements of the District and the purchase of buses.

### **General Fund Budgetary Highlights**

The General Fund amended budget for fiscal year 2020 was \$13,240,628. This was an increase of \$335,300 from the previous year amended budget. The supplemental section includes a schedule detailing the General Fund budget, its amendments, and comparisons to actual amounts.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The District's investment in capital assets, net of accumulated depreciation, for governmental-type activities as of June 30, 2020, was \$17,032,540, an overall increase of \$1,950,086 from what was reported at June 30, 2019. The District recorded \$757,729 in depreciation expense for fiscal year 2020. Capital assets are detailed as follows:

**Capital Assets,  
Net of Accumulated Depreciation  
As of June 30, 2020 and 2019**

	Governmental Activities		Amount of Change
	2020	2019	
<u>Nondepreciable Assets:</u>			
Land	\$ 17,207	\$ 17,207	-
Construction in Progress	2,633,133	166,572	2,466,561
<u>Depreciable Assets:</u>			
Buildings	21,203,834	21,103,834	100,000
Machinery and Equipment	2,886,243	3,004,238	(117,995)
Accumulated Depreciation	(9,707,877)	(9,209,397)	(498,480)
Capital Assets, Net	<u>\$ 17,032,540</u>	<u>\$ 15,082,454</u>	<u>1,950,086</u>

**Long-Term Debt**

Total outstanding bond debt at June 30, 2019, was \$6,115,000.

At the end of fiscal year 2020, the District had total bond debt outstanding of \$5,250,000. This obligation is backed by the full faith and credit of the Forestville Central School District.

The District also has a long-term liability outstanding at June 30, 2020 in the amount of \$166,796 for an Energy Performance Contract entered into in January, 2011.

**Capital Improvements Project**

On May 20, 2014 the voters of the District approved a Board resolution dated March 27, 2014 authorizing a planned facilities improvement project at a maximum cost of \$2,000,000. The project included various site work and interior/exterior building improvements to the Elementary and Middle/High Schools.

The project was financed by transfer of the Repair Reserve fund balance of \$28,813 (plus interest earned) to the Construction and Renovation Reserve fund and use of the current balance of \$45,515 (plus interest earned) in the Construction and Renovation Reserve fund. The balance of \$1,925,672 was financed by bond funding which will be paid off with General Fund appropriations funded by the tax levy and state aid. During the year ended June 30, 2017, the District received approval from New York State to split this project into two phases. Phase I was completed during 2017 with total expenditures of \$1,776,553. Phase II was approved for \$290,000, of which \$176,604 was expensed by June 30, 2018. During 2019 and 2020, no additional amount was expensed on Phase II.

The District received approval from New York State for a Bullet Aid project in the amount of \$100,000 for various District Improvements. This project was fully expended by June 30, 2020.

During the year ended June 30, 2018, the voters approved a project in the amount of \$3,080,000 for various District Improvements. This project will be funded by use of the existing capital reserve in the amount of \$669,799 and the balance of \$2,410,201 to be funded by the tax levy. The District has expended a total of \$2,239,744 on this project at June 30, 2020.

On November 13, 2019 the District entered into an energy performance contract with Trane US, Inc. The project is to include lighting upgrades, building envelope improvements, variable frequency drives, and plug load controllers. The total project cost is anticipated to be \$715,509. The District issued a Bond Anticipation note for this project in the amount of \$535,000 during the year ended June 30, 2020. The total amount expended on the project during the year ended June 30, 2020 was \$393,530.

### **Factors Bearing on the District's Future**

The impact of large budget deficits at the state level may necessitate school aid reductions. While such action would adversely affect the District, the Forestville Central School District's contingency planning would include collaboration with other governmental units in sharing services.

There is some potential for future state aid reductions based on financial constraints placed on the state due to the COVID-19 pandemic.

### **Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the District's Business Office, Forestville Central School District, 12 Water Street, Forestville, New York 14062.

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

	<b>GOVERNMENTAL ACTIVITIES</b>
<b><u>ASSETS</u></b>	
CASH AND CASH EQUIVALENTS	
UNRESTRICTED	\$ 3,228,172
RESTRICTED	1,274,783
RECEIVABLES	
ACCOUNTS RECEIVABLE, NET	5,531
STATE AND FEDERAL AID RECEIVABLE, NET	365,372
DUE FROM OTHER GOVERNMENTS	369,454
INVENTORY	7,875
CAPITAL ASSETS, NET	17,032,540
NET PENSION ASSET	607,769
<b>TOTAL ASSETS</b>	<b>22,891,496</b>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>	
PENSIONS AND POSTEMPLOYMENT OBLIGATIONS	3,014,891
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>3,014,891</b>
<b><u>LIABILITIES</u></b>	
PAYABLES	
ACCOUNTS PAYABLE	13,241
ACCRUED LIABILITIES	1,170,738
DUE TO OTHER GOVERNMENTS	56
DUE TO TEACHERS' RETIREMENT SYSTEM	363,500
DUE TO EMPLOYEES' RETIREMENT SYSTEM	73,170
UNEARNED REVENUE	690
NOTES PAYABLE	
BOND ANTICIPATION	2,554,000
LONG-TERM LIABILITIES	
DUE AND PAYABLE WITHIN ONE YEAR	
COMPENSATED ABSENCES	108,359
BONDS PAYABLE	890,000
ENERGY PERFORMANCE CONTRACT PAYABLE	63,822
DUE AND PAYABLE AFTER ONE YEAR	
COMPENSATED ABSENCES	433,435
BONDS PAYABLE	4,360,000
ENERGY PERFORMANCE CONTRACT PAYABLE	102,974
ACCRUED POST EMPLOYMENT OBLIGATIONS	1,635,547
NET PENSION LIABILITY	1,259,203
<b>TOTAL LIABILITIES</b>	<b>13,028,735</b>
<b><u>DEFERRED INFLOW OF RESOURCES</u></b>	
PENSIONS AND POSTEMPLOYMENT OBLIGATIONS	1,040,021
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>1,040,021</b>
<b><u>NET POSITION</u></b>	
NET INVESTMENT IN CAPITAL ASSETS	9,061,744
RESTRICTED	1,278,780
UNRESTRICTED	1,497,107
<b>TOTAL NET POSITION</b>	<b>\$ 11,837,631</b>

See accompanying notes to the financial statements.

FORESTVILLE CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<b>GOVERNMENT ACTIVITIES</b>					
GENERAL SUPPORT	\$ 2,160,863	\$ -	\$ -	\$ -	\$ (2,160,863)
INSTRUCTION	9,163,502	808	528,838	39,355	(8,594,501)
PUPIL TRANSPORTATION	1,117,573	-	-	-	(1,117,573)
CAPITAL OUTLAY	29,496	-	-	-	(29,496)
COMMUNITY SERVICE	84,019	-	-	-	(84,019)
COST OF SALES	158,995	44,305	206,464	-	91,774
DEBT SERVICE	320,872	-	-	-	(320,872)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 13,035,320</b>	<b>\$ 45,113</b>	<b>\$ 735,302</b>	<b>\$ 39,355</b>	<b>(12,215,550)</b>
<b>GENERAL REVENUES:</b>					
REAL PROPERTY TAXES AND TAX ITEMS					3,973,387
SALE OF PROPERTY AND COMPENSATION FOR LOSS					2,816
USE OF MONEY AND PROPERTY					34,142
MISCELLANEOUS					195,436
INTERFUND REVENUES					-
MEDICAID REIMBURSEMENT					43,205
STATE SOURCES					7,599,283
<b>TOTAL GENERAL REVENUES</b>					<b>11,848,269</b>
<b>OTHER FINANCING SOURCES AND (USES):</b>					
GAIN ON SALE OF EQUIPMENT					22,258
BAN REDEEMED FROM APPROPRIATIONS					152,500
<b>NET OTHER FINANCING SOURCES AND (USES)</b>					<b>174,758</b>
<b>CHANGE IN NET POSITION</b>					<b>(192,523)</b>
TOTAL NET POSITION - BEGINNING OF YEAR					12,030,154
TOTAL NET POSITION - END OF YEAR					<b>\$ 11,837,631</b>

See accompanying notes to the financial statements.

FORESTVILLE CENTRAL SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2020

	GENERAL FUND	CAPITAL PROJECTS FUND	SPECIAL AID FUND	NON- MAJOR FUNDS	TOTAL	ADJUSTMENTS	STATEMENT OF NET POSITION
<b>ASSETS</b>							
CASH AND CASH EQUIVALENTS:							
UNRESTRICTED CASH	\$ 1,822,803	1,349,634	3,134	52,601	3,228,172	-	3,228,172
RESTRICTED CASH	1,242,795	-	-	31,988	1,274,783	-	1,274,783
RECEIVABLES:							
ACCOUNTS RECEIVABLE, NET	2,950	-	-	2,581	5,531	-	5,531
STATE AND FEDERAL AID RECEIVABLE, NET	171,991	-	131,759	61,622	365,372	-	365,372
DUE FROM OTHER FUNDS	638,928	100,700	77,446	41,252	858,326	(858,326)	-
DUE FROM OTHER GOVERNMENTS	369,454	-	-	-	369,454	-	369,454
INVENTORIES - SUPPLIES AND MATERIALS	-	-	-	7,875	7,875	-	7,875
CAPITAL ASSETS, NET	-	-	-	-	-	17,032,540	17,032,540
NET PENSION ASSET	-	-	-	-	-	607,769	607,769
TOTAL ASSETS	4,248,921	1,450,334	212,339	197,919	6,109,513	16,781,983	22,891,496
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
PENSIONS AND POSTEMPLOYMENT OBLIGATIONS	-	-	-	-	-	3,014,891	3,014,891
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	3,014,891	3,014,891
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,248,921	1,450,334	212,339	197,919	6,109,513		
<b>LIABILITIES</b>							
PAYABLES:							
ACCOUNTS PAYABLE	\$ 13,241	-	-	-	13,241	-	13,241
ACCRUED LIABILITIES	286,882	842,012	10,981	15,426	1,155,301	15,437	1,170,738
DUE TO OTHER FUNDS	248,922	439,824	119,692	49,888	858,326	(858,326)	-
DUE TO OTHER GOVERNMENTS	-	-	-	56	56	-	56
DUE TO TEACHERS' RETIREMENT SYSTEM	287,002	-	76,498	-	363,500	-	363,500
DUE TO EMPLOYEES' RETIREMENT SYSTEM	62,559	-	4,896	5,715	73,170	-	73,170
UNEARNED REVENUE	-	-	272	418	690	-	690
NOTES PAYABLE:							
BOND ANTICIPATION	-	2,554,000	-	-	2,554,000	-	2,554,000
LONG-TERM LIABILITIES:							
DUE WITHIN ONE YEAR:							
COMPENSATED ABSENCES	-	-	-	-	-	108,359	108,359
BONDS PAYABLE	-	-	-	-	-	890,000	890,000
ENERGY PERFORMANCE CONTRACT	-	-	-	-	-	63,822	63,822
DUE AFTER ONE YEAR:							
COMPENSATED ABSENCES	-	-	-	-	-	433,435	433,435
ACCRUED POST EMPLOYMENT OBLIGATIONS	-	-	-	-	-	1,635,547	1,635,547
BONDS PAYABLE	-	-	-	-	-	4,360,000	4,360,000
ENERGY PERFORMANCE CONTRACT	-	-	-	-	-	102,974	102,974
NET PENSION LIABILITY	-	-	-	-	-	1,259,203	1,259,203
TOTAL LIABILITIES	898,606	3,835,836	212,339	71,503	5,018,284	8,010,451	13,028,735
<b>DEFERRED INFLOWS OF RESOURCES</b>							
PENSIONS AND POSTEMPLOYMENT OBLIGATIONS	-	-	-	-	-	1,040,021	1,040,021
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	1,040,021	1,040,021
<b>FUND BALANCES</b>							
NONSPENDABLE:							
INVENTORY	-	-	-	7,875	7,875	(7,875)	-
SCHOOL LUNCH RECEIVABLE	45,105	-	-	-	45,105	(45,105)	-
SPECIAL AID RECEIVABLE	158,109	-	-	-	158,109	(158,109)	-
CAPITAL PROJECTS RECEIVABLE	435,714	-	-	-	435,714	(435,714)	-
RESTRICTED FOR:							
DEBT SERVICE	-	-	-	35,985	35,985	(35,985)	-
EMPLOYEE BENEFITS	183,849	-	-	-	183,849	(183,849)	-
RETIREMENT CONTRIBUTIONS	329,184	-	-	-	329,184	(329,184)	-
UNEMPLOYMENT INSURANCE	36,085	-	-	-	36,085	(36,085)	-
PROPERTY LOSS & LIABILITY	44,540	-	-	-	44,540	(44,540)	-
INSURANCE	51,100	-	-	-	51,100	(51,100)	-
CAPITAL	598,037	-	-	-	598,037	(598,037)	-
COMMITTED FOR:							
OTHER FUND ACTIVITIES	-	-	-	-	-	-	-
ASSIGNED TO:							
APPROPRIATED FUND BALANCE	1,092,908	-	-	-	1,092,908	(1,092,908)	-
TEACHING - REGULAR SCHOOL	634	-	-	-	634	(634)	-
PUPIL SERVICES	121	-	-	-	121	(121)	-
EMPLOYEE BENEFITS	66	-	-	-	66	(66)	-
SCHOOL LUNCH	-	-	-	82,556	82,556	(82,556)	-
UNASSIGNED:							
UNASSIGNED FUND BALANCE (DEFICIT)	374,863	(2,385,502)	-	-	(2,010,639)	13,848,270	11,837,631
TOTAL FUND BALANCES	3,350,315	(2,385,502)	-	126,416	1,091,229	10,746,402	11,837,631
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,248,921	1,450,334	212,339	197,919	6,109,513		
<b>NET POSITION</b>							
NET INVESTMENT IN CAPITAL ASSETS						9,061,744	9,061,744
RESTRICTED						1,278,780	1,278,780
UNRESTRICTED						1,497,107	1,497,107
TOTAL NET POSITION						11,837,631	11,837,631

See accompanying notes to the financial statements.

**FORESTVILLE CENTRAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2020**

	<u>AGENCY</u>	<u>PRIVATE PURPOSE TRUSTS</u>
<b>ASSETS</b>		
UNRESTRICTED CASH	\$ 52,325	\$ 14,488
RESTRICTED CASH	<u>35,579</u>	<u>63,826</u>
<b>TOTAL ASSETS</b>	<u><b>87,904</b></u>	<u><b>78,314</b></u>
<b>LIABILITIES</b>		
EXTRACLASSROOM ACTIVITY BALANCES	35,579	-
ACCRUED LIABILITIES	<u>52,325</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><b>87,904</b></u>	<u><b>-</b></u>
<b>NET POSITION</b>		
HELD IN TRUST FOR:		
ENDOWMENT SCHOLARSHIPS	<u>-</u>	<u>78,314</u>
<b>TOTAL NET POSITION</b>	<u><b>-</b></u>	<u><b>78,314</b></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><b>\$ 87,904</b></u>	<u><b>\$ 78,314</b></u>

See accompanying notes to the financial statements.

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

	<b>PRIVATE PURPOSE TRUSTS</b>
<b>ADDITIONS</b>	
GIFTS AND CONTRIBUTIONS	\$ 3,055
INVESTMENT EARNINGS	572
<b>DEDUCTIONS</b>	
SCHOLARSHIPS AND AWARDS	<u>2,506</u>
CHANGE IN NET POSITION	1,121
NET POSITION - BEGINNING OF YEAR	<u>77,193</u>
NET POSITION - END OF YEAR	<u><u>\$ 78,314</u></u>

See accompanying notes to the financial statements.

**FORESTVILLE CENTRAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of Forestville Central School District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied 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. Significant accounting principles and policies used by the district are described below:

**A. REPORTING ENTITY**

The Forestville Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 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 on criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

**The Extraclassroom Activity Fund**

The Extraclassroom Activity Fund of the Forestville Central School District represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Fund is independent of the School District with respect to its financial transactions and the designation of student management. The cash and investment balances are reported in the Agency Funds of the School District. Separate audited financial statements (cash basis) of the Extraclassroom Activity Fund can be found at the end of these financial statements.

**B. JOINT VENTURE**

The Forestville Central School District is one of many component school districts in the Erie II Board of Cooperative Educational Services (BOCES). The BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. 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 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 school 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 ended June 30, 2020, the Forestville Central School District was billed \$1,947,284 for BOCES administrative and program costs. Participating school districts issue debt on behalf of BOCES. During the year, the District did not issue debt on behalf of BOCES and there was no BOCES debt outstanding as of the year end. The District's share of BOCES aid amounted to \$651,190. Financial statements for BOCES are available from the BOCES administrative office in Angola, New York.

## **C. BASIS OF PRESENTATION**

### **1. Districtwide Statements**

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

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

### **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. All remaining governmental funds are aggregated and reported as non-major funds.

#### **a. Governmental Funds:**

- i. **General** - is the primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- ii. **Special Aid Fund** - is used to account for proceeds received from federal and state grants that are restricted to expenditures for specified educational programs.
- iii. **Capital Projects Funds** - used to account for the financial resources used for acquisition, construction, or major repair of capital facilities and bus purchases.
- iv. **School Lunch Fund** - used to account for child nutrition activities whose funds are restricted as to use.
- v. **Debt Service** - is used to account for the accumulation of resources and the payment of principal and interest on long term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

**b. Fiduciary Funds:** 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 Districtwide 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:

- i. Private purpose trust 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.
- ii. Agency 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.

#### **D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

The Districtwide 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, state aid, 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 state aid is recognized in the fiscal year it is apportioned by the State. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

#### **E. PROPERTY TAXES**

##### **1. Calendar**

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 1, 2019. Taxes were collected during the period September 4, 2019 to November 1, 2019.

##### **2. Enforcement**

Uncollected real property taxes are subsequently enforced by the Counties of Cattaraugus and Chautauqua. The Counties pay an amount representing uncollected real property taxes transmitted to the Counties for enforcement to the School District no later than the forthcoming April 1.

## **F. RESTRICTED RESOURCES**

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

## **G. INTERFUND TRANSACTIONS**

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

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

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

A detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity is presented later in these notes.

## **H. ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures 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.

## **I. CASH AND CASH EQUIVALENTS/INVESTMENTS**

For financial statement purposes, all highly liquid investments with an original maturity of three months or less are considered as cash equivalents. The District's cash and cash equivalents consist of cash on hand, demand and time deposits, savings accounts, and certificates of deposit.

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

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

## **J. RECEIVABLES**

All receivables are reported at their gross value, and when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

## **K. INVENTORIES**

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.

## **L. CAPITAL ASSETS**

Capital assets are reported at actual cost or estimated historical cost, based on an appraisal conducted by an independent third-party professional. Donated assets are reported at estimated fair market value at the time received.

The District has a specific capitalization policy of \$500 regarding equipment with a \$5,000 costing policy. Therefore, items costing in excess of \$500 are tagged for asset tracking purposes. However, only those in excess of \$5,000 are included for cost valuation and depreciation calculations. Depreciation is computed using the straight-line method over estimated useful lives with salvage value appropriately applied.

## **M. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

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

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

## **N. UNEARNED REVENUE**

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

expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

#### **O. COMPENSATED ABSENCES**

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

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

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the Districtwide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

#### **P. OTHER BENEFITS**

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

Forestville Central School District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403b - Tax Sheltered Annuities. The plan is available to all school employees and permits them to defer taxation on a portion of their salary until future years. The deferred portion is withheld by the District and disbursed to the employees' plan administrator. The plans are owned by the individuals and held in trust by the plan administrator. The District has a fiduciary responsibility for funds withheld and remittance to trustees. The assets in the plan remain the property of the District until paid subject only to the claims of the District's creditors.

In addition to providing pension benefits, the School District provides post-employment health insurance coverage for retired employees. These benefits are provided through the Chautauqua County School Districts' Medical Health Plan, a community rated, cost sharing plan. The election by the retiree to stay in this health plan is done at the retiree's own expense. An employer subsidy does not exist. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District.

#### **Q. SHORT-TERM DEBT**

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

#### **R. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

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

year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

## **S. EQUITY CLASSIFICATIONS**

In the Districtwide statements there are three classes of net position as follows:

### **1. 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.

### **2. Restricted Net Position**

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

### **3. Unrestricted Net Position**

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

## **T. 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. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$7,875. It also includes the Special Aid, School Lunch and Capital Projects fund receivables in the General Fund of \$158,109, \$45,105 and \$435,714, respectively.

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

*Debt Service* – According to General Municipal Law section 6-I, the Mandatory Reserve for Debt Service must be established for the purpose of retiring outstanding obligations. Interest and earnings on outstanding obligations and remaining bond proceeds not utilized for the intended purpose are recorded in the Reserve for Debt Service. These monies must be used to pay for the debt service of the obligations from which they originated. This reserve is accounted for in the Debt Service Fund.

*Employee Benefits* – The purpose of this account, according to General Municipal Law section 6-p, is to reserve monies for the payment of any accrued benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board of Education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

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

Reserve for Unemployment Insurance – This reserve is 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 (contributions) 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.

Reserve for Property Loss and Liability – Property loss reserve and liability reserves are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3 percent of the annual budget or \$15,000, whichever is greater. This type of reserve may be utilized only by school districts, with a population under 125,000. These reserves are accounted for in the General Fund.

Reserve for Insurance – This reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law, (for example, Unemployment Compensation Insurance). This reserve may be established by Board action and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5 percent of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

Reserve for Capital – Capital Reserve is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the sources of the funds. Expenditures 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 Section 3651 of the Education Law. This reserve is accounted for in the General Fund and Capital Projects Fund.

Restricted fund balance includes the following:

General Fund:		
Employee Benefits	\$	183,849
Retirement Contributions		329,184
Unemployment		36,085
Property Loss and Liability		44,540
Insurance		51,100
Capital		598,037
Debt Service Fund:		<u>35,985</u>
Total Restricted Fund Balance:	\$	<u>1,278,780</u>

*Committed* – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the school district's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2020.

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

Assigned fund balance includes the following:

General Fund:	
Appropriated Fund Balance	\$ 1,092,908
Teaching - Regular School	634
Pupil Services	121
Employee Benefits	66
School Lunch	<u>82,556</u>
Total Assigned Fund Balance	<u>\$ 1,176,285</u>

*Unassigned* – Includes all other General Fund amounts that do not meet the definition of the above four classifications and is deemed to be available for general use by the School District and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

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 School district's budget for the General Fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. The District's unassigned fund balance is below the 4% limitation at June 30, 2020.

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. 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.

Along with the Board of Education, the Superintendent and/or the Business Executive of the District have the authority to assign fund balances for particular purposes.

#### **U. New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2020, the District did not implement any new standards issued by GASB.

## V. Accounting Standards Issued But Not Yet Implemented

The District has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 84 - Fiduciary Activities effective for the year ending June 30, 2021; GASB Statement No. 87 - Leases effective for the year ending June 30, 2022; GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period effective for the year ending June 30, 2022; GASB Statement No. 90 - Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61 effective for the year ending June 30, 2021 and GASB Statement No. 91 - Conduit Debt Obligations effective for the year ending June 30, 2023; The District is therefore unable to disclose the impact that adopting these GASB Statements will have on its financial position and results of operation when such statements are adopted.

### NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICTWIDE STATEMENTS

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

#### A. TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS VS. NET POSITION OF GOVERNMENTAL ACTIVITIES

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

The costs of building and acquiring capital assets (land, construction in progress, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Governmental Funds Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	\$	26,740,417
Accumulated Depreciation		9,707,877
	\$	<u>17,032,540</u>

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period.

Balances at year-end were:

	Due in One Year	Due After One Year	Total
Compensated Absences	\$ 108,359	433,435	541,794
Bonds Payable	890,000	4,360,000	5,250,000
Energy Performance Contract Payable	63,822	102,974	166,796
Net Pension Liability	-	1,259,203	1,259,203
Post Employment Obligations	-	1,635,547	1,635,547
	<u>\$ 1,062,181</u>	<u>7,791,159</u>	<u>8,853,340</u>

Interest on long-term debt is recorded as an expenditure in governmental funds when it is due, and thus requires the use of current financial resources. On the Statement of Net Position, interest is recognized as it accrues, regardless of when it is due. The accrued interest on long-term debt decreased from the prior year by \$4,281.

As indicated in Note 1, the amounts reported on the Statement of Net Position for due to and due from other funds represent amounts due between different fund types (governmental activities and Fiduciary Funds). Eliminations have been made for amounts due to and due from within the same fund type. A summary of governmental interfund receivable/payable eliminations is as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 638,928	248,922
Special Aid Fund	77,446	119,692
School Lunch Fund	37,255	49,888
Debt Service	3,997	-
Capital Fund	100,700	439,824
	<u>\$ 858,326</u>	<u>858,326</u>

## **B. STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE VS. STATEMENT OF ACTIVITIES**

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

### **1. Long-Term Revenue Differences**

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

### **2. Capital Related Differences**

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

### **3. Long-Term Debt Transaction Differences**

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

### **4. Allocation of Indirect Expenses**

Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

## 5. Pension Differences

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

## 6. OPEB Differences

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

Differences between the governmental funds Operating Statement and Statement of Activities.

### ***Total Revenue and Other Funding Sources of Governmental Funds***

Total revenue and other funding sources of governmental funds	\$ 13,056,076
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In the Statement of Activities, only the gain \$22,258 on the sale/trade of equipment is reported, whereas in the governmental funds, the proceeds from the sale of equipment are reported	(28,200)
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Gain on Sale of Equipment	22,258
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Elimination of interfund revenue from governmental funds:	
Interfund Transfers In	<u>(207,337)</u>

Total revenue and other funding sources of governmental activities in the Statement of Activities	<u><u>\$ 12,842,797</u></u>
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***Total Expenditures and Other Uses Reported in Governmental Funds***

Total Expenditures and other uses reported in governmental funds \$ 15,414,093

In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (35,936)

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$757,729 did not exceed capital expenditures, net of trades, of \$2,713,757. (1,956,028)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities. (925,553)

Elimination of interfund expenditures from governmental funds:  
Interfund Transfers Out (207,337)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The net interest reported in the Statement of Activities is the result of accrued interest on bonds payable. (4,281)

Net Other Post Employment Obligation 139,543

(Increases) decreases in proportionate share of net pension asset/liability in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. 610,819

Total expenses and other uses of governmental activities \$ 13,035,320

## **NOTE 3 -- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING**

#### **1. Budget Policies**

The budget policies are as follows:

##### **a. General Fund and School Lunch Fund**

- i. The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Lunch Fund.
- ii. The voters within the School District approved the proposed appropriation budget for the General Fund.
- iii. Appropriations are adopted at the program line item level.
- iv. Appropriations established by the adoption of the budget constitute a limitation on expenditures and encumbrances which 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). 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.
- v. The Board of Education approves transfers among budgetary line items as deemed necessary.
- vi. The New York State Uniform System of Accounts requires that fixed budgetary controls be used for all governmental fund types.
- vii. Budgets are established and used for the individual capital project 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 completion of the projects.

##### **b. Special Aid Fund**

Individual budgets are all adopted based on each federal, state and local grant award. Transfers among budgetary line items are made as deemed necessary after approval by the grantor agency. Appropriations lapse at the end of the grant period versus the School District's fiscal year end.

#### **2. Budget Basis of Accounting**

Budgets are adopted annually on a legally prescribed basis. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

#### **3. 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.

## **B. DEFICIT FUND BALANCES**

Capital fund has a deficit fund balance at June 30, 2020 due to ongoing capital projects.

## **C. OVEREXPENDED LINE ITEMS**

There were no overexpended budget line items for the year.

## **NOTE 4 – CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, AND INTEREST RATE RISKS**

### **A. CASH AND CASH EQUIVALENTS**

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	\$ <u>-</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ <u>4,377,166</u>

### **B. RESTRICTED CASH AND INVESTMENTS**

Restricted cash and investments represents cash, cash equivalents, and investments where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash and investments as of year-end includes the following:

Governmental Funds	Amount	Purpose
Major:		
General Fund	\$ 183,849	Reserve for Employee Benefits
General Fund	329,184	Reserve for Retirement Contributions
General Fund	36,085	Reserve for Unemployment
General Fund	44,540	Reserve for Property Loss and Liability
General Fund	51,100	Reserve for Insurance
General Fund	598,037	Reserve for Capital
Non-Major:		
Debt Service	<u>31,988</u>	Reserve for Debt
Total	<u>1,274,783</u>	
Fiduciary Funds:		
Agency Fund	35,579	Reserve for Activities
Private-Purpose Trusts	<u>63,826</u>	Reserve for Scholarships
Total	<u>99,405</u>	
Restricted Cash and Investments	<u>\$ 1,374,188</u>	

#### NOTE 5 – RECEIVABLES

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

Governmental Funds	Description	Amount
Major:		
General	Accounts Receivable	\$ 2,950
	State and Federal Aid	171,991
	BOCES Aid	369,454
Special Aid Fund	State and Federal Aid	<u>131,759</u>
		676,154
Non-Major:		
School Lunch Fund	Accounts Receivable	2,581
School Lunch Fund	State and Federal Aid	<u>61,622</u>
	Total	<u>\$ 740,357</u>

## NOTE 6 – CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
Nondepreciable:				
Land	\$ 17,207	-	-	17,207
Construction in Progress	166,572	2,466,561	-	2,633,133
Depreciable:				
Buildings	21,103,834	100,000	-	21,203,834
Equipment	3,004,238	147,196	(265,191)	2,886,243
Subtotal	24,291,851	2,713,757	(265,191)	26,740,417
Less: Accumulated Depreciation	(9,209,397)	(757,729)	259,249	(9,707,877)
Net Capital Assets	<u>\$ 15,082,454</u>	<u>\$ 1,956,028</u>	<u>\$ (5,942)</u>	<u>\$ 17,032,540</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 30,309
Instruction	522,833
Pupil Transportation	189,432
Cost of Sales	15,155
Total	<u>\$ 757,729</u>

## NOTE 7 – LIABILITIES

### A. PENSION PLANS AND POST-EMPLOYMENT BENEFITS

#### 1. General Information

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

#### 2. Provisions and Administration

A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

ERS 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. NYSRSSL govern obligations of employers and employee contributions, and benefits to employees. Once a public employer elects to participate in the system, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. The District also participated 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. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York, 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php).

### 3. Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31.

The School District is required to contribute at an actuarially determined rate. The required and actual contributions for the current year and two preceding years were:

Year	ERS	TRS
2020	\$ 207,452	\$ 435,673
2019	209,385	383,727
2018	226,989	438,275

The School District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

The changes in the Forestville Central School District's accrued liabilities for amounts due for pension obligations are detailed as follows:

	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
Due to TRS- Employer	\$ 414,526	350,931	(414,526)	350,931
Due to TRS - Employee	20,967	12,569	(20,967)	12,569
Due to ERS	56,409	73,170	(56,409)	73,170
	<u>\$ 491,902</u>	<u>436,670</u>	<u>(491,902)</u>	<u>436,670</u>

These obligations are noninterest bearing.

#### 4. Pension Assets, 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 proportion of the net pension asset/ (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Actuarial Valuation Date	April 1, 2019	June 30, 2018
Net Pension Asset (Liability)	(1,259,203)	607,769
Districts Portion of the Plan's Total		
Net Pension Asset (Liability)	0.0047552%	0.023394%

For the year ended June 30, 2020, the District's recognized pension expense of \$214,724 for ERS and pension expense of \$414,997 for TRS. 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 Resources		Deferred Inflows Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 74,109	411,870	-	45,195
Changes of Assumptions	25,354	1,148,157	21,893	279,953
Net difference between projected and actual earnings on pension investments	645,528	-	-	487,400
Changes in proportion and differences between the District's contributions and proportionate share of contributions	53,287	62,802	26,102	26,166
District's contributions subsequent to the measurement date	73,170	350,931	-	-
Total	<u>\$ 871,448</u>	<u>\$ 1,973,760</u>	<u>\$ 47,995</u>	<u>\$ 838,714</u>

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

Year Ended	ERS	TRS
2020	\$ -	\$ 281,112
2021	135,291	23,596
2022	185,433	280,116
2023	236,841	187,246
2024	192,718	25,247
Thereafter	-	(13,202)

## 5. 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 significant actuarial assumptions:

	ERS	TRS
Measurement Date	March 31, 2020	June 30, 2019
Actuarial Valuation Date	April 1, 2019	June 30, 2018
Interest Rate	6.80%	7.10%
Salary Scale	4.20%	1.90% - 4.72%
Decrement Tables	April 1, 2010 - March 31, 2015 ERS' Experience	July 1, 2009 - June 30, 2014 TRS' Experience
Inflation Rate	2.50%	2.20%

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

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

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

Measurement Date	ERS		TRS	
	March 31, 2020		June 30, 2019	
	Target Allocation	Rate of Return	Target Allocation	Rate of Return
Asset Type:				
Domestic Equity	36%	4.05%	33%	6.30%
International Equity	14%	6.15%	16%	7.80%
Global Equity	0%	0.00%	4%	7.20%
Real Estate	10%	4.95%	11%	4.60%
Domestic Fixed Income Securities	0%	0.00%	16%	1.30%
Absolute Return Strategy Investment	2%	3.25%	0%	0.00%
Opportunistic Funds	3%	4.65%	0%	0.00%
Real Assets	3%	5.95%	0%	0.00%
Private Equity	10%	6.75%	8%	9.90%
Global Fixed Income Securities	0%	0.00%	2%	0.90%
High-Yield Fixed Income Securities	0%	0.00%	1%	3.60%
Private Debt	0%	0.00%	1%	6.50%
Mortgages	17%	0.75%	7%	2.90%
Short-Term	0%	0.00%	1%	0.30%
Cash	1%	0.00%	0%	0.00%
Inflation-Indexed Bonds	4%	0.50%	0%	0.00%
	<u>100%</u>		<u>100%</u>	

## 6. Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.1% 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.

## 7. 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 6.8% for ERS and 7.1% for TRS, as well as what the District's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8% for ERS and 6.1% for TRS) or 1-percentage point higher (7.8% for ERS and 8.1% for TRS) than the current rate:

		ERS		
		1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$	2,310,992	1,259,203	290,500

  

		TRS		
		1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$	2,743,407	(607,769)	(3,419,028)

## 8. 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)

Measurement Date	TRS June 30, 2019	ERS March 31, 2020
Employers' total pension liability	\$ 119,879	\$ 194,596
Plan fiduciary net position	122,477	168,116
Employers' net pension asset/(liability)	\$ (2,598)	\$ 26,480
Ratio of plan fiduciary net position to the employers' total pension liability	102.17%	86.39%

## 9. 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 covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$73,170. Employee contributions are remitted monthly.

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 \$363,500.

## B. INDEBTEDNESS

### 1. Short-Term Debt

The District issues bond anticipation notes to finance the purchase of transportation equipment and capital improvements projects. The details of the short-term debt transactions for the year ended June 30, 2020 are summarized below:

	2020 BUS BAN	2019 BUS BAN	2020 EPC BAN	2018 CAPITAL PROJECT BAN	2018 CAPITAL PROJECT BAN
Maturity	8/15/2020	8/15/2019	7/8/2020	7/8/2020	7/8/2020
Interest rate	1.69%	2.34%	1.55%	1.55%	1.89%
Beginning Balance	\$ -	\$ 441,500	\$ -	\$ -	\$ -
Issued	424,000	-	535,000	1,195,000	400,000
Redeemed	-	(152,500)	-	-	-
Refinanced	-	(289,000)	-	-	-
Ending Balance	<u>\$ 424,000</u>	<u>\$ -</u>	<u>\$ 535,000</u>	<u>\$ 1,195,000</u>	<u>\$ 400,000</u>

Total interest paid on the BANs was \$10,302 as of June 30, 2020. This payment was recorded in the general fund.

The General Fund is typically used to liquidate short-term obligations and reports expenditure for the redeemed debt and related interest.

### 2. Long-Term Debt

#### a. Long-Term Debt Interest

Interest paid on long-term indebtedness amounted to \$162,351. This payment was recorded in the General Fund.

#### b. Changes

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

	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020	Amounts Due within one Year
Serial Bonds	\$ 6,115,000	-	(865,000)	5,250,000	890,000
Compensated Absences	577,730	541,794	(577,730)	541,794	108,359
Energy Performance Contract	227,349	-	(60,553)	166,796	63,822
Post Employment Obligations	1,718,962	-	(83,435)	1,635,527	-
Net Pension Liability	332,520	926,683	-	1,259,203	-
	<u>\$ 8,971,561</u>	<u>1,468,477</u>	<u>(1,586,718)</u>	<u>8,853,320</u>	<u>1,062,181</u>

Additions and deletions to compensated absences are shown net since it is impractical to separately determine these amounts:

The General Fund is typically used to liquidate long-term obligations.

**c. Maturity**

i. The following is a summary of maturity of indebtedness:

Description of Issue	Issue Date	Final Maturity	Average Interest Rate	Outstanding at 6/30/2020
Energy Performance Contract	2011	2023	4.85%	166,796
Serial Bonds	2013	2025	2.00%-2.75%	3,710,000
Serial Bonds	2018	2033	3.10%-3.25%	1,540,000

ii. The following is a summary of maturing debt service requirements:

Fiscal Year End June 30,	Principal	Interest
2021	\$ 953,822	140,731
2022	982,270	118,386
2023	975,704	93,577
2024	965,000	69,838
2025	580,000	45,113
2026-2030	675,000	105,250
2031-2033	285,000	13,950
	<u>\$ 5,416,796</u>	<u>586,845</u>

**NOTE 8 – INTERFUND TRANSACTIONS**

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

	Due From Other Funds	Due to Other Funds	Interfund Revenues	Interfund Expenditures
Governmental Funds				
Major:				
General Fund	\$ 638,928	248,922	35,129	159,137
Special Aid	77,446	119,692	9,137	-
Capital Projects	100,700	439,824	100,000	13,071
Non-Major:				
School Lunch	37,255	49,888	50,000	35,129
Debt Service	3,997	-	13,071	-
	<u>\$ 858,326</u>	<u>858,326</u>	<u>207,337</u>	<u>207,337</u>

As discussed in Note II, eliminations have been made for amounts due to and due from other funds and for interfund revenues and expenditures within the same fund type.

## **NOTE 9 – RISK MANAGEMENT**

### **1. General Information**

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

### **2. Medical Health Insurance Plan**

The Forestville Central School District incurs costs related to an employee health insurance plan sponsored by Chautauqua County School Districts' consortium and its component districts. The plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the plan do not have a minimum requirement for withdrawal. A member may withdraw from the plan by informing the plan administrator 30 days prior to withdrawal. Plan members include 19 districts, with Forestville Central School District bearing a 3 percent share of the plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. In the event the plan's assets were exhausted, members would be responsible for the plan's liabilities. The plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks reinsured. The plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. During the year ended June 30, 2020, Forestville Central School District incurred premiums or contribution expenditures totaling \$1,006,494. Payments of claims and claim adjustment expenses attributable to insured events of the current fiscal year totaled \$48,674,033 for the total consortium, which has a fund balance of \$40,644,853.

### **3. Workers' Compensation**

Forestville Central School District participates in a risk-sharing pool, Erie II Area Schools, Self-Funded, Workers' Compensation, to insure Workers' Compensation claims. This is a public-entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. For the year ended June 30, 2020, there were no claims paid on behalf of the District. At June 30, 2020, the District did not recognize a liability for unpaid, unasserted claims, if any, as they would be deemed immaterial.

### **4. Unemployment Insurance**

The District provides unemployment insurance through direct billings from the New York State Insurance Fund. For the year ended June 30, 2020, the District paid \$9,993 in unemployment insurance benefits. At June 30, 2020, the District did not recognize a liability for unpaid, unasserted claims, if any, as these would be deemed immaterial.

## NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS - GASB STATEMENT NO. 75

### Postemployment (health insurance) benefits / Prior period adjustment:

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

Plan Description – The District's defined benefit 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.

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:

Inactive employees or beneficiaries currently receiving benefit payments	14
Inactive employee spouses covered	9
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>102</u>
	<u>125</u>

#### **B. Total OPEB Liability**

The District's total OPEB liability of \$1,635,547 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 15, 2020.

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

Inflation	2.22 percent
Salary Increases	3.22 percent, average, including inflation
Discount Rate	2.48 percent
Healthcare Cost Trend Rates	5.2-4.18 percent for 2020, decreasing each year to an ultimate rate of 4.18 percent for 2080 and later years
Retirees' Share of Benefit-Related Costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on Expected Plan Benefit Payments.

Mortality rates were based on the Mortality Improvement Scale MP-2019.

### C. Changes in the Total OPEB Liability

Balance at June 30, 2019	\$1,718,982
<u>Changes for the Year</u>	
Service cost	61,947
Interest	59,367
Changes of benefit terms	-
Differences between expected and actual experience	(255,521)
Changes in assumptions or other inputs	105,912
Benefit Payments	<u>(55,140)</u>
<b>Balance at June 30, 2020</b>	<b><u>\$1,635,547</u></b>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.48 percent) or 1 percentage point higher (3.48 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$1,771,698	1,635,547	1,509,299

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 (4.20-3.18 percent) or 1 percentage point higher (6.20-5.18 percent) than the current healthcare cost trend rate:

	<u>1% Decrease</u>	Healthcare <u>Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$1,461,274	1,635,547	1,839,614

**D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the District recognized OPEB expense of \$188,619. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Balance at Beginning of Year	\$ 233,284	-
Differences between expected and actual experience	(102,208)	(153,313)
Amortization of differences between actual and expected	(16,552)	-
Changes of assumptions or other inputs	105,912	-
Amortization for changes in assumptions	(50,753)	-
	<u>\$ 169,683</u>	<u>(153,313)</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$46,293
2022	(29,923)
Thereafter	-
Total	<u>\$16,370</u>

## **NOTE 11 – COMMITMENTS AND CONTINGENCIES**

### **1. Federal and State Grants**

The School District has received grants, reported in the special aid fund which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowance and a request for a return of funds. Based on prior audits, the School District's administration believes disallowance, if any, will be immaterial.

### **2. Litigation**

A review of Forestville Central School District by legal counsel indicated that they were aware of no asserted or unasserted claims against the District as of June 30, 2020.

### **3. Compensated Absences**

The District accrued a liability for vested and accumulating non-vested sick leave and retirement benefits in the amount of \$541,794 at June 30, 2020.

The District has included a liability for accumulating, non-vested sick leave on the basis of the percentage of probability that those amounts will become vested. This percentage was applied based on historical vesting of certain employee groups.

### **4. Capital Improvements Projects**

The District received approval from New York State for a Bullet Aid project in the amount of \$100,000 for various District Improvements. This project was fully expended by June 30, 2020.

During the year ended June 30, 2018, the voters approved a project in the amount of \$3,080,000 for various District Improvements. This project will be funded by use of the existing capital reserve in the amount of \$669,799 and the balance of \$2,410,201 to be funded by the tax levy. The District has expended a total of \$2,239,744 on this project at June 30, 2020.

### **5. Energy Performance Contract 2011**

On January 20, 2011, the District entered into an Energy Performance Contract Municipal Lease/Purchase Agreement with Real Lease, Inc.

This agreement provided for the District to lease certain energy conservation improvements and equipment. This includes upgrades to the lighting in the gym and replacement of the existing hot water boilers, including all piping, burners, controls, vent piping, electrical and miscellaneous accessories.

An escrow fund was established by the Lessor in the amount of \$603,768 for the execution of this contract with M & T Bank as Escrow Agent. The lessee is obligated to make rental payments of \$17,840 per quarter which include principal and interest at a rate of 4.85 percent.

The project was fully expended at June 30, 2012 and was capitalized and is being depreciated.

The lease liability has been recorded as a long term obligation at June 30, 2020.

## **6. Energy Performance Contract 2020**

On November 13, 2019 the District entered into an energy performance contract with Trane US, Inc.

The project is to include lighting upgrades, building envelope improvements, variable frequency drives, and plug load controllers.

The total project cost is anticipated to be \$715,509.

The District issued a Bond Anticipation note for this project in the amount of \$535,000 during the year ended June 30, 2020. The total amount expended on the project during the year ended June 30, 2020 was \$393,530.

## **NOTE 12 – DONOR-RELATED ENDOWMENTS**

The District administers endowment funds, which are restricted by the donor for the purposes of scholarship awards.

Donor-restricted endowments are reported at fair value. Earnings on the endowments are available for annual scholarship awards.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District. These funds are recorded in the Fiduciary Fund - Private Purpose Trust.

## **NOTE 13 – ADDITIONAL DISCLOSURES**

### **1. Budget Modifications**

The 2019-2020 operating budget is summarized as follows:

Original Adopted Budget:	\$	13,153,634
Budget Revisions		-
June 30, 2019 Carryover Encumbrances		86,994
Revised Budget	\$	<u>13,240,628</u>

### **2. Tax Abatements**

District Management has indicated that the District had no tax abatement agreements for the year ended June 30, 2020.

### **3. Subsequent Events**

The management of Forestville Central School District has evaluated subsequent events through October 13, 2020 the date on which the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses.

The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. It is unknown how long these conditions will last and what the complete financial effect will be to the District.

FORESTVILLE CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
MEASUREMENT DATE	July 1, 2017	July 1, 2017	July 1, 2017
<b>TOTAL OPEB LIABILITY</b>	<b>\$ <u>1,635,547</u></b>	<b>\$ <u>1,718,982</u></b>	<b>\$ <u>1,330,767</u></b>
SERVICE COST	61,947	51,242	47,321
INTEREST	59,367	47,977	47,630
CHANGES IN BENEFIT TERMS	-	-	-
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	(255,521)	335,274	10,144
CHANGES OF ASSUMPTIONS OR OTHER INPUTS	105,912	6,720	19,559
BENEFIT PAYMENTS	<u>(55,140)</u>	<u>(52,998)</u>	<u>(50,970)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(83,435)	388,215	73,684
TOTAL OPEB LIABILITY - BEGINNING	<u>1,718,982</u>	<u>1,330,767</u>	<u>1,257,083</u>
TOTAL OPEB LIABILITY - ENDING	<b>\$ <u>1,635,547</u></b>	<b>\$ <u>1,718,982</u></b>	<b>\$ <u>1,330,767</u></b>
 COVERED PAYROLL	 <b>\$ <u>5,287,415</u></b>	 <b>\$ <u>5,115,533</u></b>	 <b>\$ <u>5,115,533</u></b>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	30.93%	33.60%	26.01%

10 years of historical information is not available. An additional year of historical information will be added each year until 10 years of historical data is available.

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)		FINAL BUDGET VARIANCE WITH BUDGETARY ACTUAL
<b>REVENUES</b>					
LOCAL SOURCES:					
REAL PROPERTY TAXES	\$ 3,969,051	\$ 3,969,051	\$ 3,900,306	\$	(68,745)
REAL PROPERTY TAX ITEMS	6,500	6,500	73,081		66,581
CHARGES FOR SERVICES	4,200	4,200	808		(3,392)
USE OF MONEY AND PROPERTY	9,000	9,000	30,054		21,054
SALE OF PROPERTY & COMPENSATION FOR LOSS	1,000	1,000	31,016		30,016
MISCELLANEOUS	94,500	94,500	194,985		100,485
INTERFUND REVENUE	-	-	-		-
STATE SOURCES	7,744,187	7,744,187	7,599,283		(144,904)
FEDERAL SOURCES	-	-	-		-
MEDICAID REIMBURSEMENT	6,000	6,000	43,205		37,205
TOTAL REVENUES	11,834,438	11,834,438	11,872,738		38,300
OTHER FINANCING SOURCES					
INTERFUND TRANSFERS IN	50,000	50,000	35,129		14,871
TOTAL REVENUES AND OTHER FINANCING SOURCES	11,884,438	11,884,438	\$ 11,907,867	\$	53,171
APPROPRIATED FUND BALANCE	1,269,196	1,356,190			
TOTAL REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND	\$ 13,153,634	\$ 13,240,628			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	YEAR-END ENCUMBRANCES	FINAL BUDGET VARIANCE WITH BUDGETARY ACTUAL AND ENCUMBRANCES
<b>EXPENDITURES</b>					
GENERAL SUPPORT					
BOARD OF EDUCATION	\$ 29,390	\$ 32,583	\$ 20,424	\$ -	\$ 12,159
CENTRAL ADMINISTRATION	205,617	208,858	204,614	-	4,244
FINANCE	238,862	255,257	237,877	-	17,380
STAFF	56,476	62,701	55,966	-	6,735
CENTRAL SERVICES	1,158,671	1,230,043	928,721	-	301,322
SPECIAL ITEMS	204,608	204,608	176,071	-	28,537
TOTAL GENERAL SUPPORT	1,893,624	1,994,050	1,623,673	-	370,377
INSTRUCTION					
ADMINISTRATION & IMPROVEMENT	428,535	406,405	358,403	-	48,002
TEACHING - REGULAR SCHOOL	3,298,253	3,304,081	3,015,582	634	287,865
STUDENTS WITH DISABILITIES	1,467,168	1,880,718	1,788,439	-	92,279
OCCUPATIONAL EDUCATION	390,430	273,372	273,372	-	-
TEACHING, SPECIAL SCHOOLS	-	-	-	-	-
INSTRUCTIONAL MEDIA	289,458	289,458	259,713	-	29,745
PUPIL SERVICES	418,496	424,573	342,887	121	81,565
TOTAL INSTRUCTION	6,292,340	6,578,607	6,038,386	755	539,456
PUPIL TRANSPORTATION	960,949	970,856	637,286	-	333,570
COMMUNITY SERVICES	46,119	88,503	84,019	-	4,484
EMPLOYEE BENEFITS	2,512,856	2,160,866	2,057,386	66	103,414
DEBT SERVICE					
PRINCIPAL	1,108,053	1,108,053	1,078,053	-	30,000
INTEREST	172,653	172,653	172,653	-	-
TOTAL EXPENDITURES	12,986,594	13,073,588	11,691,466	821	1,381,301
OTHER FINANCING USES					
INTERFUND TRANSFERS OUT	167,040	167,040	159,137	-	7,903
TOTAL OTHER FINANCING USES	167,040	167,040	159,137	-	7,903
TOTAL EXPENDITURES AND OTHER USES	13,153,634	13,240,628	11,850,603	\$ 821	\$ 1,389,204
NET CHANGE IN FUND BALANCES	-	-	57,264		
FUND BALANCE - BEGINNING	3,899,743	3,899,743	3,293,051		
FUND BALANCE - ENDING	\$ 3,899,743	\$ 3,899,743	\$ 3,350,315		

See paragraph on supplementary schedules included in independent auditors' report.

FORESTVILLE CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019	2018	2017	2016	2015
<b>NYSERS PENSION PLAN</b>						
DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY	0.0047552%	0.0046931%	0.0052795%	0.0055939%	0.0044789%	0.0050591%
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	\$ 1,259,203	\$ 332,521	\$ 170,393	\$ 525,616	\$ 718,884	\$ 170,907
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 1,454,644	\$ 1,442,939	\$ 1,611,559	\$ 1,496,199	\$ 1,708,581	\$ 1,598,416
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	86.56%	23.04%	10.57%	35.13%	42.07%	10.69%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	86.39%	96.27%	98.24%	94.70%	97.90%	97.90%
<b>NYSTRS PENSION PLAN</b>						
DISTRICT'S PROPORTION OF THE NET PENSION ASSET (LIABILITY)	0.0233940%	0.0240380%	0.0235980%	0.0235020%	0.0236420%	0.0247140%
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY)	\$ 607,769	\$ 434,677	\$ 179,370	\$ (251,719)	\$ 2,455,678	\$ 2,752,998
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 4,260,655	\$ 3,915,582	\$ 3,915,502	\$ 3,739,548	\$ 3,626,633	\$ 3,551,392
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	14.26%	11.10%	4.58%	-6.73%	67.71%	77.52%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	102.17%	101.53%	100.66%	99.01%	97.90%	111.48%

10 YEARS OF HISTORICAL INFORMATION IS NOT AVAILABLE. AN ADDITIONAL YEAR OF HISTORICAL INFORMATION WILL BE ADDED EACH YEAR UNTIL 10 YEARS OF HISTORICAL DATA IS AVAILABLE

FORESTVILLE CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019	2018	2017	2016	2015
<b>NYSLRS PENSION PLAN</b>						
STATUTORILY REQUIRED CONTRIBUTIONS	\$ 207,452	\$ 209,385	226,989	224,825	177,182	284,867
CONTRIBUTIONS IN RELATION TO STATUTORILY REQUIRED CONTRIBUTIONS	<u>207,452</u>	<u>209,385</u>	<u>226,989</u>	<u>224,825</u>	<u>177,182</u>	<u>284,867</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EMPLOYER'S COVERED-EMPLOYEE PAYROLL	1,454,644	1,442,939	1,611,559	1,496,199	1,708,581	1,598,416
CONTRIBUTIONS AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	14.26%	14.51%	14.09%	15.03%	10.37%	17.82%
<b>NYSTRS PENSION PLAN</b>						
STATUTORILY REQUIRED CONTRIBUTIONS	\$ 414,688	\$ 383,727	438,275	498,061	480,892	614,040
CONTRIBUTIONS IN RELATION TO STATUTORILY REQUIRED CONTRIBUTIONS	<u>414,688</u>	<u>383,727</u>	<u>438,275</u>	<u>498,061</u>	<u>480,892</u>	<u>614,040</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EMPLOYER'S COVERED-EMPLOYEE PAYROLL	4,260,655	3,915,582	3,915,502	3,739,548	3,626,633	3,551,392
CONTRIBUTIONS AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	9.73%	9.80%	11.19%	13.32%	13.26%	17.29%

10 YEARS OF HISTORICAL INFORMATION IS NOT AVAILABLE. AN ADDITIONAL YEAR OF HISTORICAL INFORMATION WILL BE ADDED EACH YEAR  
UNTIL 10 YEARS OF HISTORICAL DATA IS AVAILABLE

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

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

ADOPTED BUDGET	\$ 13,153,634
ADD: PRIOR YEAR'S ENCUMBRANCES	86,994
BUDGET REVISIONS	<u>-</u>
FINAL BUDGET	<u>\$ 13,240,628</u>
NEXT YEAR'S BUDGET IS A VOTER-APPROVED BUDGET	<u>\$ 12,872,494</u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2020-21 VOTER APPROVED EXPENDITURE BUDGET	
MAXIMUM ALLOWED (4% OF 2020-21 BUDGET)	<u>\$ 514,900</u>
GENERAL FUND FUND BALANCE SUBJECT TO SECTION 1318 OF REAL PROPERTY TAX LAW	
UNRESTRICTED FUND BALANCE:	
ASSIGNED FUND BALANCE	\$ 1,093,729
UNASSIGNED FUND BALANCE	<u>374,863</u>
TOTAL UNRESTRICTED FUND BALANCE	<u>\$ 1,468,592</u>
LESS:	
APPROPRIATED FUND BALANCE	1,092,908
ENCUMBRANCES INCLUDED IN COMMITTED AND ASSIGNED FUND BALANCE	<u>821</u>
TOTAL ADJUSTMENTS	<u>1,093,729</u>
GENERAL FUND FUND BALANCE SUBJECT TO SECTION 1318 OF REAL PROPERTY TAX LAW	<u>\$ 374,863</u>
ACTUAL PERCENTAGE	2.91%

See paragraph on supplementary schedules included in independent auditors' report.

**FORESTVILLE CENTRAL SCHOOL DISTRICT  
COMBINING SCHEDULE OF BALANCE SHEETS  
NON-MAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2020**

	<b>DEBT SERVICE FUND</b>	<b>SCHOOL LUNCH FUND</b>	<b>TOTAL NON-MAJOR FUNDS</b>
<b>ASSETS</b>			
CASH AND CASH EQUIVALENTS:			
UNRESTRICTED CASH	\$ -	\$ 52,601	\$ 52,601
RESTRICTED CASH	31,988	-	31,988
RECEIVABLES:			
ACCOUNTS RECEIVABLE, NET	-	2,581	2,581
STATE AND FEDERAL AID RECEIVABLE	-	61,622	61,622
DUE FROM OTHER FUNDS	3,997	37,255	41,252
INVENTORIES	-	7,875	7,875
<b>TOTAL ASSETS</b>	<b>35,985</b>	<b>161,934</b>	<b>197,919</b>
<b>LIABILITIES</b>			
PAYABLES:			
ACCRUED LIABILITIES	-	15,426	15,426
DUE TO OTHER FUNDS	-	49,888	49,888
DUE TO OTHER GOVERNMENTS	-	56	56
DUE TO EMPLOYEES' RETIREMENT SYSTEM	-	5,715	5,715
DEFERRED REVENUE	-	418	418
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>71,503</b>	<b>71,503</b>
<b>FUND BALANCES</b>			
NONSPENDABLE:			
INVENTORY	-	7,875	7,875
RESTRICTED FOR:			
DEBT SERVICE	35,985	-	35,985
ASSIGNED	-	82,556	82,556
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>35,985</b>	<b>90,431</b>	<b>126,416</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 35,985</b>	<b>\$ 161,934</b>	<b>\$ 197,919</b>

See paragraph on supplementary schedule included in independent auditors' report.

**FORESTVILLE CENTRAL SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>DEBT SERVICE FUND</b>	<b>SCHOOL LUNCH FUND</b>	<b>TOTAL NON-MAJOR FUNDS</b>
<b>REVENUES</b>			
USE OF MONEY AND PROPERTY	\$ 4,088	\$ -	\$ 4,088
MISCELLANEOUS	-	451	451
STATE SOURCES	-	21,352	21,352
FEDERAL SOURCES	-	185,112	185,112
SALES	-	44,305	44,305
<b>TOTAL REVENUES</b>	<b>4,088</b>	<b>251,220</b>	<b>255,308</b>
<b>EXPENDITURES</b>			
GENERAL SUPPORT	-	118,027	118,027
EMPLOYEE BENEFITS	-	27,234	27,234
COST OF SALES	-	103,801	103,801
DEBT SERVICE - PRINCIPAL	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>249,062</b>	<b>249,062</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4,088</b>	<b>2,158</b>	<b>6,246</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
INTERFUND TRANSFERS IN	13,071	50,000	63,071
INTERFUND TRANSFERS OUT	(35,129)	-	(35,129)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>(22,058)</b>	<b>50,000</b>	<b>27,942</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(17,970)</b>	<b>52,158</b>	<b>34,188</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>53,955</b>	<b>38,273</b>	<b>92,228</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 35,985</b>	<b>\$ 90,431</b>	<b>\$ 126,416</b>

See paragraph on supplementary schedules included in independent auditors' report.

**FORESTVILLE CENTRAL SCHOOL DISTRICT  
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
06/30/2020**

CAPITAL ASSETS, NET		\$ 17,032,540
DEDUCT:		
BOND ANTICIPATION NOTE PAYABLES	2,554,000	
SHORT-TERM PORTION OF BONDS PAYABLE	890,000	
LONG-TERM PORTION OF BONDS PAYABLE	4,360,000	
SHORT-TERM PORTION OF ENERGY PERFORMANCE CONTRACT PAYABLE	63,822	
LONG-TERM PORTION OF ENERGY PERFORMANCE CONTRACT PAYABLE	<u>102,974</u>	
		<u>7,970,796</u>
NET INVESTMENT IN CAPITAL ASSETS		<u>\$ 9,061,744</u>

See paragraph on supplementary schedules included in independent auditors' report.

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

PROJECT TITLE	EXPENDITURES				METHODS OF FINANCING					FUND BALANCE 06/30/2020	
	ORIGINAL APPROPRIATION	REVISED APPROPRIATION	PRIOR YEARS	CURRENT YEAR	TOTAL	UNEXPENDED BALANCE	PROCEEDS OF OBLIGATIONS	LOCAL SOURCES	STATE/FEDERAL AID		TOTAL
Capital Project 2018	3,080,000	3,080,000	166,572	2,073,172	2,239,744	840,256	1,595,000	1,485,000	-	3,080,000	(1,427,202)
Capital Project 2014 Phase II	290,000	290,000	222,746	-	222,746	67,254	-	66,554	223,446	290,000	700
Capital Outlay 2019	100,000	100,000	-	100,000	100,000	-	-	100,000	-	100,000	-
Energy Performance Contract 2020	715,509	715,509	-	393,530	393,530	321,979	535,000	180,509	-	715,509	(535,000)
SMART Schools Bond Act	39,355	39,355	-	39,355	39,355	-	-	-	39,355	39,355	-
2020 Purchase of Buses	135,000	135,000	-	122,196	122,196	12,804 *	135,000	-	-	135,000	(135,000)
2019 Purchase of Buses	71,000	71,000	71,000	-	71,000	-	71,000	-	-	71,000	(56,000)
2018 Purchase of Buses	205,000	205,000	205,000	-	205,000	-	205,000	-	-	205,000	(123,000)
2017 Purchase of Buses	184,000	184,000	184,000	-	184,000	-	184,000	-	-	184,000	(69,000)
2016 Purchase of Buses	188,000	188,000	188,000	-	188,000	-	188,000	-	-	188,000	(41,000)
2015 Purchase of Buses	105,000	105,000	105,000	-	105,000	-	105,000	-	-	105,000	-
	\$ 5,112,864	5,112,864	1,142,318	2,728,253	3,870,571	1,242,293	3,018,000	1,832,063	262,801	5,112,864	(2,385,502)

\* Transferred to Debt Service fund.



**JOHNSON, MACKOWIAK  
& ASSOCIATES, LLP**

Certified Public Accountants & Consultants

**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**

To the Board of Education  
Forestville Central School District  
Forestville, NY 14062

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forestville Central School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Forestville Central School District's basic financial statements and have issued our report thereon dated October 13, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Forestville Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Forestville Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Forestville Central School 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness. (Item 2017-1).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Forestville Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Forestville Central School District's Response to Finding**

Forestville Central School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Forestville Central School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Johnson Mackowiak & Associates, LLP

*Johnson, Mackowiak & Associates, LLP*

Fredonia, New York  
October 13, 2020

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

**PART I – FINANCIAL STATEMENT AUDIT – FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2017-1 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

**Condition and Criteria:** During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to adjusting or recording transfers, accounts payable, reconciling the special aid fund, and to the full accrual method for GASB 34 purposes. In addition, the draft of the footnote disclosures and financial statements were prepared by the auditors and accepted by the District.

**Effect:** The American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards Number 115, entitled Communicating Internal Control Related Matters in an Audit. This standard considers the need for significant adjusting journal entries and footnote disclosures, along with the draft of the financial statements.

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

**School District's Response:** The District has received, reviewed and accepted all journal entries, footnote disclosures, and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of these financial statements and the ability to make informed judgments based on these financial statements. Management expects that it will continue to outsource the preparation of the annual financial statements and footnote disclosures to its audit firm as this is the most cost effective manner to produce this information. In addition, the District will substantially reduce the number of journal entries, and the need for reversals going forward in an effort to do a more thorough job of closing the books prior to the arrival of the District's auditors.

**Status:** This matter is repeated for the year ended June 30, 2020.

**B. COMPLIANCE AND OTHER MATTERS**

**Year ended June 30, 2020:**

No compliance findings were reported upon for the fiscal year ended June 30, 2020.

**Year ended June 30, 2019:**

No compliance findings were reported upon for the fiscal year ended June 30, 2019.



**JOHNSON, MACKOWIAK  
& ASSOCIATES, LLP**

Certified Public Accountants & Consultants

**INDEPENDENT AUDITORS' REPORT**

To the President and Members of the Board of Education  
Forestville Central School District  
Forestville, New York 14062

We have audited the accompanying statement of recorded assets and fund balances - cash basis, of the Extraclassroom Activity Funds of the Forestville Central School District (the "District") as of June 30, 2020 and the related statement of recorded cash receipts and disbursements - cash basis, for the year then ended.

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

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly in all material respects the recorded assets and fund balances of the Extraclassroom Activity Funds of the Forestville Central School District as of June 30, 2020 and the cash receipts and disbursements for the year then ended, on the cash basis of accounting described in Note 1.

## Basis for Accounting

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

JOHNSON, MACKOWIAK & ASSOCIATES, LLP

*Johnson, Mackowiak & Associates, LLP*

Fredonia, New York  
October 13, 2020

**FORESTVILLE CENTRAL SCHOOL DISTRICT  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS  
EXTRACLASSROOM ACTIVITY FUND  
AS OF JUNE 30, 2020**

**ASSETS**

CASH - CHECKING	\$ 35,579
TOTAL ASSETS	<u>35,579</u>

**LIABILITIES**

LIABILITIES	-
SALES TAX PAYABLE	<u>164</u>
TOTAL LIABILITIES	164

FUND BALANCE	<u>35,415</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 35,579</u>

See accompanying note to extraclassroom activity fund financial statements.

**FORESTVILLE CENTRAL SCHOOL DISTRICT  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
EXTRACLASSROOM ACTIVITY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

EXTRACLASSROOM ACCOUNTS	BALANCES 7/1/2019	TOTAL RECEIPTS	TOTAL DISBURSEMENTS	BALANCES 6/30/2020
CLASS OF 2018	\$ 9	-	9	-
CLASS OF 2019	-	-	-	-
CLASS OF 2020	4,335	50,041	52,204	2,172
CLASS OF 2021	4,046	3,458	2,655	4,849
CLASS OF 2022	5,034	1,543	2,953	3,624
CLASS OF 2023	1,778	2,080	1,139	2,719
CLASS OF 2024	1,356	1,380	1,902	834
CLASS OF 2025	-	2,116	1,785	331
HONOR SOCIETY	681	320	972	29
BAND	4,809	4,101	2,683	6,227
ECHO YEARBOOK	7,189	190	6,013	1,366
STUDENT COUNCIL	3,476	3,244	3,677	3,043
MARATHON CLUB	1,093	-	-	1,093
SPANISH CLUB	2,689	7,211	5,947	3,953
SCIENCE CLUB	20	-	20	-
CHORUS	2,774	992	1,481	2,285
VARSITY CLUB	672	382	340	714
SOCIAL STUDIES	2	-	2	-
STAGE CREW CLUB	290	1,000	264	1,026
SKI AND SNOW CLUB	-	2,325	2,325	-
TECHNOLOGY	700	450	-	1,150
KEY CLUB	398	-	398	-
TOTALS	\$ 41,351	80,833	86,769	35,415

See accompanying note to extraclassroom activity fund financial statements.

**FORESTVILLE CENTRAL SCHOOL DISTRICT  
EXTRACLASSTROOM ACTIVITY FUNDS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of Forestville Central School District. Consequently, such transactions are not included in the financial statements of the District. However, cash balances of \$35,579 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

The accounts of the Extraclassroom Activity Funds of Forestville Central School District are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statements. This method of accounting is not in accordance with accounting principles generally accepted in the United States of America.



**JOHNSON, MACKOWIAK  
& ASSOCIATES, LLP**

Certified Public Accountants & Consultants

**MANAGEMENT LETTER**

To the President and  
Members of the Board of Education  
Forestville Central School District  
Forestville, New York 14062

**INTERNAL CONTROL**

In connection with our study and evaluation of the Forestville Central School District's (the "District") internal control systems in place for the year ended June 30, 2020, we noted certain matters which are not considered to be significant deficiencies to the design or operation of the internal control structure, but which warrant improvement. In addition to describing these matters, we also provide our recommendations for improvement.

Due To/From Balances

Audit procedures noted Due To/From balances were not in balance and amounts recorded for individual fund activity were not in agreement. An audit entry was made to reconcile the amounts between individual funds so that all balances would be properly reflected. Business office personnel should maintain a schedule to ensure that all Due To/From amounts are in balance between individual funds, and in total, at all times and that they match the general ledger accounts.

Accounts Payable

During the audit it was noted that several open invoices had not been recorded as accounts payable at year-end. Prior to the auditors arriving on-site, the District should review all invoices received subsequent to year end to determine if they should be recorded as accounts payable for the fiscal year-end being audited, and record them accordingly. It is important that the District monitor and maintain proper cutoff for such transactions.

Fixed Asset Additions/Deletions

The District contracted with a new Fixed Asset valuation company in an attempt to obtain timely and accurate fixed asset reports. However, these reports were not only delayed, but contained inaccurate balances and needed revision prior to final reporting. The District should monitor fixed asset additions and deletions throughout the year and provide this information to the contractor. Fixed asset schedules should be maintained in accordance with the District's capitalization policy.

### Special Aid Fund

Upon commencement of our audit procedures the Special Aid Fund was not reconciled. It is imperative that the District maintain a schedule of Revenues and Expenditures by Grant Program and ensure that each program is in balance.

### General Accounting

Several general ledger accounts that are typically adjusted at year end were not updated at the time of commencement of the audit. This includes adjustments for fund balance classifications, encumbrances, inventory, extraclassroom activity funds, compensated absences, and other debt related activity. It is important to update all account balances prior to the commencement of the audit.

We believe that the implementation of these recommendations will provide the District with a stronger system of internal accounting control and transparency while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

This report is intended solely for the information and use of the audit committee, members of the Board of Education, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

JOHNSON MACKOWIAK & ASSOCIATES, LLP

*Johnson, Mackowiak & Associates, LLP*

Fredonia, NY  
October 13, 2020



**JOHNSON, MACKOWIAK  
& ASSOCIATES, LLP**

Certified Public Accountants & Consultants

To the Board of Education  
Forestville Central School District  
12 Water Street  
Forestville, New York 14062

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Forestville Central School District for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 25, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Forestville Central School District are described in Note I to the financial statements. The District adopted no new accounting guidance.

We noted no transactions entered into by Forestville Central School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Forestville Central School District's financial statements was (were):

Management's estimate of the liability for Compensated Absences is based on the history of the District. We evaluated the key factors and assumptions used to develop the calculation of liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the useful lives of fixed assets and related depreciation methods. These were based on historical experience. We evaluated the key factors and assumptions used to develop the useful lives of fixed assets and related depreciation methods in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by Management: Interfund transfer activity required adjustment, state aid receivables required adjustment, a transfer was needed for a Capital Improvement project, and adjustments were needed for fixed asset additions and deletions.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 13, 2020.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Forestville Central School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Forestville Central School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, the Budgetary Comparison Schedule, Schedule of Funding Progress, Schedule of Proportionate Share of Net Pension Asset/Liability, and Schedule of District Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplemental information, which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Restriction on Use

This information is intended solely for the use of the Board of Education and management of Forestville Central School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Johnson, Mackowiak & Associates, LLP*

Johnson, Mackowiak & Associates  
Fredonia, NY  
October 13, 2020