

MORRIS
CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
Year Ended June 30, 2020

MORRIS CENTRAL SCHOOL DISTRICT

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RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Morris Central School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Morris 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 Morris Central School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund information of the Morris Central School District, as of June 30, 2020, and the respective changes in financial position thereof 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, budgetary comparison information and the schedule of changes in the total OPEB liability, the District's proportionate share of the net pension asset/liability, and District contributions on pages M1-M11 and 48-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 an opinion on the financial statements that collectively comprise the Morris Central School District's basic financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020 on our consideration of the Morris Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Morris Central School District's internal control over financial reporting and compliance.

Raymond G. Preusser, CPA, P.C.

Claverack, New York
November 19, 2020

MORRIS CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2020

INTRODUCTION

The Morris Central School District offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Net position decreased by \$1,954,596 from (\$16,617,646) restated from the prior year to (\$18,572,242) in the districtwide financial statements.
- As of the close of this fiscal year, the District's governmental funds reported combined fund balances of \$4,623,464 an increase of \$504,886 in comparison with the prior year.
- The District appropriated \$165,000 of the fund balance for subsequent year's expenditures. The District also maintained capital reserves, and reserves for tax certiorari, repairs, unemployment insurance, employee benefits accrued liability, employees' and teachers' retirement contributions, property loss and liability and insurance. These reserves are part of our fund balance management of balancing the taxpayer burden and to ensure a long-term financial viability.
- The District purchased buses for \$213,857. Also, the District started their Smart School Bond Project and the Capital Outlay Project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. Districtwide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

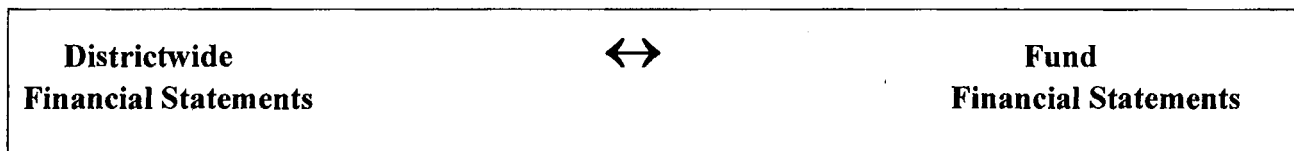
In addition to these statements, this report also includes required supplemental information and other supplemental information.

Our auditor has provided assurance in the independent auditor's report that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information identified below. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part in the financial statements.

Financial Statements

Required Supplemental Information (Part A)
Management's Discussion & Analysis (MD&A)

Basic Financial Statements



Notes to the Basic Financial Statements

Required Supplemental Information (Part B)

General Fund Budget to Actual Schedule

Changes in the Total OPEB Liability

District's Proportionate Share of the Net Pension Asset/Liability

District Contributions

Other Supplemental Information

General Fund Budget & Fund Balance Information

Capital Project Funds Schedule of Project Expenditures

Schedule of Net Investment in Capital Assets

DISTRICTWIDE FINANCIAL STATEMENTS

The districtwide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. certain federal/state grants earned but not yet received, unused vacation/sick leave, and proceeds from Revenue Anticipation Notes and related interest).

All of the District's services are reported in the districtwide financial statements as governmental activities, including general support, instruction, pupil transportation, community services, and school lunch. Property taxes, state/federal aid, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

Major Features of the District-Wide and Fund Financial Statements

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

DISTRICTWIDE FINANCIAL ANALYSIS**Morris Central School District's Net Position
June 30, 2020 and 2019**

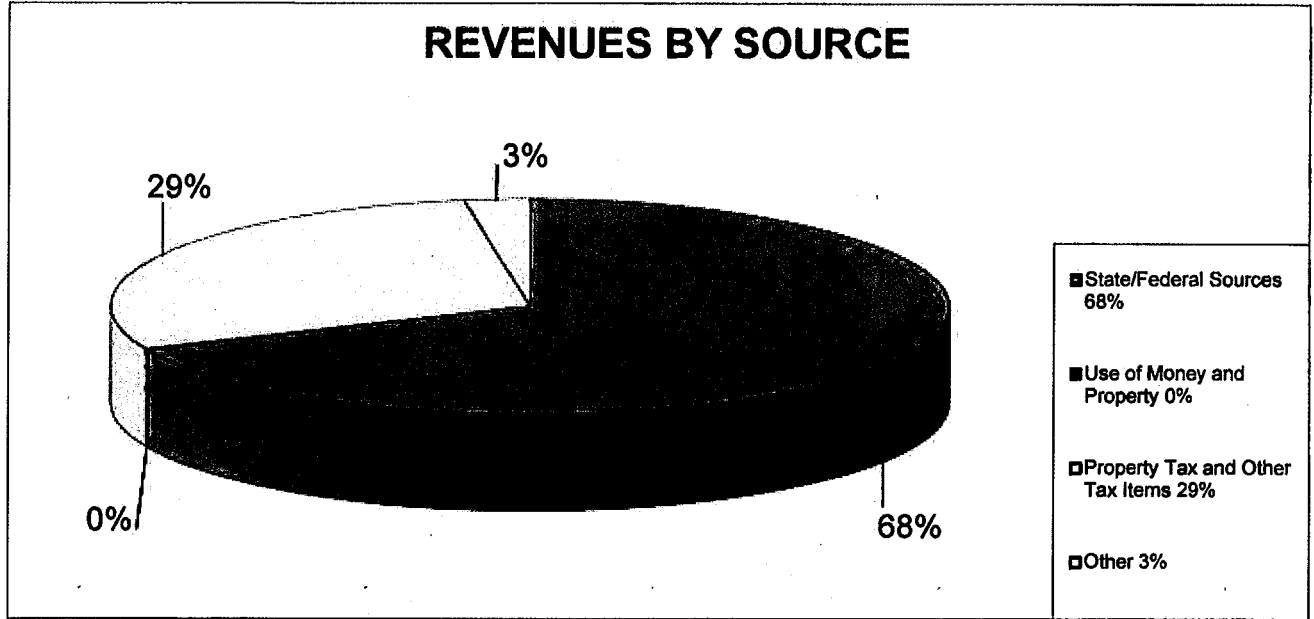
	Governmental Activities		Variance Increase (Decrease)
	2020	Restated 2019	
	<u>2020</u>	<u>2019</u>	
Current Assets	\$ 5,233,681	\$ 4,827,485	\$ 406,196
Capital Assets	12,372,949	12,400,140	(27,191)
Net Pension Asset	422,485	295,129	127,356
Total Assets	<u>18,029,115</u>	<u>17,522,754</u>	<u>506,361</u>
Deferred Outflows of Resources	<u>9,847,996</u>	<u>3,579,544</u>	<u>6,268,452</u>
Total Assets and Outflows of Resources	<u>27,877,111</u>	<u>21,102,298</u>	<u>6,774,813</u>
Current Liabilities	616,564	717,196	(100,632)
Noncurrent Liabilities	3,748,645	4,934,945	(1,186,300)
OPEB Obligations	39,410,246	30,451,808	8,958,438
Net Pension Liability	748,323	180,056	568,267
Total Liabilities	<u>44,523,778</u>	<u>36,284,005</u>	<u>8,239,773</u>
Deferred Inflows of Resources	<u>1,925,575</u>	<u>1,435,939</u>	<u>489,636</u>
Total Liabilities and Inflows of Resources	<u>46,449,353</u>	<u>37,719,944</u>	<u>8,729,409</u>
Net Position:			
Investment in capital assets, net of related debt	9,346,804	8,545,935	800,869
Restricted	2,603,051	2,525,470	77,581
Unrestricted (deficit)	<u>(30,522,097)</u>	<u>(27,689,051)</u>	<u>(2,833,046)</u>
Total Net Position	<u><u>\$(18,572,242)</u></u>	<u><u>\$(16,617,646)</u></u>	<u><u>\$ (1,954,596)</u></u>

**Morris Central School District's
Changes in Net Position
For the Years Ended June 30, 2020 and 2019**

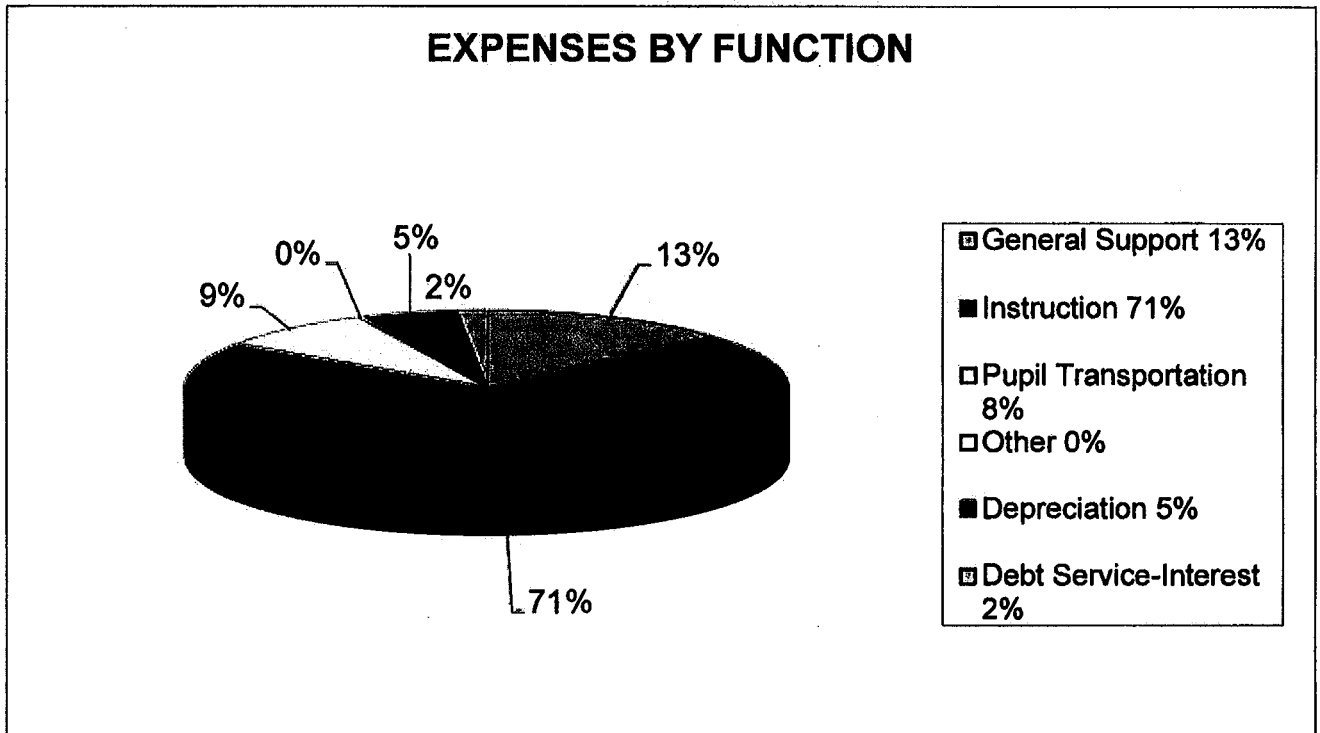
	Governmental Activities		Variance Increase (Decrease)
	2020	2019	
Revenues:			
Program Revenues:			
Charges for Services	\$ 85,790	\$ 190,545	\$ (104,755)
Operating Grants and Contributions	984,861	1,059,678	(74,817)
Total Program Revenues	<u>\$ 1,070,651</u>	<u>\$ 1,250,223</u>	<u>\$ (179,572)</u>
General Revenues:			
Real Property Taxes	\$ 2,613,498	\$ 2,540,078	\$ 73,420
Other Tax Items	433,588	461,819	(28,231)
Use of Money and Property	21,362	30,075	(8,713)
Sale of Property and Compensation for Loss	-	(35,330)	35,330
Miscellaneous	268,387	215,244	53,143
State Sources	7,124,868	6,925,982	198,886
Federal Sources	27,048	14,534	12,514
Total General Revenues	<u>10,488,751</u>	<u>10,152,402</u>	<u>336,349</u>
Expenses (Net of Program Revenues):			
Instruction	8,863,051	7,547,523	1,315,528
Support Services:			
General Support	1,650,355	1,729,557	(79,202)
Pupil Transportation	1,055,565	928,730	126,835
Community Service	2,347	2,571	(224)
Debt Service-Interest	201,145	148,423	52,722
Depreciation	626,002	614,885	11,117
School Lunch	44,882	88,799	(43,917)
Total Expenses	<u>12,443,347</u>	<u>11,060,488</u>	<u>1,382,859</u>
Change in Net Position	<u>\$ (1,954,596)</u>	<u>\$ (908,086)</u>	<u>\$ (1,046,510)</u>

The following charts provide the percentage breakdown of all revenues by source and all expenses by function for the entire District:

Districtwide Revenues by Source
For the Year Ended June 30, 2020



Districtwide Expenses by Function
For the Year Ended June 30, 2020



FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds.

A fund is a grouping of related accounts, and is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants). All of the funds of the District can be divided into two categories; governmental funds, and fiduciary funds.

- **Governmental funds:** All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the districtwide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary funds:** The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the districtwide financial statements because it cannot use these assets to finance its operations.

FUND FINANCIAL ANALYSIS (DISTRICT'S FUNDS)

The District's governmental funds (as presented on the balance sheet) reported a combined Fund Balance of \$4.6 million. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2020 and 2019.

	<u>Fund Balance</u> <u>2020</u>	<u>Fund Balance</u> <u>2019</u>	<u>Variance</u> <u>Increase</u> <u>(Decrease)</u>
General	\$ 3,990,463	\$ 3,275,005	\$ 715,458
School Lunch	16,392	12,024	4,368
Special Aid	-	-	-
Debt Service	331,190	326,331	4,859
Capital	285,419	505,218	(219,799)
Totals	<u>\$ 4,623,464</u>	<u>\$ 4,118,578</u>	<u>\$ 504,886</u>

General Fund

The tables that follow assist in illustrating the financial activities and balance of the general fund.

<u>Revenues:</u>	<u>2020</u>	<u>2019</u>	<u>Variance Increase (Decrease)</u>
Taxes and Other Tax Items	\$ 3,047,086	\$ 3,001,897	\$ 45,189
Use of Money and Property	16,499	18,663	(2,164)
State/Federal Sources	7,151,916	6,892,584	259,332
Other	311,275	335,738	(24,463)
Operating Transfer In	-	-	-
Totals	<u>\$ 10,526,776</u>	<u>\$ 10,248,882</u>	<u>\$ 277,894</u>

<u>Expenses:</u>	<u>2020</u>	<u>2019</u>	<u>Variance Increase (Decrease)</u>
General Support	\$ 1,085,384	\$ 1,358,009	\$ (272,625)
Instruction	4,148,512	4,310,465	(161,953)
Pupil Transportation	511,059	512,525	(1,466)
Community Service	2,347	1,227	1,120
Employee Benefits	2,271,994	2,229,750	42,244
Debt Service	1,633,041	1,406,269	226,772
Operating Transfer Out	158,981	122,937	36,044
Totals	<u>\$ 9,811,318</u>	<u>\$ 9,941,182</u>	<u>\$ (129,864)</u>

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with New York State law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The difference between the general fund's original budget and the final amended budget was \$453,456. The adjustments were prior year encumbrances of \$404,210, and a transfer to School Lunch Fund of \$49,246.

CAPITAL ASSETS

The District's capital assets (net of accumulated depreciation) as of June 30, 2020 are as follows:

<u>Asset Description</u>	<u>Amount</u>
Land	\$ 180,000
Construction in Progress	2,694,830
Buildings and Improvements	8,461,993
Machinery and Equipment	221,267
Buses and Vehicles	<u>814,859</u>
Total	<u>\$12,372,949</u>

The total decrease in the District's capital assets (net of accumulated depreciation) for the current fiscal year was \$27,192. The decrease to capital assets was attributable to the fact that the capital expenditures were less than the current year depreciation.

DEBT

The District's total debt includes serial bonds, compensated absences, net pension liability-proportionate share and the OPEB obligations in the amount of \$43,907,214 as of June 30, 2020. The debt outstanding for the year ended June 30, 2020 is summarized as follows:

<u>Debt Description</u>	<u>Outstanding Balance</u>
Bonds	\$ 3,465,556
Compensated Absences	283,089
Net Pension Liability-Proportionate Share	748,323
OPEB Obligations	<u>39,410,246</u>
	<u>\$ 43,907,214</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 10% of the total full value of real property. At June 30, 2020, the District's general obligation debt was significantly lower than its total debt limit. The District has a bond rating of A+ from Standard & Poor's.

FACTORS BEARING ON THE DISTRICT'S FUTURE

As the District looks ahead, there continues to be many challenges to providing the same or increased level of services to students while sustaining its financial viability long into the future. The District continues to look at the unpredictability of revenue sources while also evaluating possibilities for reducing costs while still providing a high level of education to students.

Statewide discussions regarding a possible 20% reduction in State Aid continue and the inequities resulting from this. Furthermore, the lack of multi-year State Aid Projections makes it difficult for Districts to complete long term financial plans for necessary educational programming. Also, the District continues to operate under the Property Tax Cap of Chapter 97 of the Laws of 2011. This formula provides the maximum percentage increase allowable with a simple majority of votes. The total levy of the District remains at a level that is lower than those of surrounding communities, resulting in less dollars raised for each percentage increase in the levy. The uncertainty in State level funding, as well as the limitations of local revenue will continue to be a challenge to the District.

The District has experienced a trend of declining enrollment over time. The lower enrollment can negatively impact the State Aid formula mentioned above. The District also sees that while there may be a decline in the enrollment overall, there seems to be an increase in the number of students who receive additional services, resulting in additional costs, even when factoring in any additional State Aid that may result from these costs. If these costs continue to rise, the District will need to either find additional revenue sources, or find cost savings to offset these amounts.

Personnel costs, including salaries and benefits, continue to be one of the largest group of expenditures for the District. As a result of this, changes to these costs can significantly impact the costs to the district. Salary costs continue to rise as the District works to attract and retain strong employees. State Retirement costs are expected to increase significantly over the next few years due to the pandemic and the NYS deficit. Health Insurance costs continue to be of concern due to the proposed changes being discussed at the Federal level. The District continues to be a member of the CASEBP consortium, which remains in good financial position. The consortium works to maintain reasonable increases when necessary, premiums are expected to continue to increase going forward.

Due to the coronavirus pandemic school districts in New York State are required to follow guidance from the New York State Department of Health and the New York State Education Department to reopen, after all schools were closed on March 18, 2020 by Governor Cuomo's executive order. The District has worked hard to implement the mandates from the guidance to reopen schools to create a healthy environment for teaching and learning, even though the state has provided limited financial support. Governor Cuomo has stated since March 2020 that school districts should anticipate a 20% reduction in state aid due to the economic downturn in NYS. While the District and the Board of Education continue to be fiscally conservative, due to the continued unsettling financial environment from the pandemic, the District continues to look for ways to reduce expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

It is the intent of this report to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Morris Central School District
65 Main Street
PO Box 40
Morris, New York 13808

MORRIS CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION

June 30, 2020

ASSETS

Unrestricted cash	\$	1,514,858	
Restricted cash		2,598,378	
State and federal aid receivable		853,737	
Due from fiduciary funds		127	
Due from other governments		251,053	
Inventories		15,528	
Capital assets, net		12,372,949	
Net pension asset		422,485	
Total Assets		18,029,115	\$

DEFERRED OUTFLOWS OF RESOURCES

Pensions	\$	1,919,580	
OPEB-GASB#75		7,928,416	
Total Deferred Outflows of Resources		9,847,996	\$

LIABILITIES

Current Liabilities:

Accounts payable	\$	289,916	
Accrued liabilities		6,098	
Accrued interest payable		6,347	
Due to teachers' retirement system		274,926	
Due to employees' retirement system		39,277	
		611,915	

Long-Term Liabilities:

Due and payable within one year

Bonds payable		611,915	
		611,915	

Due and payable after one year

Bonds payable		2,853,641	
Compensated absences payable		283,089	
Other postemployment benefits payable		39,410,246	
Net pension liability - proportionate share		748,323	
		33,295,299	

Total Liabilities		44,523,778	\$
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DEFERRED INFLOWS OF RESOURCES

Pensions		607,972	
OPEB-GASB#75		1,317,603	
		1,925,575	

Total Deferred Inflows of Resources		1,925,575	\$
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NET POSITION

Net Investment in Capital Assets		9,346,804	
Restricted		2,603,051	
Unrestricted (deficit)		(30,522,097)	
Total Net Position		(18,572,242)	\$

See auditor's report. See notes to financial statements.

MORRIS CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For Year Ended June 30, 2020

	Expenses	Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 1,037,035	\$ 613,320	\$ -	\$ -	\$ (1,650,355)
Instruction	4,923,632	4,777,071	42,888	794,764	(8,863,051)
Community service	2,347	-	-	-	(2,347)
Pupil transportation	531,360	544,506	-	20,301	(1,055,565)
Employee benefits	6,001,467	(6,001,467)	-	-	-
Debt service-interest	201,145	-	-	-	(201,145)
Depreciation	626,002	-	-	-	(626,002)
School lunch program	191,010	66,570	42,902	169,796	(44,882)
Total Functions and Programs	\$ 13,513,998	\$ -	\$ 85,790	\$ 984,861	(12,443,347)
GENERAL REVENUES					
Real property taxes					2,613,498
Other tax items					433,588
Use of money and property					21,362
Miscellaneous					268,387
State sources					7,124,868
Federal sources					27,048
Total General Revenues					10,488,751
Change in Net Position					(1,954,596)
Total Net Position - Beginning of year, restated (See Note XI.)					(16,617,646)
Total Net Position - End of year					\$ (18,572,242)

See auditor's report. See notes to financial statements.

MORRIS CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2020

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Unrestricted cash	\$ 1,514,858	\$ -	\$ -	\$ 1,514,858
Restricted cash	2,598,378	-	-	2,598,378
Due from other funds	1,641,195	-	(1,641,195)	-
Due from fiduciary funds	-	-	127	127
Due from other governments	251,053	-	-	251,053
State and federal aid receivable	853,737	-	-	853,737
Inventories	15,528	-	-	15,528
Capital assets, (net)	-	12,372,949	-	12,372,949
Net pension asset	-	422,485	-	422,485
Total Assets	\$ 6,874,749	\$ 12,795,434	\$ (1,641,068)	\$ 18,029,115
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	\$ -	\$ 1,919,580	\$ -	\$ 1,919,580
OPEB-GASB#75	-	7,928,416	-	7,928,416
Total Deferred Outflows of Resources	\$ -	\$ 9,847,996	\$ -	\$ 9,847,996
LIABILITIES				
Accounts payable	\$ 289,916	\$ -	\$ -	\$ 289,916
Accrued liabilities	6,098	-	-	6,098
Accrued interest payable	-	6,347	-	6,347
Bonds payable	-	3,465,556	-	3,465,556
Due to other funds	1,641,068	-	(1,641,068)	-
Due to teachers' retirement system	274,926	-	-	274,926
Due to employees' retirement system	39,277	-	-	39,277
Other postemployment benefits payable	-	39,410,246	-	39,410,246
Compensated absences	-	283,089	-	283,089
Net pension liability- proportionate share	-	748,323	-	748,323
Total Liabilities	\$ 2,251,285	\$ 43,913,561	\$ (1,641,068)	\$ 44,523,778
DEFERRED INFLOWS OF RESOURCES				
Pensions	\$ -	\$ 607,972	\$ -	\$ 607,972
OPEB-GASB 75	-	1,317,603	-	1,317,603
Total Deferred Inflows of Resources	\$ -	\$ 1,925,575	\$ -	\$ 1,925,575
FUND BALANCE\NET POSITION				
Total Fund Balance\Net Position	\$ 4,623,464	\$ (23,195,706)	\$ -	\$ (18,572,242)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance\Net Position	\$ 6,874,749	\$ 22,643,430	\$ (1,641,068)	\$ 27,877,111

See auditor's report. See notes to financial statements.

MORRIS CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For Year Ended June 30, 2020

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 2,613,498	\$ -	\$ -	\$ -	\$ 2,613,498
Other tax items	433,588	-	-	-	433,588
Charges for services	42,888	-	-	-	42,888
Use of money and property	21,362	-	-	-	21,362
Miscellaneous	275,446	-	-	-	275,446
State sources	7,258,948	-	-	-	7,258,948
Federal sources	877,829	-	-	-	877,829
Sales - school lunch	35,843	-	-	-	35,843
Total Revenues	11,559,402	-	-	-	11,559,402
EXPENDITURES\EXPENSES					
General support	1,085,384	-	(48,349)	-	1,037,035
Instruction	4,910,641	29,276	(16,285)	-	4,923,632
Pupil transportation	531,360	-	-	-	531,360
Community service	2,347	-	-	-	2,347
Employee benefits	2,380,934	3,620,533	-	-	6,001,467
Debt service-principal	1,429,953	-	-	(1,429,953)	-
Debt service-interest	203,088	(1,943)	-	-	201,145
Cost of sales	191,010	-	-	-	191,010
Depreciation	-	-	626,002	-	626,002
Capital outlay	534,176	-	(534,176)	-	-
Total Expenditures	11,268,893	3,647,866	27,192	(1,429,953)	13,513,998
Excess (Deficiency) of Revenues Over Expenditures	290,509	(3,647,866)	(27,192)	1,429,953	(1,954,596)
OTHER SOURCES AND USES					
Proceeds from debt	214,377	-	-	(214,377)	-
Operating transfers in	158,981	(158,981)	-	-	-
Operating transfers (out)	(158,981)	158,981	-	-	-
Total Other Sources (Uses)	214,377	-	-	(214,377)	-
Net Change for the Year	\$ 504,886	\$ (3,647,866)	\$ (27,192)	\$ 1,215,576	\$ (1,954,596)

See auditor's report. See notes to financial statements.

MORRIS CENTRAL SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2020

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 1,330,758	\$ 551	\$ 2,998	\$ -	\$ 180,551	\$ 1,514,858
Restricted cash	2,271,861	-	-	326,517	-	2,598,378
Due from other governments	251,053	-	-	-	-	251,053
State and federal aid receivable	214,234	605,466	34,037	-	-	853,737
Due from other funds	1,049,087	9,735	49,246	4,673	528,454	1,641,195
Inventories	-	-	15,528	-	-	15,528
Total Assets	\$ 5,116,993	\$ 615,752	\$ 101,809	\$ 331,190	\$ 709,005	\$ 6,874,749
LIABILITIES						
Accounts payable	\$ 221,136	\$ 15,827	\$ 4,336	\$ -	\$ 48,617	\$ 289,916
Accrued liabilities	2,805	28	3,265	-	-	6,098
Due to other funds	588,386	599,897	77,816	-	374,969	1,641,068
Due to teachers' retirement system	274,926	-	-	-	-	274,926
Due to employees' retirement system	39,277	-	-	-	-	39,277
Total Liabilities	1,126,530	615,752	85,417	-	423,586	2,251,285
FUND BALANCES						
Non-spendable	-	-	15,528	-	-	15,528
Restricted	2,271,861	-	-	331,190	-	2,603,051
Assigned	241,359	-	864	-	285,419	527,642
Unassigned (Deficit)	1,477,243	-	-	-	-	1,477,243
Total Fund Balance	3,990,463	-	16,392	331,190	285,419	4,623,464
Total Liabilities and Fund Balances	\$ 5,116,993	\$ 615,752	\$ 101,809	\$ 331,190	\$ 709,005	\$ 6,874,749

See auditor's report. See notes to financial statements.

MORRIS CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GOVERNMENTAL
FUNDS
For Year Ended June 30, 2020

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 2,613,498	\$ -	\$ -	\$ -	\$ -	\$ 2,613,498
Other tax items	433,588	-	-	-	-	433,588
Charges for services	42,888	-	-	-	-	42,888
Use of money and property	16,499	-	4	4,859	-	21,362
Miscellaneous	268,387	-	7,059	-	-	275,446
State sources	7,124,868	129,107	4,973	-	-	7,258,948
Federal sources	27,048	685,958	164,823	-	-	877,829
Sales	-	-	35,843	-	-	35,843
Total Revenues	10,526,776	815,065	212,702	4,859	-	11,559,402
EXPENDITURES						
General support	1,085,384	-	-	-	-	1,085,384
Instruction	4,148,512	762,129	-	-	-	4,910,641
Pupil transportation	511,059	20,301	-	-	-	531,360
Community Service	2,347	-	-	-	-	2,347
Employee benefits	2,271,994	42,370	66,570	-	-	2,380,934
Debt service						
Principal	1,429,953	-	-	-	-	1,429,953
Interest	203,088	-	-	-	-	203,088
Cost of sales	-	-	191,010	-	-	191,010
Capital outlay	-	-	-	-	534,176	534,176
Total Expenditures	9,652,337	824,800	257,580	-	534,176	11,268,893
Excess (Deficiency) of Revenues Over Expenditures	874,439	(9,735)	(44,878)	4,859	(534,176)	290,509
OTHER SOURCES AND USES						
Proceeds from debt	-	-	-	-	214,377	214,377
Operating transfers in	-	9,735	49,246	-	100,000	158,981
Operating transfers (out)	(158,981)	-	-	-	-	(158,981)
Total Other Sources (Uses)	(158,981)	9,735	49,246	-	314,377	214,377
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	715,458	-	4,368	4,859	(219,799)	504,886
Fund Balance -Beginning of year	3,275,005	-	12,024	326,331	505,218	4,118,578
Fund Balance -End of year	\$ 3,990,463	\$ -	\$ 16,392	\$ 331,190	\$ 285,419	\$ 4,623,464

See auditor's report. See notes to financial statements.

MORRIS CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	Private Purpose Trusts	Agency
ASSETS		
Unrestricted cash	\$ 342,013	\$ 47,769
Investments at market value	35,735	-
Due from governmental funds	951	-
Total Assets	\$ 378,699	\$ 47,769
 LIABILITIES		
Extraclassroom activity balances	\$ -	\$ 46,673
Due to governmental funds	-	1,078
Other liabilities	-	18
Total Liabilities	-	\$ 47,769
 NET POSITION		
Reserved for scholarships	\$ 378,699	

See auditor's report. See notes to financial statements.

MORRIS CENTRAL SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 For Year Ended June 30, 2020

	Private Purpose Trusts
ADDITIONS	
Interest	\$ 1,328
Unrealized gain (loss) on marketable securities	(4,089)
Gifts & donations	18,825
Total Additions	16,064
 DEDUCTIONS	
Scholarships and awards	15,711
Change in Net Position	353
Net Position - Beginning of year	378,346
Net Position - End of year	\$ 378,699

See auditor's report. See notes to financial statements.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. **Summary of Significant Accounting Policies**

The financial statements of the Morris Central School District have been prepared in conformity with generally accepted accounting principles (GAAP). Those principles are as 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 utilized by the District are described below:

A. **Reporting Entity**

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

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

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

The Extraclassroom Activity Funds

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

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

B. **Joint Venture**

The Morris Central School District is one of several component school districts in the Otsego-Northern Catskills Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

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

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

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

During the year ended June 30, 2020, the Morris Central School District was billed \$1,362,247 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$554,279. Financial statements for the BOCES Aid are available from the BOCES administrative office.

C. **Basis of Presentation**

1. **Districtwide Statements**

The Districtwide 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,

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

C. **Basis of Presentation (Continued)**

1. **Districtwide Statements (Continued)**

State Aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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

2. **Fund Financial Statements**

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

The District reports the following funds:

a. **Major Governmental Funds**

- (1) **General Fund** - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- (2) **Special Aid Fund** - These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

C. **Basis of Presentation (Continued)**

2. **Fund Financial Statements (Continued)**

a. **Major Governmental Funds (Continued)**

- (3) **School Lunch Fund** – Used to account for transactions of the District's lunch and breakfast programs.
- (4) **Debt Service Fund** – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.
- (5) **Capital Projects Fund** – This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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:

- (1) **Private Purpose Trust Funds** – These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- (2) **Agency Funds** – These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

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

The 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. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

E. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

F. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on August 22. Taxes are collected during the period September 1 to October 31.

Uncollected real property taxes are subsequently enforced by the County of Otsego. An amount representing uncollected real property taxes is transmitted to the County for enforcement and is paid by the County to the District no later than the forthcoming April 1.

G. Restricted Resources

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

H. 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 expenditures 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 funds, with the exception of those due from or to the fiduciary funds.

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

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

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

I. Estimates

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

J. Receivables

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

K. Inventories and Prepaid Items

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the districtwide and fund financial statements. These items are reported as assets on the Statement of Net Position or balance sheet using the consumption method. Under the consumption method, a current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute an available spendable resource.

L. Other Assets/Restricted Assets

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

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

L. Other Assets/Restricted Assets (Continued)

In the districtwide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

M. Capital Assets

Capital assets are reflected in the districtwide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, except land, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds and estimated useful lives of capital assets reported in the districtwide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Site Improvements	\$ 1,000	20
Buildings and Improvements	\$ 1,000	15-50
Furniture and Equipment	\$ 1,000	5-20
Vehicles	\$ 1,000	5-8

N. Compensated Absences

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

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

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.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

N. Compensated Absences (Continued)

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vested 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 fund statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available resources. These amounts are expensed on a pay-as-you-go basis.

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

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

P. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category. The first item represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the districtwide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

Q. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the Districtwide Statement of Net Position. This represents the effect of net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments. The second item is related to OPEB reported in the districtwide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

R. Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for service monies are received in advance from payers prior to the services being rendered by the District. These amounts are recorded as liabilities in the financial statements. The liabilities are removed, and revenues are recognized in subsequent periods when the District has legal claim to the resources.

S. Other Benefits

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

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

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

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

T. **Short-Term Debt**

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

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

The School District may issue Bond Anticipation Notes in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

U. **Equity Classifications**

1. **Districtwide Statements**

In the districtwide statements there are three classes of net position:

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

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

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

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

U. **Equity Classifications (Continued)**

2. **Fund Statements**

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

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$15,528.

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:

1. **Encumbrances**

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

2. **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. This reserve is accounted for in the General Fund.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

U. **Equity Classifications (Continued)**

2. **Fund Statements (Continued)**

3. **Employee Benefit Accrued Liability**

This reserve is used to set aside funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

4. **Employee Retirement Contributions**

This reserve is used for future employee's retirement and teacher's retirement obligations. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

5. **Tax Certiorari**

This reserve is used to accumulate funds to pay judgments and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. This reserve is accounted for in the General Fund.

6. **Capital**

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

7. **Insurance**

This reserve is used to pay for liability, casualty and other types of losses. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

MORRIS CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

8. Repair

This reserve is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve. Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund.

9. Property Loss and Liability

This reserve is used to accumulate funds to pay property loss claims incurred. The total amount accumulated in the reserve may not exceed 3% of the total annual budget. This reserve is accounted for in the General Fund.

Restricted fund balance includes the following:

General Fund:

Employee Benefit Accrued Liability	\$	309,523
Unemployment Insurance		317,360
Employee Retirement Contributions		453,688
Teachers' Retirement Contributions		100,287
Capital		655,010
Tax Certiorari		43,912
Insurance		170,562
Property Loss and Liability		55,397
Repairs		166,122
Debt Service Fund		331,190
Total restricted funds		\$ 2,603,051

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

U. **Equity Classifications (Continued)**

2. **Fund Statements (Continued)**

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District’s highest level of decision making, 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. All encumbrances of the General Fund are classified as **Assigned Fund Balance** in the General Fund. Encumbrances reported in the General Fund amounted to \$76,359 and the assigned fund balance amounted to \$165,000.

Unassigned – Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District 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. In accordance with state guidelines, unassigned fund balance in the general fund includes the following reserve:

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. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Use of Fund Balance:

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

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

V. **New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable.

W. **Future Changes in Accounting Standards**

GASB Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2021.

GASB has issued Statement 87, *Leases*, effective for the year ending June 30, 2022.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2022.

The school district will evaluate the impact that these pronouncements may have on its financial statements and will implement them as applicable and when material.

II. **Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements**

Due to 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.

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

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

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

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

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories:

a. Long-term revenue differences:

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

b. 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.

c. 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.

d. 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.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

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

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

Original cost of capital assets	\$21,886,116
Accumulated depreciation	<u>9,513,167</u>
Capital assets, net	<u>\$12,372,949</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:

Bonds payable	<u>\$ 3,465,556</u>
OPEB obligations	<u>\$39,410,246</u>
Compensated Absences	<u>\$ 283,089</u>
Net Pension Liability-Proportionate Share	<u>\$ 748,323</u>

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$626,002 was more than capital expenditures of \$598,810 in the current year.

Repayment of bond principal of \$1,429,953 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.

Interest on long-term debt and short-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 interest reported in the Statement of Activities decreased by \$1,943.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. Changes in Accounting Principles

For the fiscal year ended June 30, 2018, the District implemented GASB Statement #75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. See Note IX. for the financial statement impact of the implementation of the statement.

IV. Cash and Investments

A. Deposits

The Morris Central School District's investment policies are governed by State statutes. The Morris Central School District's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. 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.

Custodial credit risk is the risk that in an event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

Deposits and investments at year end were entirely covered by Federal Deposit Insurance or by collateral held by the School District's custodial bank in the School District's name.

B. Investment Pool

The District participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 110-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2020, the District held \$1,172,603 in investments consisting of various investments in securities issued by the United States and its agencies. The investments are highly liquid and considered to be cash equivalents. The investment pool is categorically exempt from the New York State collateralization requirements.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. Cash and Investments (continued)

C. Investments

The District has a few investments (donated scholarship funds) and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value. The net change in the unrealized gain or loss is recognized as investment income. The District's investments are recorded as endowment scholarships in the Private Purpose Trust Fund as nonexpendable. The income received from these investments is used to fund the Memorial Scholarship Funds.

Description	Quantity	Cost	Fair Value	Unrealized Gain(Loss)
Pax World Balanced Ind. Class Mutual Fund	449	\$ 6,188	\$ 11,581	\$ 5,393
International Business Machines	200	5,000	24,154	19,154
		<u>\$ 11,188</u>	<u>\$ 35,735</u>	24,547
Unrealized Gain (Loss) at June 30, 2019				<u>28,636</u>
Net Change in Unrealized Gains (Losses)				<u>\$ (4,089)</u>

V. Interfund Transaction

Interfund balances at June 30, 2020 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,049,087	\$ 588,386	\$ -	\$ 158,981
Special Aid Fund	9,735	599,897	9,735	-
School Lunch Fund	49,246	77,816	49,246	-
Capital Fund	528,454	374,969	100,000	-
Debt Service Fund	4,673	-	-	-
Total governmental activities	<u>1,641,195</u>	<u>1,641,068</u>	<u>\$ 158,981</u>	<u>\$ 158,981</u>
Fiduciary Agency Fund	<u>951</u>	<u>1,078</u>		
Totals	<u>\$ 1,642,146</u>	<u>\$ 1,642,146</u>		

The District typically transfers from the General Fund to the Special Aid Fund to pay its' share of the Summer Handicapped Program. Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Capital Assets

A summary of changes in general fixed assets follows:

	Restated Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
<u>Capital assets-not depreciated:</u>				
Land	\$ 180,000	\$ -	\$ -	\$ 180,000
Construction in progress	2,374,511	320,319	-	2,694,830
Total capital assets-not depreciated:	2,554,511	320,319	-	2,874,830
<u>Other capital assets:</u>				
Buildings and improvements	16,348,170	-	-	16,348,170
Machinery and equipment	1,292,765	64,634	28,803	1,328,596
Buses and vehicles	1,260,994	213,857	140,331	1,334,520
Total other capital assets:	18,901,929	278,491	169,134	19,011,286
<u>Less accumulated depreciation:</u>				
Buildings and improvements	7,468,246	417,931	-	7,886,177
Machinery and equipment	1,080,251	55,881	28,803	1,107,329
Buses and vehicles	507,802	152,190	140,331	519,661
Total accumulated depreciation	9,056,299	626,002	169,134	9,513,167
Other capital assets, net	9,845,630	(347,511)	-	9,498,119
Total	\$ 12,400,141	\$ (27,192)	\$ -	\$ 12,372,949

Depreciation expense for the period was shown as unallocated in the Statement of Activities.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans

1. General Information

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

2. Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

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

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

Funding Policies:

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier 6 vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

Contributions

	<u>ERS</u>	<u>TRS</u>
2020	\$122,659	\$312,254
2019	\$115,187	\$260,536
2018	\$110,028	\$310,362

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

At June 30, 2020, the District reported the following (asset)/liability for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension (asset)/liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The District's 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.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	1-Apr-19	30-Jun-18
Net pension liability/(asset)	\$748,323	(\$422,485)
District's portion of the Plan's total net pension liability	.0028259%	.016262%
Change in proportion since the prior measurement date	.0002846%	(.000059%)

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

For the year ended June 30, 2020, the District's recognized pension expense of \$270,839 for ERS and \$529,727 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:

	<u>Deferred Outflows of Resource</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$44,042	\$286,308	\$0	\$31,417
Changes of assumptions	15,068	798,131	13,011	194,607
Net difference between projected and actual earnings on pension plan investments	383,627	0	0	338,811
Changes in proportion and differences between the District's contributions and proportionate share of contributions	47,498	56,795	3,527	26,599
District's contributions subsequent to the measurement date	39,277	248,834	0	0
Total	\$529,512	\$1,390,068	\$16,538	\$591,434

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

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2020	\$ -	\$ 198,389
2021	\$ 87,479	\$ 19,379
2022	\$ 120,015	\$ 197,697
2023	\$ 149,126	\$ 127,662
2024	\$ 117,078	\$ 19,515
Thereafter	\$ -	\$ (12,843)

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

4. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Interest rate	6.8%	7.10%
Salary scale	3.21%	1.90%-4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.20%

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

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

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

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

Measurement date	<u>ERS</u>	<u>TRS</u>
	March 31, 2020	June 30, 2019
<u>Asset Type</u>	<u>%</u>	<u>%</u>
Domestic Equities	36%	33%
International Equities	14%	16%
Global equities	0%	4%
Private Equity	10%	8%
Real Estate Equity	10%	11%
Domestic fixed income securities	0%	16%
Global bonds	0%	2%
Private debt	0%	1%
Bonds and mortgages	17%	0%
Absolute return strategies	2%	0%
Opportunistic funds	3%	0%
Real estate debt	0%	7%
Cash Equivalents	1%	1%
Inflation-Indexed bonds	4%	0%
High yield fixed income securities	0%	1%
Real assets	3%	0%
	100%	100%

5. Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.10 % for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

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

The following presents the District's proportionate share of the net pension asset/liability calculated using the discount rate of 6.8% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8% or ERS and 6.10% for TRS) or 1-percentage point higher (7.8% for ERS and 8.10% for TRS) than the current rate :

ERS	1% Decrease <u>(5.8%)</u>	Current Assumption <u>(6.8%)</u>	1% Increase <u>(7.8%)</u>
Employer's proportionate share Of the net pension (asset) liability	\$1,373,384	\$748,323	\$172,639
TRS	1% Decrease <u>(6.10%)</u>	Current Assumption <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
Employer's proportionate share Of the net pension (asset) liability	\$1,907,054	(\$422,485)	(\$2,376,705)

7. Pension Plan Fiduciary Net Position

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Employers' total pension liability	\$ 194,596,261	\$ 119,879,473,882
Plan Fiduciary Net Position	168,115,682	122,477,480,654
Employers' net pension liability/(asset)	26,480,579	(2,598,006,772)
Ratio of plan fiduciary net position to the Employers' total pension (asset)/liability	86.39%	102.20%

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$39,277.

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 \$274,926.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. Long-Term Debt Obligations

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

1. Long-Term Debt Interest

Interest paid	\$203,088
Less interest accrued in the prior year	(8,290)
Plus, interest accrued in the current year	<u>6,347</u>
Total expense	<u>\$201,145</u>

2. Changes

	Restated Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020	Due Within One Year
Serial Bonds	\$ 4,681,132	\$ 214,377	\$ 1,429,953	\$ 3,465,556	<u>\$ 611,915</u>
Compensated Absences	253,813	29,276	-	283,089	
OPEB Obligations	30,451,808	8,958,438	-	39,410,246	
Net Pension Liability- Proportionate Share	<u>180,056</u>	<u>568,267</u>	-	<u>748,323</u>	
Totals	<u>\$ 35,566,809</u>	<u>\$ 9,770,358</u>	<u>\$ 1,429,953</u>	<u>\$ 43,907,214</u>	

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately. The compensated absences liability is totally covered by the Employee Benefit Accrued Liability Reserve.

MORRIS CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. Long-Term Debt Obligations (Continued)

3. Maturity

a. The following is a summary of the debt issued:

Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2020
Serial Bonds:				
Construction	2019	2034	2.34%	\$ 1,620,000
Construction	2014	2030	2.71%	1,205,000
Construction	2006	2023	4.50%	90,000
Buses	2018	2023	3.42%	143,432
Buses	2018	2023	3.13%	86,074
Buses	2017	2022	2.68%	74,367
Buses	2016	2021	2.49%	32,306
Buses	2020	2025	2.09%	214,377
Total				\$ 3,465,556

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

	Year	Principal	Interest	Total
Serial Bonds:	2021	\$ 611,915	\$ 130,914	\$ 742,829
	2022	594,608	107,681	702,289
	2023	562,425	84,501	646,926
	2024	538,733	62,132	600,865
	2025	197,875	40,008	237,883
	2026 and thereafter	960,000	133,875	1,093,875
	Total	\$ 3,465,556	\$ 559,111	\$ 4,024,667

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits

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 plan members or beneficiaries currently receiving benefit payments	62
Inactive plan employees entitled to but not yet receiving benefit payments	-
Active plan members	<u>99</u>
Total membership	<u>161</u>

B. Total OPEB Liability

The District's total OPEB liability of \$39,410,246 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

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.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

B. Total OPEB Liability (Continued)

Inflation	2.4%
Salary Increases	varied by years of service and retirement system.
Discount Rate	2.21%
Healthcare Cost Trend Rates	5.4% for 2019, decreasing to an ultimate rate of 3.94% by 2075

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were updated to Pub-2010 Teachers, General Employees and Retirees Headcount-Weighted table projected fully generationally using MP-2019. This change caused an increase in liability.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study on April 1, 2015-March 31, 2015 and June 30, 2015 for ERS and TRS, respectively.

C. Changes in the Total OPEB Liability

Balance at June 30, 2019	<u>\$ 30,451,808</u>
<u>Changes for the Year</u>	
Service cost	1,447,985
Interest	1,107,497
Changes of benefit terms	-
Differences between expected and actual experience	(582,875)
Changes in assumptions or other inputs	7,686,193
Benefit payments	<u>(700,362)</u>
Net Changes	<u>8,958,438</u>
Balance at June 30, 2020	<u>\$ 39,410,246</u>

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

C. Changes in the Total OPEB Liability (Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% in 2019 to 2.21% in 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate- The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	(1.21%) <u>1% Decrease</u>	(2.21%) Current Discount Rate	(3.21%) <u>1% Increase</u>
Total OPEB Liability	<u>\$47,705,482</u>	<u>\$39,410,246</u>	<u>\$32,977,530</u>

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

	<u>1% Decrease</u>	Healthcare <u>Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 32,107,956</u>	<u>\$ 39,410,246</u>	<u>\$ 49,176,035</u>

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

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 \$2,928,154. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(\$ 499,607)
Changes of assumptions or other inputs	<u>7,928,416</u>	<u>817,996</u>
Total	<u>\$7,928,416</u>	<u>(\$1,317,603)</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$1,073,034
2022	1,073,034
2023	1,073,034
2024	1,073,034
2025	1,073,034
Thereafter	1,245,643

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The Morris Central School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. 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. Workers' Compensation Insurance

The School District participates in Catskill Area Schools Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled or open claims, if any was unknown at June 30, 2020.

3. Grants

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

4. Health Insurance

The School District participates in the Catskill Area Schools Employee Benefit Plan, a non-risk-retained public entity risk pool for its employee health insurance coverage. The pool is operated for the benefit of numerous individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of the \$250,000 limit, and the District has essentially transferred all related risk to the pool.

MORRIS CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Other Disclosures

A. Prior Period Adjustment

The reconciliation of restated amounts to the June 30, 2019 year end balance is:

Beginning Net Position	(\$16,898,233)
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The following adjustments are necessary to determine the revised beginning Net Position for the Statement of Activities:

Serial Bond Premium	235,000
Capital Assets	<u>45,587</u>

Beginning net position reported on Statement of Activities, for governmental activities, July 1, 2019.	<u>(\$16,617,646)</u>
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B. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

Total governmental fund balance	\$ 4,623,464
Capital assets (net)	12,372,949
Net pension asset	422,485
Deferred outflows of resources	9,847,996
Bonds payable	(3,465,556)
Accrued interest payable	(6,347)
Net pension liability- proportionate share	(748,323)
Deferred inflows of resources	(1,925,575)
Compensated absences	(283,089)
OPEB obligations	<u>(39,410,246)</u>
Total net position	<u><u>\$ (18,572,242)</u></u>

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Other Disclosures (Continued)

C. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net changes in fund balance – total governmental funds	\$504,886
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	598,810
Depreciation of assets is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(626,002)
Repayments of Long-term Debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the Statement of Net Position	1,429,953
Interest is recognized as an expense in governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The decrease in accrued interest during 2019/20 results in less expense.	1,943
Proceeds from debt are recognized as revenue in the Governmental Funds, but not in the Statement of Activities	(214,377)
(Increases) Decreases in proportionate share of net pension asset/liability reported 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:	
Teachers' Retirement System	(537,156)
Employees' Retirement System	(155,223)
Certain expenses in the Statement of Activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:	
OPEB obligations	(2,928,154)
Compensated absences	(29,276)
Change in Net Position – Governmental Activities	<u>(\$1,954,596)</u>

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Stewardship, Compliance and Accountability

A. Budgetary Procedures and Budgetary Accounting

1. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), that may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (When permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

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

The General Fund Budget was increased to reflect an approved transfer to the School Lunch Fund in the amount of \$49,246 and the carryover encumbrances for 2018-19 in the amount of \$404,210.

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

Special Aid Fund and School Lunch Fund have not been included because they do not have legally authorized budgets.

MORRIS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Stewardship, Compliance and Accountability (Continued)

A. Budgetary Procedures and Budgetary Accounting (Continued)

2. 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 reservations 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.
3. Section 1318 of Real Property Tax Law establishes the maximum unassigned fund balance that can be retained by a school district. The current law limits this amount to 4% of the ensuing year's budget. The District's financial statements for the year ended June 30, 2020, indicate that the unassigned fund balance is in excess of the legal limit.

Due to the COVID-19 pandemic and the strong potential for State Aid to be cut in the 2020-21 fiscal year, the District believes it to be prudent to maintain this excess unassigned fund balance.

XIII. Subsequent Events

There were no significant subsequent events to report from the period of July 1, 2020 to November 19, 2020.

MORRIS CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 3,050,245	\$ 2,620,785	\$ 2,613,498	\$ (7,287)
Other tax items	10,000	439,460	433,588	(5,872)
Charges for services	75,000	75,000	42,888	(32,112)
Use of money and property	12,000	12,000	16,499	4,499
Miscellaneous	130,000	130,000	268,387	138,387
Total Local Sources	3,277,245	3,277,245	3,374,860	97,615
State Sources	7,119,434	7,119,434	7,124,868	5,434
Federal Sources	20,000	20,000	27,048	7,048
Total Revenues	10,416,679	10,416,679	10,526,776	\$ 110,097
Appropriated Reserves	10,679	414,889		
Appropriated Fund Balance	165,000	214,246		
Total Revenues, Appropriated Reserves and Fund Balance	\$ 10,592,358	\$ 11,045,814		

See paragraph on required supplementary information included in auditor's report.

MORRIS CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO BUDGET-
GENERAL FUND
For Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 15,181	\$ 15,181	\$ 14,014	\$ -	\$ 1,167
Central administration	181,003	181,632	180,114	-	1,518
Finance	221,427	221,467	196,865	258	24,344
Staff	25,550	33,499	27,779	-	5,720
Central services	573,208	718,890	526,533	25,561	166,796
Special items	170,348	170,348	140,079	-	30,269
Total General Support	<u>1,186,717</u>	<u>1,341,017</u>	<u>1,085,384</u>	<u>25,819</u>	<u>229,814</u>
Instruction					
Instruction, administration and improvement	133,970	180,676	179,476	-	1,200
Teaching - regular school	2,321,161	2,260,112	2,156,551	43,328	60,233
Programs for children with handicapping conditions	1,389,636	1,525,510	1,023,840	-	501,670
Teaching - special schools	1,000	19,763	18,763	-	1,000
Occupational education	184,814	184,814	180,848	-	3,966
Instructional media	161,742	230,283	222,183	1,020	7,080
Pupil services	444,166	451,914	366,851	-	85,063
Total Instructional	<u>4,636,489</u>	<u>4,853,072</u>	<u>4,148,512</u>	<u>44,348</u>	<u>660,212</u>
Pupil Transportation	600,107	623,846	511,059	6,192	106,595
Community Service	-	2,347	2,347	-	-
Employee Benefits	2,545,812	2,397,474	2,271,994	-	125,480
Debt Service					
Principal	1,299,053	1,434,053	1,429,953	-	4,100
Interest	184,180	204,759	203,088	-	1,671
Total Expenditures	<u>10,452,358</u>	<u>10,856,568</u>	<u>9,652,337</u>	<u>76,359</u>	<u>1,127,872</u>
OTHER FINANCING USES					
Operating transfers out	140,000	189,246	158,981	-	30,265
Total Expenditures and Other Financing Uses	<u>\$ 10,592,358</u>	<u>\$ 11,045,814</u>	<u>9,811,318</u>	<u>\$ 76,359</u>	<u>\$ 1,158,137</u>
Net change in fund balance			715,458		
Fund balance- Beginning			<u>3,275,005</u>		
Fund balance- Ending			<u>\$ 3,990,463</u>		

See paragraph on required supplementary information included in auditor's report.

MORRIS CENTRAL SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
 For Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	\$ 1,447,985	\$ 1,249,209	\$ 1,314,329
	1,107,497	1,082,901	960,835
	-	-	-
	(582,875)	-	-
	7,686,193	1,763,923	(1,278,682)
	<u>(700,362)</u>	<u>(746,813)</u>	<u>(732,861)</u>
	8,958,438	3,349,220	263,621
	<u>30,451,808</u>	<u>27,102,588</u>	<u>26,838,967</u>
ing	<u>\$ 39,410,246</u>	<u>\$ 30,451,808</u>	<u>\$27,102,588</u>
g	<u>3,699,608</u>	<u>1,115,417</u>	N/A
ryee	1065.30%	2730.10%	N/A

See paragraph on required supplementary information included in auditor's report

MORRIS CENTRAL SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
 June 30, 2020

Teachers' Retirement System

	2020	2019	2018	2017	2016	2015
Proportionate share of pension	.016262%	.016321%	.016711%	.016061%	.016884%	.017369%
Amount of the net pension liability	\$ (422,485)	\$ (295,129)	\$ (127,020)	\$ 172,024	\$ (1,753,692)	\$ (1,934,850)
Employment roll	\$ 2,907,942	\$ 2,658,531	\$ 2,648,140	\$ 2,478,431	\$ 2,536,178	\$ 2,565,742
Proportionate share of the net pension liability as a percentage of its employment roll	14.53%	11.10%	4.80%	6.94%	69.15%	75.41%
Percentage of the net pension liability	102.20%	101.53%	100.66%	99.01%	110.46%	111.50%

Employees' Retirement System

	2020	2019	2018	2017	2016	2015
Proportionate share of pension	.0028259%	.0025413%	.0023627%	.0025230%	.0023681%	.0023938%
Amount of the net pension liability	\$ 748,323	\$ 180,056	\$ 76,254	\$ 237,064	\$ 380,085	\$ 80,868
Employment roll	\$ 903,283	\$ 804,517	\$ 738,538	\$ 700,446	\$ 679,335	\$ 728,057
Proportionate share of the net pension liability as a percentage of its employment roll	82.84%	22.38%	10.32%	33.84%	55.95%	11.11%
Percentage of the net pension liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

See paragraph on required supplementary information included in auditor's report.

MORRIS CENTRAL SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 June 30, 2020

Teachers' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contribution	\$ 248,834	\$ 260,536	\$ 344,296	\$ 367,538	\$ 279,865	\$ 423,500
Contractually	<u>248,834</u>	<u>260,536</u>	<u>344,296</u>	<u>367,538</u>	<u>279,865</u>	<u>423,500</u>
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Payroll	<u>\$ 2,907,942</u>	<u>\$ 2,658,531</u>	<u>\$ 2,648,140</u>	<u>\$ 2,478,431</u>	<u>\$ 2,953,416</u>	<u>\$ 2,565,742</u>
Rate of covered	8.56%	9.8%	13.0%	14.8%	9.48%	16.51%

Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contribution	\$ 122,659	\$ 115,187	\$ 110,028	\$ 108,934	\$ 110,515	\$ 143,317
Contractually	<u>122,659</u>	<u>115,187</u>	<u>110,028</u>	<u>108,934</u>	<u>110,515</u>	<u>143,317</u>
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Payroll	<u>\$ 903,283</u>	<u>\$ 804,517</u>	<u>\$ 738,538</u>	<u>\$ 700,446</u>	<u>\$ 797,486</u>	<u>\$ 728,057</u>
Rate of covered	13.58%	14.3%	14.9%	15.6%	13.9%	19.7%

See paragraph on required supplementary information included in auditor's report.

MORRIS CENTRAL SCHOOL DISTRICT
 SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND
 REAL PROPERTY TAX LIMIT
 For Year Ended June 30, 2020

CHANGES FROM ORIGINAL BUDGET TO FINAL BUDGET

Original Budget		\$ 10,592,358
Additions:		
Prior year's encumbrances	\$ 404,210	
Transfer to School Lunch	49,246	453,456
Final Budget		\$ 11,045,814

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 Voter-approved Expenditure Budget	\$ 9,640,527
Maximum allowed (4% of 2020-2021 Budget)	\$ 385,621

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

Unrestricted fund balance:	
Assigned fund balance	\$ 241,359
Unassigned fund balance	1,477,243
Total unrestricted fund balance	\$ 1,718,602

Less:	
Appropriated fund balance	165,000
Encumbrances included in committed and assigned fund balance	76,359
Total adjustments	\$ 241,359

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$ 1,477,243
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Actual percentage	15.32%
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* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (originally Issued November 2010), the portion of General Fund Fund Balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

See paragraph on required supplementary information included in auditor's report.

MORRIS CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
For Year Ended June 30, 2020

Project	Revised Budget	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2020
		Prior Years	Current Year	Total		Proceeds of Obligations	Local Sources	Total	
5,000	\$ 2,695,000	\$ 2,385,653	\$ 66,327	\$ 2,451,980	\$ 243,020	\$ 2,195,000	\$ 680,293	\$2,875,293	\$ 423,313
0,000	100,000	-	48,611	48,611	51,389	-	100,000	100,000	51,389
7,729	437,729	-	205,381	205,381	232,348	-	-	-	(205,381)
6,877	236,877	-	213,857	213,857	23,020	214,377	-	214,377	520
0,000	178,444	178,444	-	178,444	-	179,291	14,731	194,022	15,578
9,606	\$ 3,648,050	\$ 2,564,097	\$ 534,176	\$ 3,098,273	\$ 549,777	\$ 2,588,668	\$ 795,024	\$3,383,692	\$ 285,419

See paragraph on required supplementary information included in auditor's report.

MORRIS CENTRAL SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2020

Capital assets, net			\$ 12,372,949
Deduct:			
Short-term portion of bonds payable	\$	611,915	
Long-term portion of bonds payable		2,853,641	
less: unspent portion of bond proceeds		<u>(439,411)</u>	<u>3,026,145</u>
Net investment in capital assets			<u>\$ 9,346,804</u>

See paragraph on required supplementary information included in auditor's report.

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

www.rgpreusser-cpa.com

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

To the Board of Education of the
Morris Central School District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Morris 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 District's basic financial statements and have issued our report thereon dated November 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morris 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 Morris Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Morris 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 described in the accompanying Schedule of Findings as item 2020-001 to be a material weakness.

Compliance and Other Matters

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

District's Response to Finding

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

Purpose of This Report

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

Raymond G. Preusser, CPA, P.C.

Claverack, New York
November 19, 2020

MORRIS CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2020

Material Weakness

2020-001 Control over Cash Receipts

Condition: The lack of adequate controls over cash receipts and separation of duties allowed an employee of District to mishandle funds that were received by the District during part of the year.

Criteria: The cash receipt process is an integral part of the Districts's internal controls, assuring that funds that are received by the District are properly deposited and accounted for in the District's records.

Effect: An employee was able to receive funds that were designated for the District and deposit them into their personal account. The District did not have knowledge that these payments were being received in the District since the person who was receiving them also was preparing the deposit for the bank.

Cause: The employee performed most of the tasks involved in the cash receipts process so there was no segregation of duties.

Recommendation: The District should separate key tasks involved in the cash receipt process and implement new procedures. The person who receives the payments to the District should be different than the person who makes the deposits and records the transactions. Also by adding a cash receipt log that is maintained by the person who initially receives the payments to the District and do a monthly review of the cash receipts will improve on the controls that are already in existence.

Views of Responsible Officials and Planned Corrective Actions: The District immediately notified the authorities when it was brought to their attention from one of their financial institutions. The investigations into these actions are ongoing. The District has implemented new procedures into the cash receipts process to stengthen their controls over cash receipts.

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

To the Board of Education of the
Morris Central School District:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Morris Central School District as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Morris Central School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Morris Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Morris 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We have communicated to you a deficiency in internal control that we consider to be material weakness in the Schedule of Findings.

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated November 19, 2020 on the financial statements of the Morris Central School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Other Matters:

Claims Auditor

A Claims Auditor who is properly trained and motivated presents a protective shield for the District's resources. The claims auditing process is an integral part of the District's internal control, assuring that only claims that are proper charges against the District are paid. Once a Claims Auditor is appointed and until the position is abolished, the Board no longer has the authority to audit or approve District bills. This duty and responsibility has been delegated to the Claims Auditor. The Claims Auditor is directly responsible to the Board. Further, the Board should direct the Claims Auditor to provide reports in the format that the Board desires, as well as establish the frequency of such reports. The Board should then acknowledge the receipt of these reports in the Board Minutes as they do with other financial reports.

During our audit, we noted that the reports from the Claims Auditor were not being provided to the Board. We recommend that the Board direct the Claims Auditor to provide monthly reports to them encompassing the work performed and the results obtained. We also recommend that the Board acknowledge receipt of these reports in the Board Minutes as it does with other financial reports received.

Issues Related to Changing Environment

It was noted that there is not a Business Office Procedures Manual in place. The District operates in a complex or frequently changing compliance environment. The risk to the District is that as compliance regulations change, complexities place task burdens on the District employees. The complexity of the tasks increases the risk that the District could feel adverse consequences if it were to lose a key person in the Business Office with no written procedures to be followed by a new employee.

We recommend that the District document all critical financial processes. These process documents should be reviewed for accuracy and completeness. Once prepared, employees should be required to maintain the documents in a manner that reflects any changes to the procedures.

Information Technology

We reviewed the security measures and controls related to Information Technology of the District. With the heavy reliance on computer technology in today's business environment, this has become an important area.

During our audit, we noted the District did not have a documented Disaster Recovery Plan on file.

We recommend that the District develop a written Disaster Recovery Plan to be kept on file. We also recommend that on completion of the plan, copies be distributed to employees and training programs be made available to the staff.

Documentation of Invoice Processing

An important element of the auditor's function is to perform a proper evaluation of the existing system of internal control in order to determine the degree of reliance which may be placed on the system in performing the various auditing procedures. As part of our audit of the School District's financial statements, we reviewed, evaluated and tested the controls with respect to purchasing.

During our testing, we noted instances where payments were approved but a purchase order or claim form were not used.

We recommend that the District continue to monitor the procurement of goods and services closely and that an approved purchase order or claim form be used for all purchases.

Payroll Processing

The preparation and review of payroll is an extremely important function of the District and maintaining current files is essential to the process.

During our payroll testing of employee files, we were unable to obtain W-4's and I-9's for some of the employees selected.

We recommend that all files be reviewed and if necessary, new payroll forms be completed for a complete payroll file.

This communication is intended solely for the information and use of the Board of Education, management, the audit committee, the New York State Education Department and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the Business Office personnel for their courtesies received during the course of our audit.

Very truly yours,

Raymond G. Preusser, CPA, P.C.

