

**Salmon River Central School District  
Annual Report  
June 30, 2020**

**Salmon River Central School District**

Table of Contents

June 30, 2020

	Page
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-15
Basic Financial Statements	
Statement of Net Position	16
Statement of Activities and Changes in Net Position	17
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	19
Statement of Fiduciary Net Position - Fiduciary Funds	20
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	20
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	21-22
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities and Changes in Net Position	23-24
Notes to Basic Financial Statements	25-57
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	58-59
Schedule of Change in Net Other Post Employment Benefit Liability	60
Schedule of Proportionate Share of Net Pension Asset/Liability-TRS	61
Schedule of Proportionate Share of Net Pension Liability-ERS	62
Schedule of District Contributions-TRS Pension Plan	63
Schedule of District Contributions-ERS Pension Plan	64

Salmon River Central School District

Table of Contents

June 30, 2020

Supplementary Information	
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit-General Fund	65
Schedule of Capital Projects Fund - Project Expenditures and Financing Resources	66
Schedule of Revenues and Expenditures for the Mohawk School - General Fund	67
Combined Balance Sheet-Non-Major Governmental Funds	68
Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Non-Major Governmental Funds	69
Investment in Capital Assets, Net of Related Debt	70
Extraclassroom Activity Fund	
Independent Auditor's Report	71-72
Statement of Assets and Liabilities Arising from Cash Transactions	73
Schedule of Cash Receipts, Disbursements and Ending Balances	74
Notes to Financial Statements	75
Federal Award Program Information	
Schedule of Expenditures of Federal Awards	76
Notes to Schedule of Expenditures of Federal Awards	77
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	78-79
Report on Compliance For Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance	80-82
Schedule of Findings and Questioned Costs	83-86
Summary Schedule of Prior Year Audit Findings	87

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## **Independent Auditor's Report**

To the Board of Education  
Salmon River Central School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salmon River 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 as listed in the table of contents.

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

Salmon River Central School District's 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 aggregate remaining fund information of Salmon River 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 on pages 4 through 15 and the budgetary comparison and information on other post employment benefits, ERS and TRS pension plans on pages 58 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salmon River Central School District's basic financial statements. The accompanying information as contained in the Reference Manual for Audits of General Purpose Financial Statements of New York State School Districts and the combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The accompanying information as contained in the Reference Manual for Audits of General Purpose Financial Statements of New York State School Districts, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020 on our consideration of Salmon River Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Salmon River Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salmon River Central School District's internal control over financial reporting and compliance.

*Seyfarth & Seyfarth CPAs, P.C.*  
Seyfarth & Seyfarth CPAs, P.C.  
Malone, NY

October 14, 2020

**Management Discussion and Analysis**  
**Financial Statements**  
**For the Year Ended June 30, 2020**

**Salmon River Central School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020**

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

**School District Overview and Highlights**

The Salmon River Central School District is located in northern New York State on the Canadian Border. Centralized in 1953, the District provides a public education to approximately 1,500 students from the towns of Bangor, Bombay, Fort Covington and Westville in Franklin County, the town of Brasher in St. Lawrence County and the Saint Regis Mohawk Indian Reservation. It encompasses an area of approximately 128 square miles with an estimated population of 6,800. The District is a mixture of residential and agricultural areas, with many of its residents commuting to Malone, Massena and Potsdam for employment.

The District operates two (2) facilities: the Campus School (pre k-12<sup>th</sup> grade) located in the town of Fort Covington and the St. Regis Mohawk School (pre k - 5<sup>th</sup> grades) located in the town of Bombay. Approximately 59% of the School District population is comprised of students from families living on the St. Regis Mohawk Reservation and 66% of the student body is of Native American heritage. Salmon River is also unique in that education is provided to both Canadian and New York children from the Reservation via contracts with the State of New York to provide transportation and education for these students.

The St. Regis Mohawk School (SRMS) is owned by the State of New York, but operated by the District. As per the reservation school contract with the State, all expenses generated by the St. Regis Mohawk School are funded through State formula aid with the balance due billed to and paid for with special State purpose monies. This contract expires on June 30, 2020. The District currently obtains a revenue anticipation note (RAN) to cover the expenditures for the SRMS until New York State sends reimbursement. The amount currently due is \$185,364.

Native Americans have a choice of School Districts they can attend when the reservation borders more than one district. New York State pays tuition under an approved formula for these students to attend Salmon River Central Schools since they reside on tax exempt land of the School District. The tuition contract expires on June 30, 2020. The amount currently due is \$4,431,075.

New York State also pays 100% of the transportation costs for Native American students that choose to attend the Campus School. These costs are reimbursed based on the ratio of bus runs used for the Reservation area compared to the total number of bus runs. The ratio is approximately 65.85% for the 2019-2020 year. The transportation contract is an annual contract that renews automatically. The amount currently due the District is \$1,941,474.



The funds generated from these contracts, in conjunction with State Aid, the State's School Tax Relief (STAR) program and our local school tax contributions provide the basis for the School District's financial structure. Access to State and Federal grants, along with Native American Aid, has assisted the District in maintaining a very reasonable five (5) year average tax rate per thousand dollars of \$10.38 on full property value.

The State has calculated our combined wealth measure to be 0.181. To put this number into perspective, 1.0 equals the average wealth for a District. This number continues to place us as the *absolute poorest school district in the State* as measured by our income and property wealth. Based on the 2020-21 State Aid Factors data, the State average property value and income behind each pupil was \$668,700 and \$299,700 respectfully. Our corresponding figures were \$112,883 and \$47,575. As these figures clearly express, we are a District burdened with substantial poverty and a lack of wealth.

The School District employs approximately 400 full and part time professional and support staff. These employees are organized into three (3) collective bargaining units (teaching staff, support staff and administration). The teaching staffs' contract agreement will expire on June 30, 2021. The administrators' contract negotiations were extended one year and the new contract will expire on June 30, 2021. The support staff contract was extended one year as well and the contract will expire June 30, 2021.

Student enrollment declined this school year at 1,459. The reason for this decline in enrollment is due in part to the new immunization laws that were passed. Many students chose to home school or go to school in Canada rather than get the required immunizations that had previously been exempt due to religious beliefs. Enrollment projections based on data from an FEH BOCES study confirm continued steady enrollment for several years to come.

The voters approved a \$26.5M capital project in May 2019. The project was approved on June 2, 2020 by New York State and bids are scheduled to be opened fall 2020. The project is expected to begin in April 2021 and be completed in September 2022. The project will complete the renovations that were started in the 2009 and 2013 capital projects. The work includes renovations to the high school and middle school. Funding for the project will included approximately \$13M in bonds and \$13.5M in Native American Building Aid.

### **Overview of Financial Statements**

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

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

<b>Major Features of the District-Wide and Fund Financial Statements</b>			
	<b>District-Wide</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, 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
<b>Required Financial Statements</b>	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. Statement of Changes in Fiduciary Net Position
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
<b>Type of Asset/Deferred outflows of resources/liabilities/deferred inflows of resources information</b>	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
<b>Type of Inflow/Outflow Information</b>	All revenues and expenses during the 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	Additions and deductions during the year, regardless of when cash is received or paid

### **District-Wide Statements:**

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

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

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

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

### **Fund Financial Statements:**

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

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

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance School District programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship and/or differences between them.

- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School 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 School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

## Financial Analysis of School District as a Whole

Net assets may serve over time as a useful indicator of a government's financial position.

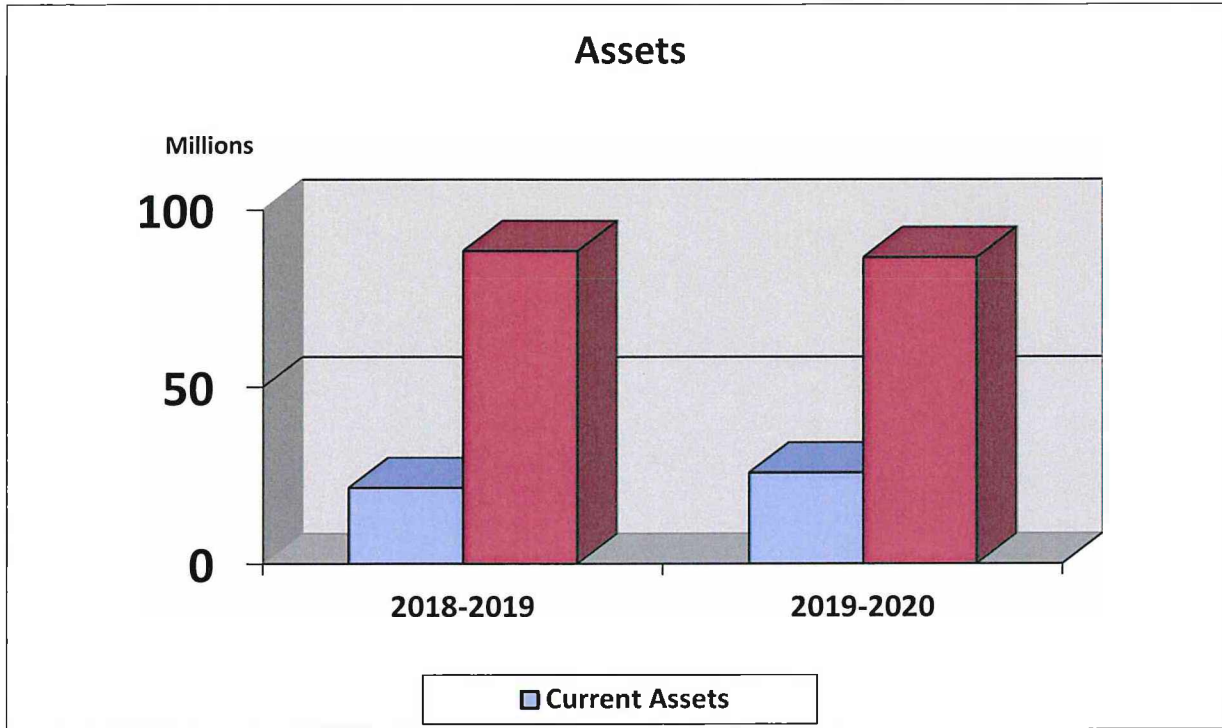
The net assets reflect mainly reserved and unreserved fund balance. The School District's net assets also reflect its investment in capital assets less any related debt used to acquire those assets that is still outstanding. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The debt is paid through the use of state building aid, Native American aid and EXCEL aid. The remaining balance of unrestricted net assets may be used to meet the School District's ongoing activities. The current assets are shifting from cash to capital assets. This reflects the payments made for the capital project in progress.

The following schedule summarizes the School District's net assets. The complete Statement of Net Assets can be found in the School District's basic financial statements.

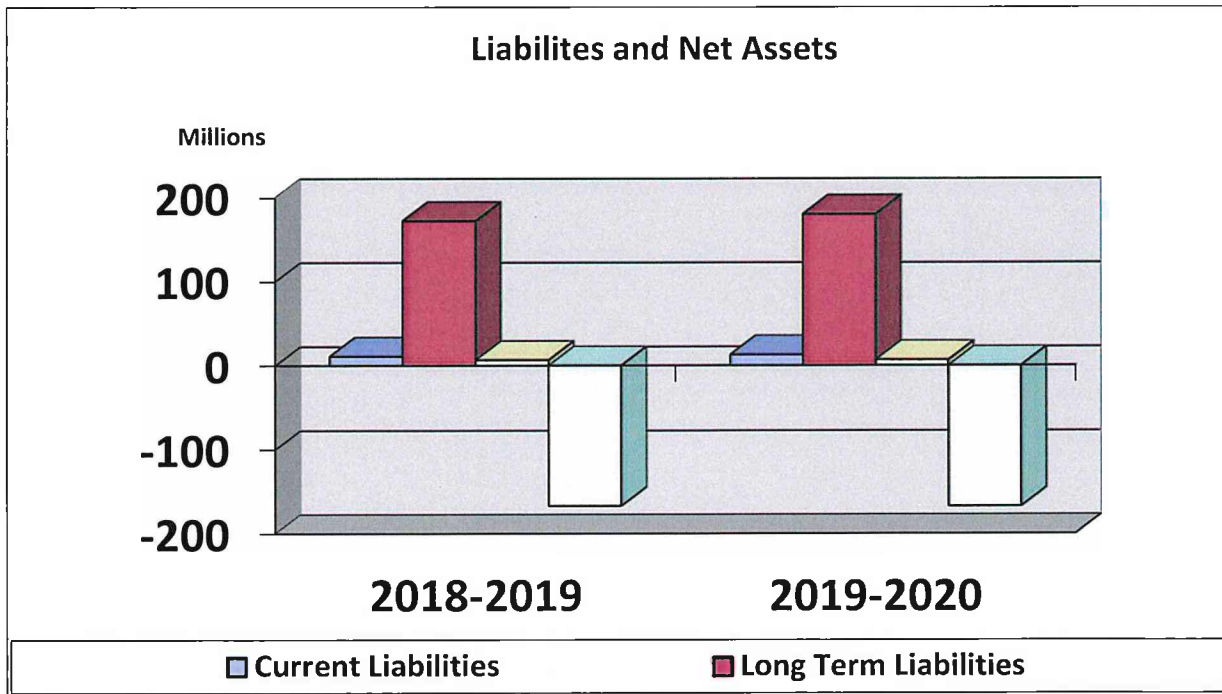
### Condensed Statement of Net Position:

<b>ASSETS:</b>	<u>2018-2019</u>	<u>2019-2020</u>
Current and other assets	\$21,486,356	\$25,744,928
Capital assets, net	<u>88,356,848</u>	<u>86,520,817</u>
<b>Total Assets:</b>	109,843,204	112,265,745
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>11,841,034</u>	<u>13,144,943</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>121,684,238</u>	<u>125,410,688</u>
<b>LIABILITIES:</b>		
Current liabilities	10,983,607	12,835,849
Long-term debt outstanding	<u>172,347,157</u>	<u>180,354,977</u>
<b>Total Liabilities:</b>	183,330,764	193,190,826
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>40,710,524</u>	<u>33,990,639</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>224,041,288</u>	<u>227,181,465</u>
<b>NET POSITION:</b>		
Invested in capital assets, net of related debt	57,526,993	59,051,589
Restricted	6,522,263	6,583,601
Unrestricted	<u>(166,406,306)</u>	<u>(167,405,967)</u>
<b>Total Net Position</b>	<u>\$(102,357,050)</u>	<u>\$(101,770,777)</u>

In general, current assets are those assets that are available to satisfy current obligations and current liabilities are those liabilities that will be paid within one year. Current assets consist primarily of cash equivalents of \$12.1 million, and state and federal aid receivable of \$8.4 million.



The change in net liabilities is due largely to the implementation of new GASB 45 rules requiring Districts to show long-term employment benefits as a liability. This represents mainly the long term health insurance benefit for our retired and active employees. The impact to the statements this year for GASB 45 caused the unrestricted net assets to become negative as there are not enough assets available to cover the \$153 million in other post employment benefits liabilities. This is not uncommon given that the liability is not required to be fully funded.



Liabilities consist primarily of long-term debt of \$21.7 million, short-term payables of \$5 million, short-term bonds payable of \$5 million, and post-employment benefits of \$153 million.

The Statement of Activities shows the cost of program services net of charges for services and grants offsetting those services. General revenues, including tax revenue, investment earnings, and unrestricted state and federal aid, must support the net cost of the School District's programs.

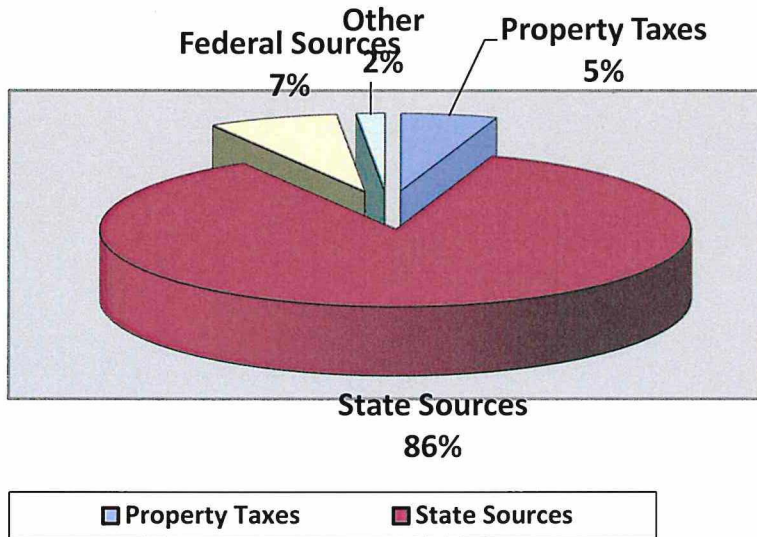
The following schedule summarizes the School District's activities. The complete Statement of Activities can be found in the School District's basic financial statements.

	<u>2018-2019</u>	<u>2019-2020</u>
<b>Revenues</b>		
Property and other tax items	\$2,088,321	\$2,088,835
Use of money and property	108,084	100,818
Sale of property and compensation for loss	0	0
Miscellaneous	455,505	515,196
State sources	32,642,942	34,226,883
Federal sources	3,112,341	2,798,776
<b>Total Revenues</b>	<u>\$38,407,193</u>	<u>\$39,730,508</u>
<b>Expenses</b>		
General support	\$ 8,536,727	\$10,201,066
Instruction	20,694,801	23,776,719
Pupil transportation	3,362,562	3,738,744
Debt service	1,467,896	1,102,124
Community service	23,606	26,585
Capital outlay – Mohawk School	0	0
School lunch program - cost of food sales	392,333	298,997
<b>Total Expenses</b>	<u>\$34,477,925</u>	<u>\$39,144,235</u>
<b>Change in Net Assets</b>	<u><b>\$3,929,268</b></u>	<u><b>\$ 586,273</b></u>

The School District is heavily dependent on State, Federal and Native American aid for its funding. Together they account for 95% of our total revenue dollar.

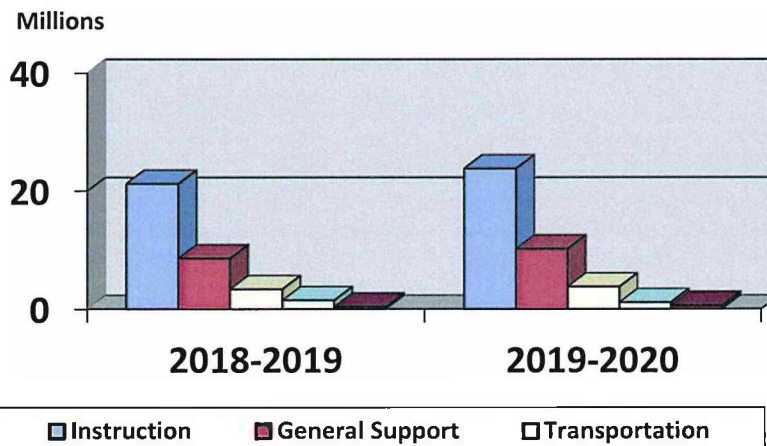
It should be noted that the district's tax levy contributes only 5% of our total revenues or \$2,088,835 with the STAR program. Our District has always made a strong effort to keep taxes at a reasonable level. In the 2019-20 year, the tax levy will remain unchanged. The District remained within the 2% tax cap and residents will be eligible for the tax freeze incentives issued by NYS.

## Sources of Revenues for 2019-2020



Our District's expenses are predominantly related to instruction, which represents 61% of our total costs. Also, like most districts, our rising employee benefits fees, increasing energy costs and under-funded school lunch program continue to be financial challenges to our budget. The District currently pays \$25,464 for a family health insurance plan and this is expected to continue to rise 6-8% per year. Within 5 years, the plan will cost over \$32,000 per family plan if there is no change in riders or employee contributions. Currently all employees are contributing to their health insurance plans. This will help reduce the overall cost of employee health insurance but more is needed to help with the burden health insurance is placing on an already tight budget.

## Comparison of Expenditures 2018-2019 and 2019-2020



To manage our future energy costs, the District included a geo thermal heating/cooling system in our building project. This system has allowed the District to add 100,000 square feet to the building without increasing the gallons of fuel used.

Our transportation department has switched to a 5 year bus replacement plan to ensure that the District has a safe fleet of buses and utilizes the 90% transportation aid that is received. Each year 4 buses will be replaced. Bonds are issued for the replacement of the buses and aid flows on a similar schedule to the debt payments.

The District has a locked-in bid price for fuel oil and purchases electricity through cooperative purchasing, but prices for these commodities fluctuate every year. The price of fuel is expected to remain steady next year.

The financial statements also include the activity of the Special Aid funds, which are comprised of a number of State and Federal grant programs and the school lunch fund, also known as the cafeteria fund.

### **General Fund Budget Overview**

It should be explained that the District's general fund is comprised of two (2) individual budgets. The first is approved by the voters in May and totals \$34,061,334. It covers the operation of the main campus school in preK–12<sup>th</sup> grade.

The second budget is for the operation of the St. Regis Mohawk Elementary School. This is a preK–5<sup>th</sup> grade building educating only Native American children living on the St. Regis Mohawk Reservation. This budget is negotiated annually with the State of New York and totaled \$9,888,423. The revenues to support this building/program are totally funded with state aid. Unfortunately, the formula aid that is attributable to the attendance of students at the St. Regis Mohawk School is very difficult to compute in a timely manner, causing local cash flow problems and making it difficult to accurately report fund balance. Each year, the District utilizes a Revenue Anticipation Note to cover spending in anticipation of the Native American aid for the Mohawk School.

This administration is challenged in its ability to accurately predict state aid. This is directly associated with estimating state tuition payments on eligible Native American students educated at the campus school. The District and State representatives are scheduled to review the tuition formula and pertinent data in an attempt to better identify a just and realistic amount for this service. As our percentage of Native American students increase, so will our difficulty to predict revenues from this source. We must also remain vigilant in our effort to make sure educational funding for Salmon River is both adequate and equitable for our unique District.

The main expenditure budget variance was in the instructional media category due to the COVID-19 closure and providing remote instruction from March 17<sup>th</sup> through June 30<sup>th</sup> and beyond. The budget was adjusted to make sure the District had the infrastructure and equipment to provide remote learning due to this unexpected event.

As the District completed the year, its governmental funds reported a General fund balance of \$14,689,064. This amount is above the 4% limit specified by Real Property Tax Law. However, as our salary and operating expenses increase along with the unpredictability of State Aid, the District feels it is necessary to continue to maintain strong reserves. The District has a long range plan to use limited amounts from our reserves in the coming years to offset the loss of the Foundation Aid increases promised by the State.



## **Analysis of the School District's Other Funds**

### **Capital Projects Fund**

The voters approved a \$26.5M capital project in May 2019. The project was approved by New York State on June 2, 2020 and is expected to start in the fall 2020 and be completed in September 2022. The project will complete the renovations that were started in the 2009 and 2013 capital projects. The work includes renovations to the high school and middle school. Funding for the project will include approximately \$13M in bonds and \$13.5M in Native American Building Aid.

### **School Lunch (Cafeteria) Fund**

The school lunch program continues to be supported by funds from the general fund. Revenues generated from the National School Lunch Program and the District's lunch program is stable with healthy student participation, but does not meet expenses. It should be noted that labor, employees' retirement and health insurance costs continue to increase each year. The lack of financial resources in the community and our District's commitment to preparing quality food has limited this program's ability to be self-sustaining, but we are making several changes to bring the program close to self-sufficiency.

The cafeteria increased its deficit from \$438,029 in the previous year to \$494,799 this school year.

The District has remained in the Universal Free Breakfast Program to help promote more children to eat breakfast in the morning when it is offered free of charge.

### **Special Aid Funds**

The special aid fund provides the district with a variety of instructional programs supported by State and Federal grants. Title I and Title VI provide significant revenue for the district. These grants allow us to create programs that complement the district's educational objectives while allowing sensitivity to our culturally diverse student population.

The revenues for our Native American transportation contract are included in this fund as well. This contract with the State provides revenue to the District to cover the cost of transporting Native American students to and from the reservation. The amount of funds provided is meant to cover all expenses related to this service.

The special aid funds will continue to decline. When this happens, the general fund must pick up the differences because these programs cannot be cut. With the No Child Left Behind initiative, remediation programs are more important than ever. Federal and State Aid budgets are personnel driven like all of our budgets. With the record increases in fringe benefits, decreases will compound the general fund impact. Any decrease in grants equates to a much larger loss when contractual increases are figured in. Please note that the grant fiscal year generally runs from September to August, while the school's fiscal year runs from July to June.

## **Capital Assets**

By the end of June 2020, the District invested approximately \$86,520,817 in a broad range of capital assets including school buildings, the bus garage, school buses, computers, audio-visual and classroom equipment. The District purchased 4 buses in the 2019-2020 school year. For this coming year, we will be purchasing another 4 new buses based on voter approval in May 2020. We have a 5 year bus replacement plan to bring the District fleet more up-to-date.

## **Long-Term Debt**

The District's outstanding debt as of June 30, 2020 was \$21,735,000. This represents a series of borrowings for the \$50 million capital project that started in 2009 and the \$36.5 million project that started in 2015. In 2009 and 2011, the District was able to secure Quality Zone Academy Bonds (QZABs) that offered the District refundable interest over the life of the bond. In essence, the District will pay approximately 1.25% interest on these bonds. In 2011, the District also secured a Quality School Construction Bond (QSCB) that offered the District with another low interest bond with a rate of .8%. These low interest bonds have helped minimize any local tax share for the capital project.

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

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- As mentioned above, this District is very heavily dependent on State Aid. During state budget preparations for next year, most formula aids were frozen, including Foundation Aid. With the State continually decreasing aid and the property tax cap in place the District will have an extremely difficult time to maintain staffing and programming at the levels needed to educate our children properly. The District is currently supporting our programs by committing approximately 4% of our fund balance to support our current level of staffing. In previous years, we have reduced our staff by not replacing retired staff and cutting teaching positions. Providing quality education with a shrinking staff and growing student population is posing challenges to our ability to provide a sound basic education to our students living in poverty.
- The last phase of capital projects will start in 2020-21 school year. The \$26.5 project will complete work in the Middle and High School. The District plans to use a portion of fund balance to cover the costs of the project beyond any State and Native American Building Aid.

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

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

Natascha L. Jock, School Business Executive  
Salmon River Central School  
Fort Covington, New York 12937  
(518) 358-6608  
[njock@srk12.org](mailto:njock@srk12.org)

**Salmon River Central School District**  
**Statement of Net Position**  
June 30, 2020

**ASSETS**

Cash		
Unrestricted	\$	5,678,874
Restricted		6,583,601
Receivables		
Taxes		-
Other		2,886,090
Due from fiduciary funds		-
State and Federal aid		8,451,304
Inventories		84,856
Overpayments and collections in advance		60,124
Prepaid expenditures		-
Capital assets, net		86,520,817
Net pension asset-proportionate share		2,000,079
Total Assets		<u>112,265,745</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred gain on advance refunding of debt		9,383
Other post employment benefits		3,821,494
Pensions		9,314,066
Total Deferred Outflows of Resources		<u>13,144,943</u>

**LIABILITIES**

Payables		
Accounts payable		2,592,051
Accrued expenses		19,460
Due to other governments		134
Accrued interest		53,782
Unearned revenues		-
Notes payable		
Bond anticipation		-
Revenue anticipation		5,000,000
Long-term liabilities		
Due and payable within one year		
Bonds payable		3,640,000
Compensated absences payable		87,317
Due to Teachers' Retirement System		1,276,408
Due to Employees' Retirement System		166,697
Due and payable after one year		
Bonds payable		21,735,000
Compensated absences payable		875,333
Other post employment benefits		153,315,397
Net pension liability-proportionate share		4,429,247
Total Liabilities		<u>193,190,826</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred premium on debt issuance		2,103,612
Other post employment benefits		28,687,777
Pensions		3,199,251
Total Deferred Inflows of Resources		<u>33,990,640</u>

**NET POSITION**

Net investment in capital assets		59,051,588
Restricted		6,583,601
Unrestricted (deficit)		(167,405,967)
Total Net Position		<u>\$ (101,770,778)</u>

**Salmon River Central School District**  
Statement of Activities and Changes in Net Position  
For the Year Ended June 30, 2020

		Program Revenues		Net
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 10,285,309	\$ 84,243	\$ -	\$ 10,201,066
Indirect cost	-	-	-	-
Instruction	33,801,647	10,024,927	-	23,776,720
Pupil transportation	3,820,587	81,843	-	3,738,744
Community service	26,585	-	-	26,585
Debt service - interest	1,102,124	-	-	1,102,124
Capital outlay - Mohawk School	-	-	-	-
Other expenditures	-	-	-	-
School lunch program	435,013	72,067	63,949	298,997
Total Functions and Programs	49,471,265	10,263,080	63,949	39,144,236
 <b>GENERAL REVENUES</b>				
Real property taxes				1,684,612
Other tax items				404,223
Use of money and property				100,818
Sale of property and compensation for loss				-
Miscellaneous				515,196
State sources				34,226,883
Federal sources				2,758,472
Medicaid reimbursement				40,304
Total General Revenues				39,730,508
Change in Net Position				586,272
Net Position-Beginning of year				(102,357,050)
Total Net Position-End of year				\$ (101,770,778)

**Salmon River Central School District**  
**Balance Sheet - Governmental Funds**  
June 30, 2020

	General	Special Aid	Non-Major	Total Governmental Funds
<b>ASSETS</b>				
Cash				
Unrestricted	\$ 5,558,968	\$ -	\$ 119,906	\$ 5,678,874
Restricted	6,583,601	-	-	6,583,601
Receivables				
Taxes	-	-	-	-
Other	2,886,014	-	76	2,886,090
Due from other funds	3,119,213	-	-	3,119,213
State and Federal aid	5,363,828	2,992,583	94,893	8,451,304
Inventories	-	-	84,856	84,856
Overpayments and collections in advance	60,124	-	-	60,124
Deferred expenditures	-	-	-	-
Total Assets	<u>\$ 23,571,748</u>	<u>\$ 2,992,583</u>	<u>\$ 299,731</u>	<u>\$ 26,864,062</u>
<b>LIABILITIES</b>				
Payables				
Accounts payable	\$ 2,454,796	\$ 137,255	\$ -	\$ 2,592,051
Accrued liabilities	19,460	-	-	19,460
Accrued interest	1,035	-	-	1,035
Due to other funds	-	2,855,328	263,885	3,119,213
Due to other governments	-	-	134	134
Due to Teachers' Retirement System	1,276,408	-	-	1,276,408
Due to Employees' Retirement System	166,697	-	-	166,697
Overpayments and collections in advance	-	-	-	-
Notes payable				
Bond anticipation	-	-	-	-
Revenue anticipation	5,000,000	-	-	5,000,000
Total Liabilities	<u>8,918,396</u>	<u>2,992,583</u>	<u>264,019</u>	<u>12,174,998</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	84,856	84,856
Restricted				
Workers' compensation reserve	547,411	-	-	547,411
Unemployment insurance reserve	275,567	-	-	275,567
Reserve for retirement contributions-ERS	3,223,892	-	-	3,223,892
Reserve for retirement contributions-TRS	244,562	-	-	244,562
Reserve for employee benefits and accrued liabilities	778,062	-	-	778,062
Capital reserve	1,514,107	-	-	1,514,107
Assigned				
Assigned appropriated fund balance	596,786	-	-	596,786
Assigned unappropriated fund balance				
General support	20,006	-	-	20,006
Instruction	7,080	-	-	7,080
Transportation	40,223	-	35,712	75,935
Unassigned fund balance	7,405,656	-	(84,856)	7,320,800
Total Fund Balances	<u>14,653,352</u>	<u>-</u>	<u>35,712</u>	<u>14,689,064</u>
Total Liabilities and Fund Balances	<u>\$ 23,571,748</u>	<u>\$ 2,992,583</u>	<u>\$ 299,731</u>	<u>\$ 26,864,062</u>

**Salmon River Central School District**  
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2020

	General	Special Aid	Non-Major	Total Governmental Funds
<b>REVENUES</b>				
Real property taxes	\$ 1,684,612	\$ -	\$ -	\$ 1,684,612
Other tax items	404,223	-	-	404,223
Charges for services	5,716,733	-	-	5,716,733
Use of money and property	240,889	-	134	241,023
Sale of property and compensation for loss	57,940	-	-	57,940
Miscellaneous	424,806	41,538	10,000	476,344
Interfund revenues	904	-	-	904
State sources	34,674,477	3,847,487	19,906	38,541,870
Medicaid reimbursement	40,304	-	-	40,304
Federal sources	97,491	1,888,138	772,843	2,758,472
Surplus food	-	-	63,949	63,949
Sales - school lunch	-	-	72,067	72,067
Total Revenues	<u>43,342,379</u>	<u>5,777,163</u>	<u>938,899</u>	<u>50,058,441</u>
<b>EXPENDITURES</b>				
General support	6,305,561	-	534,111	6,839,672
Indirect cost	-	904	-	904
Instruction	18,930,742	3,563,906	-	22,494,648
Pupil transportation	738,082	2,147,265	450,494	3,335,841
Community service	18,846	-	-	18,846
Employee benefits	10,567,290	-	470,074	11,037,364
Debt service				
Principal	3,705,000	-	-	3,705,000
Interest	1,264,491	-	-	1,264,491
Cost of sales	-	-	435,013	435,013
Capital outlay	-	-	-	-
Total Expenditures	<u>41,530,012</u>	<u>5,712,075</u>	<u>1,889,692</u>	<u>49,131,779</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,812,367</u>	<u>65,088</u>	<u>(950,793)</u>	<u>926,662</u>
<b>OTHER FINANCING SOURCES AND USES</b>				
Operating transfers in	78,882	-	494,799	573,681
Operating transfers out	(494,799)	(65,088)	(13,794)	(573,681)
Proceeds from debt	-	-	500,000	500,000
BAN redeemed from appropriations	-	-	-	-
Total Other Sources and Uses	<u>(415,917)</u>	<u>(65,088)</u>	<u>981,005</u>	<u>500,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,396,450	-	30,212	1,426,662
Fund Balances - Beginning of year	13,256,902	-	5,500	13,262,402
Fund Balances - End of year	<u>\$ 14,653,352</u>	<u>\$ -</u>	<u>\$ 35,712</u>	<u>\$ 14,689,064</u>

**Salmon River Central School District**  
Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2020

	Private Purpose Trusts	Agency
<b>ASSETS</b>		
Cash	\$ 117,623	\$ 144,964
Due from other governments	-	-
Total Assets	\$ 117,623	\$ 144,964
<b>LIABILITIES</b>		
Due to governmental funds	\$ -	\$ -
Extraclassroom activity balances	-	144,370
Other liabilities	-	594
Total Liabilities	-	\$ 144,964
<b>NET POSITION</b>		
Restricted for other purposes	\$ 68,382	
Non restricted for other purposes	49,241	
Total Net Position	\$ 117,623	

Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended June 30, 2020

	Private Purpose Trusts
<b>ADDITIONS</b>	
Investment earnings	\$ 178
Gifts and contributions	7,000
	7,178
<b>DEDUCTIONS</b>	
Scholarships and awards	5,175
Change in Net Position	2,003
Net Position - Beginning of year	115,620
Net Position - End of year	\$ 117,623



**Salmon River Central School District**  
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position  
June 30, 2020

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>				
Cash	\$ 12,262,475	\$ -	\$ -	\$ 12,262,475
Taxes receivable	-	-	-	-
Other receivables	2,886,090	-	-	2,886,090
Due from other funds	3,119,213	-	(3,119,213)	-
State and Federal aid	8,451,304	-	-	8,451,304
Inventories	84,856	-	-	84,856
Overpayments and collections in advance	60,124	-	-	60,124
Prepaid expenditures	-	-	-	-
Capital assets, net	-	86,520,817	-	86,520,817
Net pension asset-proportionate share	-	2,000,079	-	2,000,079
Total Assets	<u>26,864,062</u>	<u>88,520,896</u>	<u>(3,119,213)</u>	<u>112,265,745</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred gain on advance refunding of debt	-	9,383	-	9,383
Other post employment benefits	-	3,821,494	-	3,821,494
Pensions	-	9,314,066	-	9,314,066
Total Deferred Outflows of Resources	<u>-</u>	<u>13,144,943</u>	<u>-</u>	<u>13,144,943</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 26,864,062</u>	<u>\$ 101,665,839</u>	<u>\$ (3,119,213)</u>	<u>\$ 125,410,688</u>
<b>LIABILITIES</b>				
Accounts payable	2,592,051	-	-	2,592,051
Accrued liabilities	19,460	-	-	19,460
Due to other funds	3,119,213	-	(3,119,213)	-
Due to other governments	134	-	-	134
Accrued interest	1,035	52,747	-	53,782
Due to Teachers' Retirement System	1,276,408	-	-	1,276,408
Due to Employees' Retirement System	166,697	-	-	166,697
Overpayments and collections in advance	-	-	-	-
Bond anticipation note	-	-	-	-
Revenue anticipation note	5,000,000	-	-	5,000,000
Compensated absences payable	-	962,650	-	962,650
Bonds payable	-	25,375,000	-	25,375,000
Other post employment benefits	-	153,315,397	-	153,315,397
Net pension liability-proportionate share	-	4,429,247	-	4,429,247
Total Liabilities	<u>12,174,998</u>	<u>184,135,041</u>	<u>(3,119,213)</u>	<u>193,190,826</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred premium on debt issuance	-	2,103,612	-	2,103,612
Other post employment benefits	-	28,687,777	-	28,687,777
Pensions	-	3,199,251	-	3,199,251
Total Deferred Inflows of Resources	<u>-</u>	<u>33,990,640</u>	<u>-</u>	<u>33,990,640</u>
<b>FUND EQUITY/NET POSITION</b>	<u>14,689,064</u>	<u>(116,459,842)</u>	<u>-</u>	<u>(101,770,778)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position	<u>\$ 26,864,062</u>	<u>\$ 101,665,839</u>	<u>\$ (3,119,213)</u>	<u>\$ 125,410,688</u>

**Salmon River Central School District**

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

June 30, 2020

Fund Balances - total governmental funds		\$ 14,689,064
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	111,359,338	
Less: accumulated depreciation	<u>(24,838,521)</u>	86,520,817
Interest payable used in governmental activities is not payable from current resources and therefore not reported in the governmental funds		(52,747)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds		
Long-term debt	(25,375,000)	
Compensated absences	<u>(962,650)</u>	(26,337,650)
Other post employment benefits are not due and payable in the current period and therefore are not reported in the funds		(153,315,397)
Proportionate share of net pension asset/liability are not financial resources and not due and payable in the current year and therefore are not reported in the governmental funds		
Net pension asset	2,000,079	
Net pension liability	<u>(4,429,247)</u>	(2,429,168)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds		
Deferred outflows related to pensions	9,314,066	
Deferred inflows related to pensions	<u>(3,199,251)</u>	6,114,815
Deferred outflows and inflows of resources related to other post employment benefits are applicable to future periods and, therefore, are not reported in the governmental funds		
Deferred outflows related to other post employment benefits	3,821,494	
Deferred inflows related to other post employment benefits	<u>(28,687,777)</u>	(24,866,283)
Deferred outflows and inflows of resources related to debt are applicable to future periods and, therefore, are not reported in the governmental funds		
Deferred gain on advance refunding of debt	9,383	
Deferred premiums on debt issuance	<u>(2,103,612)</u>	<u>(2,094,229)</u>
Net Position of Governmental Activities		<u>\$ (101,770,778)</u>

**Salmon River Central School District**

Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances to Statement  
of Activities  
For the Year Ended June 30, 2020

	<u>Total Governmental Funds</u>	<u>Long-Term Assets, Liabilities</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Activities Totals</u>
<b>REVENUES</b>				
Real property taxes	\$ 1,684,612	\$ -	\$ -	\$ 1,684,612
Other tax items	404,223	-	-	404,223
Charges for services	5,716,733	-	-	5,716,733
Use of money and property	241,023	-	-	241,023
Sale of property and compensation for loss	57,940	-	-	57,940
Miscellaneous	476,344	-	-	476,344
Interfund revenues	904	-	(904)	-
State sources	38,541,870	-	-	38,541,870
Medicaid reimbursement	40,304	-	-	40,304
Federal sources	2,758,472	-	-	2,758,472
Surplus food	63,949	-	-	63,949
Sales - school lunch and store	72,067	-	-	72,067
Total Revenues	<u>50,058,441</u>	<u>-</u>	<u>(904)</u>	<u>50,057,537</u>
<b>EXPENDITURES</b>				
General support	6,839,672	1,861,479	1,584,158	10,285,309
Indirect cost	904	-	(904)	-
Instruction	22,494,648	65,641	11,241,358	33,801,647
Pupil transportation	3,335,841	(39,134)	523,880	3,820,587
Community service	18,846	-	7,739	26,585
Employee benefits	11,037,364	2,319,771	(13,357,135)	-
Debt service	4,969,491	(3,867,367)	-	1,102,124
Unallocated depreciation	-	-	-	-
Cost of sales	435,013	-	-	435,013
Other expenditures	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>49,131,779</u>	<u>340,390</u>	<u>(904)</u>	<u>49,471,265</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>926,662</u>	<u>(340,390)</u>	<u>-</u>	<u>586,272</u>
<b>OTHER SOURCES AND USES</b>				
Proceeds from debt	500,000	(500,000)	-	-
Payment to escrow agent	-	-	-	-
Operating transfers in	573,681	-	(573,681)	-
Operating transfers out	(573,681)	-	573,681	-
Total Other Sources and Uses	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>
Net Change for the Year	<u>\$ 1,426,662</u>	<u>\$ (840,390)</u>	<u>\$ -</u>	<u>\$ 586,272</u>

**Salmon River Central School District**

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to  
Statement of Activities  
For the Year Ended June 30, 2020

Net Change in Fund Balances - total governmental funds		\$ 1,426,662
Amounts reported for governmental activities in the Statement of Activities are different because:		
Revenues in the Statement of Activities that do not provide current resources are not reported as revenues in the funds		
Disposal of capital assets		-
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	654,387	
Less: current year depreciation	<u>(2,490,418)</u>	(1,836,031)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Other costs related to debt issuance and retirement are expenditures in the governmental funds, but are deferred and amortized on the Statement of Net Position		
Bond premium amortization	166,885	
Bond proceeds	(500,000)	
Deferred refunding interest	(11,259)	
Repayment of bonds	<u>3,705,000</u>	3,360,626
Interest expense reported in the Statement of Activities does not require the use of current financial resources and is therefore not reported as an expenditure in governmental funds		
		6,741
Compensated absences in the Statement of Activities does not require the use of current financial resources and is therefore not reported as an expenditure in governmental funds		
		(51,955)
Other post employment benefits in the Statement of Activities does not require the use of current resources and are therefore not reported as expenditures in the governmental funds		
		(145,927)
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Pension contribution expense	1,760,801	
Cost of benefits earned net of employee contributions	<u>(3,934,645)</u>	<u>(2,173,844)</u>
Change in Net Position of Governmental Funds		<u>\$ 586,272</u>

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

**Note 1 – Summary of certain significant accounting policies:**

The financial statements of the Salmon River Central School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

A) Reporting Entity:

The Salmon River 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 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

i) Extraclassroom Activity Funds:

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

B) Joint Venture:

The Salmon River Central School District is one of 10 component school districts in the Franklin-Essex-Hamilton BOCES. A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

C) Basis of Presentation:

i) District-Wide Statements:

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

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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

ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

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

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

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

The District reports the following fiduciary funds:

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 District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

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

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

D) Measurement Focus and Basis of Accounting:

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. 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. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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



**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

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 the date of acquisition.

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

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

Investments are stated at fair value.

F) Property Taxes:

Real property taxes are levied annually by the Board of Education no later than September 1 and became a lien on August 7, 2019. Taxes are collected during the period September 1, 2019 to November 4, 2019.

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

G) Accounts Receivable:

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

H) Inventories:

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

A reserve for inventories has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

I) Due to/from Other Funds:

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

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

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

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

J) Capital Assets:

Capital assets are reported at historical cost if actual historical cost is available, or estimated historical cost if actual historical cost is not available. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 15,000	Straight-line	50 years
Building Improvements	15,000	Straight-line	20 years
Furniture and Equipment	5,000	Straight-line	15 years
Vehicles	5,000	Straight-line	8 years

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

K) Vested Employee Benefits:

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.

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

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

L) Other benefits:

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

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for 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 covered by the District. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

M) Budgetary Procedures and Budgetary Accounting:

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

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). 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. No supplemental appropriations occurred during the year.

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.

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.

Encumbrances

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

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

N) Unearned Revenue:

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

O) 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 associated legal requirements, many of which are described elsewhere in these Notes.

P) Equity classifications:

District-wide statements:

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

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

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

Unrestricted 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.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

Fund statements:

Beginning with the fiscal year 2011, the District implemented GASB 54 “Fund Balance Reporting and Governmental Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$84,856.

Restricted fund balance – 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:

Workers’ Compensation Reserve

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

Unemployment Insurance

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

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

Retirement Contributions

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

Employee Benefit Accrued Liability Reserve

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

Capital

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

Restricted fund balance includes the following:

General Fund:

Workers' Compensation Reserve	\$ 547,411
Unemployment Insurance Reserve	275,567
Retirement Contribution Reserve-ERS	3,223,892
Retirement Contribution Reserve-TRS	244,562
Reserve for Employee Benefits and Accrued Liabilities	778,062
Capital Reserve	<u>1,514,107</u>
 Total Restricted Funds	 <u>\$ 6,583,601</u>

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest action to remove or change the constraint.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government delegates authority. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$67,309.

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the General Fund.

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 for 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 determine next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Q) Accrued liabilities and long-term obligations:

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



**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

R) **Deferred Outflows and Inflows of Resources**

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item arises from a premium on debt issuance. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The last item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Pension Obligations

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

Plan Description 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

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

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](http://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](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**Pension Liabilities, Pension Expense, 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.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

	ERS	TRS
Measurement date	March 31, 2020	June 30, 2019
Net pension asset/(liability)	\$ (4,429,247)	\$ 2,000,079
District's portion of the Plan's total net pension asset/(liability)	0.0167264%	0.076985%

For the year ended June 30, 2020, the District recognized pension expense of \$1,510,314 for ERS and pension expense of \$2,424,331 for TRS. At June 30, 2020, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	ERS	TRS	ERS	TRS
Difference between expected and actual experience	\$ 260,679	\$ 1,355,403	\$ -	\$ 148,730
Change of assumptions	89,184	3,778,416	77,009	921,285
Net difference between projected and actual investment earnings	2,270,648	-	-	1,603,960
Changes in proportion and difference between the District's contributions and proportionate share of contributions	61,175	182,765	30,690	417,577
District's contributions subsequent to the measurement date	166,697	1,149,099	-	-
<b>Total</b>	<u>\$ 2,848,383</u>	<u>\$ 6,465,683</u>	<u>\$ 107,699</u>	<u>\$ 3,091,552</u>

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

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

Year ended:

	ERS	TRS
2020		\$ 855,753
2021	\$ 432,959	8,305
2022	645,312	852,473
2023	827,996	580,853
2024	667,720	24,883
Thereafter		(97,234)

**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:

	ERS	TRS
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Interest rate	6.80%	7.10%
Salary scale	4.2%	1.90%-4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System Experience	July 1, 2009- June 30, 2014 System 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-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale of MP2014, applied on a generational basis.

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.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

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	ERS	TRS
	March 31, 2020	June 30, 2019
Asset Type:		
Domestic Equity	4.05%	6.3%
International Equity	6.15%	7.8%
Global Equity	0.0%	7.2%
Private Equity	6.75%	9.9%
Real Estate	4.95%	4.6%
Domestic Fixed Income Securities	0.0%	1.3%
Global Fixed Income Securities	0.0%	0.9%
High-yield Fixed Income Securities	0.0%	3.6%
Bonds and Mortgages	0.75%	0.0%
Private Debt	0.0%	6.5%
Real Estate Debt	0.0%	2.9%
Cash Equivalents	0.0%	0.3%
Absolute return strategies	3.25%	0.0%
Opportunistic Portfolio	4.65%	0.0%
Real Assets	5.95%	0.0%
Cash	0.00%	0.0%
Inflation-Indexed Bonds	0.50%	0.0%

**Discount Rate**

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

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

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
<b>ERS</b>			
Employer's proportionate share of the net pension asset (liability)	\$ (8,128,920)	\$ (4,429,247)	\$ (1,021,834)
	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
<b>TRS</b>			
Employer's proportionate share of the net pension asset (liability)	\$ (9,028,148)	\$ 2,000,079	\$ 11,251,517

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:

	(Dollars in Thousands)	
	ERS	TRS
	March 31, 2020	June 30, 2019
Employers' Total Pension Asset/(Liability)	\$ (194,596,261)	\$ (119,879,474)
Plan Net Position	168,115,682	122,477,481
Employers' Net Pension Asset/(Liability)	\$ (26,480,579)	\$ 2,598,007
Ratio of the Plan Net Position to the Employers' total pension asset/(liability)	86.39%	102.20%

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$166,697.

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 \$1,276,408.

S) New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2020, the District implemented the following new standards issued by GASB. These standards had no significant impact on the District.

GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2020.

GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, effective for the year ending June 30, 2020.

T) Future Changes in Accounting Standards

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2022.

GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2022.

GASB has issued Statement No. 90, *Accounting and Financial Reporting for Majority Equity Interest*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

**Note 2 – Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements:**

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

A) Total fund balances of governmental funds vs. net position of governmental activities:

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

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

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

i) 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.

ii) 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.



**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

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.

iii) 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 pension expense.

iv) OPEB differences:

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

**Note 3 – Stewardship, compliance and accountability:**

The District's unreserved and undesignated fund balance was in excess of the New York State Real Property Tax Law limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

**Note 4 – Custodial credit and concentration of credit:**

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

The District's aggregate bank balances included balances not covered by depository insurance at year end. All balances were collateralized with securities held by the pledging financial institution, but not in the District's name. Bank balances totaled approximately \$6,963,000.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$6,583,601 within the governmental funds and \$117,623 in the fiduciary funds.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

**Note 5 – Investment pool:**

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State Municipal Law Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. The District's total NYCLASS balance at June 30, 2020 was approximately \$5,997 000.

The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative can be obtained from the New York Cooperative Liquid Assets Securities System (NYCLASS).

**Note 6 – Participation in BOCES:**

During the year ended June 30, 2020, the District was billed \$7,724,001 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year ended June 30, 2020, the District did not issue serial bonds on behalf of BOCES.

On May 9, 2017 the District entered into a joint agreement with Franklin-Essex-Hamilton BOCES and all other component school districts of the BOCES for the construction of improvements to the BOCES' North Franklin Educational Center and the Adirondack Educational Center pursuant to Section 1950 of the Education Law. The District agreed to make 3 installment payments for their share of the capital project cost. During 2018-19, \$402,421 was paid through the capital expense contract code. The District paid \$1,667,544 on July 15, 2019 and has agreed to pay \$1,115,421 on July 15, 2020.

The District's share of BOCES aid amounted to \$5,044,993.

Financial statements for the BOCES are available from the BOCES administrative office.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

**Note 7 - Capital assets:**

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

	Beginning Balance	Additions	Retirements/ Reclassific.	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 118,242	\$ -	\$ -	\$ 118,242
Construction in progress	-	-	-	-
Total nondepreciable historical cost	<u>118,242</u>	<u>-</u>	<u>-</u>	<u>118,242</u>
Capital assets that are depreciated:				
Buildings	105,162,130	-	-	105,162,130
Machinery and equipment	5,424,579	654,387	-	6,078,966
Total depreciable historical cost	<u>110,586,709</u>	<u>654,387</u>	<u>-</u>	<u>111,241,096</u>
Less accumulated depreciation:				
Buildings	18,996,007	2,002,356	-	20,998,363
Machinery and equipment	3,352,096	488,062	-	3,840,158
Total accumulated depreciation	<u>22,348,103</u>	<u>2,490,418</u>	<u>-</u>	<u>24,838,521</u>
Total depreciable historical cost, net	<u>\$ 88,356,848</u>	<u>\$(1,836,031)</u>	<u>\$ -</u>	<u>\$ 86,520,817</u>

Depreciation expense was charged to governmental activities as follows:

Administrative services	\$ 2,060,276
Regular instruction	18,784
Pupil transportation	411,358
	<u>\$ 2,490,418</u>

**Note 8 – Short-term debt:**

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

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

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

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

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
RAN Maturing 6/26/20 at 2.00%	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -
RAN Maturing 6/25/21 at 1.50%	-	5,000,000	-	5,000,000

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

Interest paid	\$ 99,722
Less interest accrued in the prior year	(828)
Plus interest accrued in the current year	<u>1,035</u>
Total expense	<u><u>\$ 99,929</u></u>

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

**Note 9 – Long-term debt:**

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government activities:					
Serial Bonds 2008	\$ 575,000	\$ -	\$ 105,000	\$ 470,000	\$ 110,000
QZABs 2009	5,000,000	-	985,000	4,015,000	995,000
QZABs 2011	3,795,000	-	880,000	2,915,000	925,000
QSCBs 2011	1,345,000	-	190,000	1,155,000	190,000
Serial Bonds 2012	300,000	-	55,000	245,000	60,000
Bus Bond 2014	40,000	-	40,000	-	-
Serial Bonds 2014	240,000	-	240,000	-	-
Bus Bond 2015	185,000	-	90,000	95,000	95,000
Bus Bond 2016	285,000	-	95,000	190,000	95,000
Bus Bond 2017	375,000	-	90,000	285,000	95,000
DASNY Bonds 2018	15,980,000	-	850,000	15,130,000	895,000
Bus Bond 2018	460,000	-	85,000	375,000	90,000
Bus Bond 2019	-	500,000	-	500,000	90,000
Total bonds payable	<u>28,580,000</u>	<u>500,000</u>	<u>3,705,000</u>	<u>25,375,000</u>	<u>3,640,000</u>
Other liabilities					
Compensated absences	910,695	51,955	-	962,650	87,317
Total long-term liabilities	<u>\$ 29,490,695</u>	<u>\$ 551,955</u>	<u>\$ 3,705,000</u>	<u>\$ 26,337,650</u>	<u>\$ 3,727,317</u>

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

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

Existing serial and statutory bond obligations:

<u>Description of issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2020</u>
Serial Bonds	2008	2024	4.25%	\$ 470,000
QZABs	2009	2024	1.25%	4,015,000
QZABs	2011	2023	5.50%	2,915,000
QSCBs	2011	2025	0.80%	1,155,000
Serial Bonds	2012	2024	2.50%	245,000
Bus Bond	2015	2020	1.75%	95,000
Bus Bond	2016	2021	1.75%	190,000
Bus Bond	2017	2022	2.10%	285,000
DASNY Bonds	2018	2033	5.00%	15,130,000
Bus Bond	2018	2023	3.13%	375,000
Bus Bond	2019	2024	1.625%	500,000
				<u>\$ 25,375,000</u>

The following is a summary of debt service requirements:

	<u>Serial Bonds</u>		<u>Other Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Fiscal year ended June 30,				
2021	\$ 3,175,000	\$ 1,014,858	\$ 465,000	\$ 30,192
2022	3,280,000	897,045	385,000	17,156
2023	3,390,000	772,137	290,000	9,675
2024	2,420,000	639,225	200,000	4,043
2025	1,285,000	566,090	105,000	853
2026-2030	6,525,000	1,944,780	-	-
2031-2033	3,855,000	355,500	-	-
	<u>\$ 23,930,000</u>	<u>\$ 6,189,635</u>	<u>\$ 1,445,000</u>	<u>\$ 61,919</u>

Other debt consists of the Bus Bonds.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The defeased bonds were fully repaid as of June 30, 2020.

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

Interest paid	\$ 1,164,562
Amortized bond premium	(166,885)
Less interest accrued in the prior year	(59,488)
Plus interest accrued in the current year	52,747
amortization of bond costs	<u>11,259</u>
Total expense	<u><u>\$ 1,002,195</u></u>

**Note 10 – Interfund balances and activity:**

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$3,119,213	\$ -
Special Aid Fund	-	2,855,328
School Lunch Fund	-	263,885
Capital Projects Fund	-	-
Total Government Agencies	<u>3,119,213</u>	<u>3,119,213</u>
Fiduciary Agency Fund	<u>-</u>	<u>-</u>
Totals	<u><u>\$3,119,213</u></u>	<u><u>\$ 3,119,213</u></u>

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

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

**Note 11 – Post-employment (health insurance) benefits:**

**General Information about the OPEB Plan**

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	254
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	386
	640

**Total OPEB Liability**

The District’s total OPEB liability of \$153,315,397 was measured as of July 1, 2019 and was determined by an actuarial valuation as of that date.

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



**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

Inflation	2.40%
Salary Increases	3.25%
Discount Rate	3.5%, as of the measurement date
Healthcare Cost Trend Rates	8.00% for 2020, decreasing 0.50% per year through 2022 then varies to an ultimate rate of 4.13% for 2089
Retirees' Share of Benefit-Related Costs	Pre 6/30/19 retirees receive 100% coverage from the District Future retirees contribute based on contract

The discount rate was based on Bond Buyer Weekly 20-Bond GO Index.

Mortality rates were based on the RPH-2014 Mortality Table for employees, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2018.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2017-July 1, 2018.

**Changes in the Total OPEB Liability**

Balance at July 1, 2018	<u>\$ 145,778,758</u>
Service cost	5,762,669
Interest	5,791,171
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions and other inputs	(219,706)
Benefit payments	<u>(3,797,495)</u>
Net changes	<u>7,536,639</u>
Balance at July 1, 2019	<u><u>\$ 153,315,397</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% on July 1, 2018 to 3.50% on July 1, 2019.

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

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 182,674,382	\$ 153,315,397	\$ 130,141,664

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

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	\$ 126,392,065	\$ 153,315,397	\$ 188,838,135

**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 \$3,967,421. 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	\$ -	\$ 14,311,682
Change of assumptions or other inputs	-	14,376,095
Employer contributions subsequent to the measurement date	3,821,494	-
Total	\$ 3,821,494	\$ 28,687,777

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

Year Ended June 30,	
2021	\$ (7,586,419)
2022	(7,586,419)
2023	(7,586,419)
2024	(5,076,757)
2025	(840,641)
2026 and Thereafter	(11,122)
	\$ (28,687,777)

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

**Note 12 – Pension plans:**

General information:

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

Provisions and administration:

The New York State Teachers’ Retirement Board administers NYSTRS. The System provides 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

Funding policies:

The Systems are noncontributory for employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976 and prior to January 1, 2010, employees contribute 3% to 3.5% with the exception of ERS Tier V and VI employees. Employees in the Systems more than ten years are no longer required to contribute. In addition, employee contributions under ERS Tier VI vary based on a sliding scale. For NYSERS, the Comptroller certifies the rates expressed as proportions of members’ payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers’ Retirement Board establishes rates annually for NYSTRS.

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

<u>Year</u>	<u>TRS</u>	<u>ERS</u>
June 30, 2020	\$ 1,483,368	\$ 637,780
June 30, 2019	1,290,729	604,029
June 30, 2018	1,421,484	602,239

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The Salmon River Central School District elected to make the full payment.

The State Legislature authorized local governments to make available retirement incentive programs. Nothing was charged to expenditures in the Governmental Funds in the current fiscal year.

**Note 13 – Risk management:**

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

The District participates in the Franklin-Essex-Hamilton BOCES Workers' Compensation Insurance Consortium, 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 School District has no liability as of June 30, 2020.

**Note 14 – Contingencies and commitments:**

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

**Note 15 – Fund balances:**

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the Governmental Funds Balance Sheet.

**Salmon River Central School District**  
Notes to Financial Statements  
June 30, 2020

**Note 16 – Use of estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement 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.

**Note 17 – Subsequent events:**

Subsequent events have been evaluated through the report date, which is the date the financial statements were available to be issued.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the District and its future results and financial position is not presently determinable.

**Salmon River Central School District**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund  
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 1,670,291	\$ 1,684,612	\$ 1,684,612	\$ -
Other tax items	415,000	400,679	404,223	3,544
Charges for services	6,429,920	6,429,920	5,716,733	(713,187)
Use of money and property	148,442	148,442	240,889	92,447
Sale of property and compensation for loss	10,190	10,190	57,940	47,750
Miscellaneous	263,500	263,500	424,806	161,306
Interfund revenues	-	-	904	904
Total Local Sources	<u>8,937,343</u>	<u>8,937,343</u>	<u>8,530,107</u>	<u>(407,236)</u>
State Sources	34,732,964	34,732,964	34,674,477	(58,487)
Federal Sources	207,208	207,208	137,795	(69,413)
Total Revenues	<u>43,877,515</u>	<u>43,877,515</u>	<u>43,342,379</u>	<u>(535,136)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	-	-	78,882	78,882
Total Revenues and Other Financing Sources	<u>43,877,515</u>	<u>43,877,515</u>	<u>43,421,261</u>	<u>(456,254)</u>

See paragraph on required supplementary information included in auditors' report.

**Salmon River Central School District**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund  
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgetary Actual And Encumbrances
<b>EXPENDITURES</b>					
Board of education	21,582	22,609	20,227	-	2,382
Central administration	220,000	220,389	210,767	-	9,622
Finance	336,824	352,443	332,148	11,871	8,424
Staff	263,264	317,540	295,992	-	21,548
Central services	3,409,560	3,234,903	3,158,924	8,135	67,844
Special items	2,297,365	2,289,562	2,287,503	-	2,059
Total General Support	<u>6,548,595</u>	<u>6,437,446</u>	<u>6,305,561</u>	<u>20,006</u>	<u>111,879</u>
Instruction, administration and improvement	961,718	764,695	757,521	1,200	5,974
Teaching - regular school	9,056,840	8,496,205	8,377,364	3,388	115,453
Programs for children with handicapping conditions	3,423,476	3,227,945	3,160,826	515	66,604
Occupational education	1,393,250	1,219,035	1,218,848	37	150
Teaching - special school	249,000	277,942	274,303	-	3,639
Instructional media	1,810,025	5,435,119	3,705,424	278	1,729,417
Pupil services	1,702,528	1,446,036	1,436,456	1,662	7,918
Total Instruction	<u>18,596,837</u>	<u>20,866,977</u>	<u>18,930,742</u>	<u>7,080</u>	<u>1,929,155</u>
Pupil transportation	2,024,000	898,850	738,082	40,223	120,545
Community services	19,000	19,000	18,846	-	154
Employee benefits	11,824,937	10,682,164	10,567,290	-	114,874
Debt service	4,999,570	4,999,570	4,969,491	-	30,079
Total Expenditures	<u>44,012,939</u>	<u>43,904,007</u>	<u>41,530,012</u>	<u>67,309</u>	<u>2,306,686</u>
<b>OTHER FINANCING USES</b>					
Transfers to other funds	470,000	591,430	494,799	-	96,631
Total Expenditures and Other Uses	<u>44,482,939</u>	<u>44,495,437</u>	<u>42,024,811</u>	<u>\$ 67,309</u>	<u>\$ 2,403,317</u>
Net change in fund balances	<u>\$ (605,424)</u>	<u>\$ (617,922)</u>	1,396,450		
Fund balance - beginning			13,256,902		
Fund balance - ending			<u>\$ 14,653,352</u>		

**Salmon River Central School District**  
Schedule of Change in Net Other Post Employment Benefit Liability  
For the Year Ended June 30, 2020

Measurement Date	7/1/17	7/1/18	7/1/19
Service Cost	\$ 7,513,744	\$ 5,721,190	\$ 5,762,669
Interest	5,208,337	5,922,825	5,791,171
Changes in benefit terms	-	(1,124,485)	-
Differences between expected and actual experience	-	(21,078,434)	-
Changes in assumptions and other inputs	(25,825,204)	(750,345)	(219,706)
Benefit payments	(3,232,739)	(3,427,435)	(3,797,495)
Net changes in OPEB liability	<u>(16,335,862)</u>	<u>(14,736,684)</u>	<u>7,536,639</u>
Total OPEB Liability-beginning	<u>176,851,304</u>	<u>160,515,442</u>	<u>145,778,758</u>
Total OPEB Liability-ending	<u><u>\$ 160,515,442</u></u>	<u><u>\$ 145,778,758</u></u>	<u><u>\$ 153,315,397</u></u>
Covered payroll	\$ 16,871,862	\$ 17,384,311	\$ 18,455,124
Total OPEB as a percentage of covered payroll	951%	839%	831%



**Salmon River Central School District**  
 Required Supplementary Information  
 Proportionate Share of Net Pension Asset (Liability) -TRS  
 June 30, 2020

Measurement Date	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/17</u>	<u>6/30/18</u>	<u>6/30/19</u>
District's proportion of the net pension asset (liability)	0.071331%	0.072676%	0.076628%	0.072164%	0.074371%	0.076985%
District's proportionate share of the net pension asset (liability)	\$ 7,945,807	\$ 7,549,718	\$ (820,713)	\$ 548,518	\$ 1,344,821	\$ 2,000,079
District's covered payroll	\$ 10,328,000	\$ 10,537,000	\$ 10,917,000	\$ 11,815,000	\$ 11,436,000	\$ 12,114,000
District's proportionate share of the net pension asset (liability) as a % of its covered employee payroll	76.93%	71.65%	7.52%	4.64%	11.76%	16.51%
Plan fiduciary net position as a % of the total pension asset (liability)	111.48%	110.46%	99.01%	100.66%	101.53%	102.20%

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

**Salmon River Central School District**  
 Required Supplementary Information  
 Proportionate Share of Net Pension Liability-ERS  
 June 30, 2020

Measurement Date	<u>3/31/15</u>	<u>3/31/16</u>	<u>3/31/17</u>	<u>3/31/18</u>	<u>3/31/19</u>	<u>3/31/20</u>
District's proportion of the net pension liability	0.0147195%	0.0149173%	0.0154091%	0.0154859%	0.0158453%	0.0167264%
District's proportionate share of the net pension liability	\$ 497,261	\$ 2,394,270	\$ 1,447,871	\$ 499,800	\$ 1,122,690	\$ 4,429,247
District's covered payroll	\$ 3,796,000	\$ 3,759,000	\$ 4,019,000	\$ 4,241,000	\$ 4,384,000	\$ 4,682,000
District's proportionate share of the net pension liability as a % of its covered employee payroll	13.10%	63.69%	36.03%	11.78%	25.61%	94.60%
Plan fiduciary net position as a % of the total pension liability	97.90%	90.70%	94.70%	98.24%	96.27%	86.39%

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

**Salmon River Central School District**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**TRS Pension Plan**  
**Last 10 Years**  
**For the Year Ended June 30, 2020**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution (thousands)	\$ 758	\$ 965	\$ 1,164	\$ 1,299	\$ 1,783	\$ 1,980	\$ 1,649	\$ 1,421	\$ 1,291	\$ 1,483
Contribution in relation to contractually required contribution	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered employee payroll (thousands)	10,615	10,410	10,059	10,328	10,537	10,917	11,815	11,436	12,114	12,850
Contrib.as a % of covered employee payroll	6.19%	8.62%	11.11%	11.84%	16.25%	17.53%	13.26%	11.72%	9.80%	10.62%

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

**Salmon River Central School District**  
 Required Supplementary Information  
 Schedule of District Contributions  
 ERS Pension Plan  
 Last 10 Years  
 For the Year Ended June 30, 2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution (thousands)	\$ 368	\$ 516	\$ 603	\$ 701	\$ 679	\$ 644	\$ 582	\$ 602	\$ 604	\$ 638
Contribution in relation to contractually required contribution	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered employee payroll (thousands)	3,382	3,142	3,137	3,293	3,796	3,759	4,019	4,241	4,384	4,682
Contributions as a % of covered employee payroll	10.88%	16.42%	19.22%	21.29%	17.89%	17.13%	14.48%	14.19%	13.78%	13.63%

**Salmon River Central School District**  
 Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit  
 For the Year Ended June 30, 2020

**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 34,061,334
Add: Prior year's encumbrances	12,498
Original budget	34,073,832
Budget revision	-
Final budget	\$ 34,073,832

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

2020-21 voter-approved expenditure budget	\$ 34,061,334
Maximum allowed (4% of 2020-21 budget)	1,362,453
 General Fund fund balance subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Committed fund balance	-
Assigned fund balance	664,095
Unassigned fund balance	7,405,656
Total unrestricted fund balance	\$ 8,069,751
 Less:	
Appropriated fund balance	596,786
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	67,309
Total adjustments	\$ 664,095
General Fund fund balance subject to Section 1318 of Real Property Tax Law	\$ 7,405,656
Actual percentage	21.74%

**Salmon River Central School District**  
 Schedule of Project Expenditures - Capital Projects Fund  
 For the Year Ended June 30, 2020

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Prior Years' Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Expenditures</u>	<u>Unexpended Balance</u>	<u>Proceeds of Obligations</u>	<u>State Aid</u>	<u>Local Sources</u>	<u>Total</u>	<u>Transfer to General Fund</u>	<u>Fund Balance June 30, 2020</u>
Buses	\$ 500,000	\$ 486,206	\$ -	\$ 450,494	\$ 450,494	\$ 35,712	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 13,794	\$ 35,712
	<u>\$ 500,000</u>	<u>\$ 486,206</u>	<u>\$ -</u>	<u>\$ 450,494</u>	<u>\$ 450,494</u>	<u>\$ 35,712</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 13,794</u>	<u>\$ 35,712</u>

See paragraph on supplementary schedules included in auditors' report.

**Salmon River Central School District**  
Schedule of Revenues and Expenditures for the Mohawk School - General Fund  
For the Year Ended June 30, 2020

**REVENUES**

Charges for services	\$ 3,152
Use of money and property	7,268
Sale of property and compensation for loss	20,055
Miscellaneous	111,886
State sources	9,356,246
Federal sources	-
Total Revenues	9,498,607

**EXPENDITURES**

General support	1,789,010
Instruction	4,746,640
Community services	-
Employee benefits	2,671,534
Debt service	99,930
Total Expenditures	9,307,114

Excess of Revenues Over Expenditures	191,493
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**OTHER FINANCING SOURCES AND USES**

Operating transfer in	9,640
Operating transfer out	(201,133)
Total Other Sources and Uses	(191,493)

Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ -
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**Salmon River Central School District**  
 Combined Balance Sheet-Non-Major Governmental Funds  
 June 30, 2020

	School Lunch	Non-Major Capital Projects	Total Non-Major Funds
<b>ASSETS</b>			
Cash			
Unrestricted	\$ 84,194	\$ 35,712	\$ 119,906
Restricted	-	-	-
Receivables			
Other	76	-	76
Due from other funds	-	-	-
State and Federal aid	94,893	-	94,893
Inventories	84,856	-	84,856
Total Assets	<u>\$ 264,019</u>	<u>\$ 35,712</u>	<u>\$ 299,731</u>
<b>LIABILITIES</b>			
Payables			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Accrued interest	-	-	-
Due to other funds	263,885	-	263,885
Due to other governments	134	-	134
Notes payable			
Bond anticipation	-	-	-
Revenue anticipation	-	-	-
Total Liabilities	<u>264,019</u>	<u>-</u>	<u>264,019</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	-	-	-
Sale of future revenues	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	84,856	-	84,856
Restricted			
Capital reserve	-	-	-
Assigned			
Assigned appropriated fund balance	-	-	-
Assigned unappropriated fund balance	-	35,712	35,712
Unassigned fund balance	(84,856)	-	(84,856)
Total Fund Balances	<u>-</u>	<u>35,712</u>	<u>35,712</u>
Total Liabilities and Fund Balances	<u>\$ 264,019</u>	<u>\$ 35,712</u>	<u>\$ 299,731</u>

See paragraph on supplementary schedules included in auditors' report.



**Salmon River Central School District**

Combined Statement of Revenues, Expenditures and Changes in Fund Equity-Non-Major Governmental Funds  
For the Year Ended June 30, 2020

	<u>School Lunch</u>	<u>Non-Major Capital Projects</u>	<u>Total Non-Major Funds</u>
<b>REVENUES</b>			
Use of money and property	\$ 134	\$ -	\$ 134
Sale of property and compensation for loss	-	-	-
Miscellaneous	10,000	-	10,000
State sources	19,906	-	19,906
Federal sources	772,843	-	772,843
Surplus food	63,949	-	63,949
Sales - school lunch	72,067	-	72,067
Total Revenues	<u>938,899</u>	<u>-</u>	<u>938,899</u>
<b>EXPENDITURES</b>			
General support	534,111	-	534,111
Instruction	-	-	-
Pupil transportation	-	450,494	450,494
Employee benefits	470,074	-	470,074
Cost of sales	435,013	-	435,013
Capital outlay	-	-	-
Total Expenditures	<u>1,439,198</u>	<u>450,494</u>	<u>1,889,692</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(500,299)</u>	<u>(450,494)</u>	<u>(950,793)</u>
<b>OTHER FINANCING SOURCES AND USES</b>			
Operating transfers in	494,799	-	494,799
Operating transfers out	-	(13,794)	(13,794)
Proceeds from debt	-	500,000	500,000
Payment to escrow agent	-	-	-
Total Other Sources and Uses	<u>494,799</u>	<u>486,206</u>	<u>981,005</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(5,500)</u>	<u>35,712</u>	<u>30,212</u>
Fund Balances - Beginning of year	5,500	-	5,500
Fund Balances - End of year	<u>\$ -</u>	<u>\$ 35,712</u>	<u>\$ 35,712</u>

See paragraph on supplementary schedules included in auditors' report.

**Salmon River Central School District**  
Investment in Capital Assets, Net of Related Debt  
June 30, 2020

Capital assets, net		\$ 86,520,817
Add:		
Unamortized deferred gain on advance refunding of debt		9,383
Deduct:		
Bond anticipation notes	-	
Unamortized premium on bond issuance	2,103,612	
Short-term portion of bonds payable	3,640,000	
Long-term portion of bonds payable	<u>21,735,000</u>	<u>27,478,612</u>
Investment in capital assets, net of related debt		<u><u>\$ 59,051,588</u></u>

See paragraph on supplementary schedules included in auditors' report.

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Carl A. Seyfarth Jr. CPA  
Ann E. Seyfarth CPA

**Independent Auditors' Report on the  
Extraclassroom Activity Fund**

To the Board of Education  
Salmon River Central School District

We were engaged to audit the accompanying Statement of Assets and Liabilities Arising From Cash Transactions of the Extraclassroom Activity Fund of Salmon River Central School District as of June 30, 2020 and the related notes.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the Minimum Program for Audits of Financial Records of New York State School Districts. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinion.

**Basis for Disclaimer of Opinion**

We were unable to obtain access to sufficient student activity records or perform interviews due to the COVID 19 national health emergency.

**Disclaimer of Opinion**

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on this financial statement.

### **Basis of Accounting**

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

### **Report on Supplementary Information**

We were engaged for the purpose of forming an opinion on the Statement of Assets and Liabilities Arising From Cash Transactions. The accompanying Schedule of Extraclassroom Activity Fund Cash Receipts, Disbursements and Ending Balances is presented for purposes of additional analysis and is not a required part of the Statement of Assets and Liabilities Arising From Cash Transactions. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

*Seyfarth & Seyfarth CPAs, P.C.*  
Seyfarth & Seyfarth CPAs, P.C.  
Malone, NY

October 14, 2020

**Salmon River Central School District**  
Statement of Assets and Liabilities Arising from Cash Transactions -  
Extraclassroom Activity Fund -  
June 30, 2020

Assets	
Cash	<u>\$ 144,370</u>
Liabilities	
Extraclassroom Activity Balances	<u>\$ 144,370</u>

**Salmon River Central School District**

Schedule of Cash Receipts, Disbursements, and Ending Balances - Extraclassroom Activity Fund  
For the Year Ended June 30, 2020

Activity	Beginning Balance July 1, 2019	Receipts	Expenditures	Ending Balance June 30, 2020
Band Club	\$ 382	\$ 3,801	\$ 1,591	\$ 2,592
CBWEP	16,801	27,429	24,621	19,609
Chorus	495	500	100	895
Drama Club	6,069	4,231	5,913	4,387
Class of 2020	8,362	56,991	65,353	-
Class of 2021	10,563	8,003	4,844	13,722
Class of 2022	12,572	1,181	1,059	12,694
Class of 2023	14,333	142	924	13,551
Class of 2024	952	36,812	31,386	6,378
Class of 2025	312	1,216	320	1,208
Class of 2026	-	3,911	3,550	361
FFA	7,095	5,830	5,129	7,796
French Club	1,493	1,142	1,070	1,565
Health Club	459	-	-	459
Mohawk Club	1,592	2,714	2,584	1,722
Jr National Honor Society	994	4,016	4,383	627
National Honor Society	1,352	431	1,326	457
Robotics	170	225	395	-
Spanish Club	1,903	2,001	1,562	2,342
STEM - 8th Grade	503	-	503	-
Student Council	1,233	927	620	1,540
Student Council Mohawk School	4,757	997	3,188	2,566
Yearbook Club	1,732	7,942	7,308	2,366
Students Who Care	2,908	17,287	16,575	3,620
Varsity Club	37,961	57,998	52,046	43,913
Total	\$ 134,993	\$ 245,727	\$ 236,350	\$ 144,370

**Salmon River Central School District**  
Notes to Financial Statements – Extraclassroom Activity Fund  
June 30, 2020

**Note 1 - Summary of Significant Accounting Policies**

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Salmon River Central School District. Consequently, such transactions are not included in the combined financial statements of the School District.

The books and records of the Salmon River Central School District's Extraclassroom Activities Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

**Salmon River Central School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Provided to Subrecipients</u>	<u>Expenditures</u>
<b>US Department of Education</b>				
Passed-through NYS Education Department:				
Title I Grants to LEAS:				
Title I A&D	84.010A	0021-20-0925		\$ 667,018
Title I School Improvement	84.010	0011-19-2138		33,649
Title I School Improvement	84.010	0011-20-2182		109,945
Title I School Improvement	84.010	0011-20-2383		5,511
				<u>816,123</u>
Title II Part A	84.367A	0147-20-0925		68,503
Title II Part B	84.366B	0294-19-0325		79,313
Special Education Cluster:				
IDEA-Part B Section 619	84.173A	0033-20-0261		13,518
IDEA-Part B Section 611	84.027A	0032-20-0261		426,060
				<u>439,578</u>
Title IV Part A	84.424A	0204-20-0925		28,696
Title V Part B	84.358B	0006-20-0925		25,188
Title VI	84.060A	S060A190399		430,736
Total US Dept. of Education			-	<u>1,888,137</u>
<b>US Department of Agriculture</b>				
Passed-through NYS Education Department:				
Child Nutrition Cluster:				
Non-Cash Assistance (food distribution)				
National School Lunch Program	10.555	n/a		63,949
Non-Cash Assistance Subtotal				<u>63,949</u>
Cash Assistance				
National School Lunch Program	10.555	n/a		330,588
National School Breakfast Program	10.553	n/a		167,157
Snack Program for Children	10.555	n/a		28,243
Summer Food Service for Children	10.559	n/a		246,855
Cash Assistance Subtotal				<u>772,843</u>
Total US Dept of Agriculture Child Nutrition Cluster			-	<u>836,792</u> *
Total Federal Awards			\$ -	<u>\$ 2,724,929</u>

\* Major Program



**Salmon River Central School District**  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2020

**Note 1 – Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, for the year ended June 30, 2020. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Note 2 – Summary of Significant Accounting Policies:**

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon a rate established by New York State. The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance applied to overall expenditures.

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

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

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**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

**Independent Auditor's Report**

To the Board of Education  
Salmon River Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salmon River 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 Salmon River Central School District's basic financial statements and have issued our report thereon dated October 14, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Salmon River 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 Salmon River Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Salmon River 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Salmon River Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-001.

### **Salmon River Central School District's Response to Findings**

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

### **Purpose of This Report**

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

  
Seyfarth & Seyfarth CPAs, P.C.  
Malone, NY

October 14, 2020

Seyfarth & Seyfarth CPAs, P.C.  
564 East Main Street  
Malone, NY 12953  
(518) 483-0880

Carl A. Seyfarth Jr. CPA  
Ann E. Seyfarth CPA

**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

**Independent Auditor's Report**

To the Board of Education  
Salmon River Central School District

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

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

### **Report on Internal Control Over Compliance**

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

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

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

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

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salmon River Central School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Salmon River Central School District's basic financial statements. We issued our report thereon dated October 14, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Seyfarth & Seyfarth CPAs, P.C.*  
Seyfarth & Seyfarth CPAs, P.C.  
Malone, NY

October 14, 2020

**Salmon River Central School District**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2020**

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal Control over financial reporting:			
Material weakness identified?	_____ Yes	_____ <b>x</b> _____	No
Significant deficiencies identified?	_____ Yes	_____ <b>x</b> _____	None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <b>x</b> _____	No

Federal Awards

Internal control over major programs:			
Material weakness identified?	_____ Yes	_____ <b>x</b> _____	No
Significant deficiencies identified?	_____ Yes	_____ <b>x</b> _____	None reported

Type of auditors' report issued on compliance for major federal programs	Unmodified
--	------------

Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)	_____ Yes	_____ <b>x</b> _____	No
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Identification of major programs: CFDA Numbers	Name of Federal Program or Cluster
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10.555, 10.553, 10.559	Child Nutrition Cluster
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Dollar Threshold used to distinguish between type A and type B programs	\$ 750,000
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Auditee qualified as low-risk auditee?	_____ <b>x</b> _____	Yes	_____	No
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**Salmon River Central School District**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020

**Section II – Financial Statement Findings**

2020-001 Fund Balance

**Criteria:** New York State Real Property Tax Law requires school districts to maintain their unrestricted fund balance at or below 4 percent of the ensuing year's appropriations.

**Condition:** The portion of the District's fund balance subject to the New York State Real Property Tax Law limit exceeded the amount allowable.

**Context:** This is a repeat finding for the past several years. The unrestricted fund balance at June 30, 2020 is approximately \$6.04 million over the limit.

**Effect:** Funds were not used in a manner that benefitted taxpayers such as increasing legally adopted reserves, paying off debt and reducing property taxes.

**Cause:** The District adopted budgets with appropriations which exceeded the actual amounts needed.

**Recommendation:** We recommend that the District keep in mind the 4% rule when preparing future budgets.

**Management's Response:** See attached





# SALMON RIVER CENTRAL SCHOOL DISTRICT

## BUSINESS OFFICE

637 Co. Rt. 1, Fort Covington, New York 12937 • Tel: (518) 358-6600 • Fax (518) 358-3492

**Dr. Stanley Harper**  
Superintendent

**Natascha L. Jock**  
School Business  
Executive

**Shannon M. Snyder**  
District Treasurer

**Ashley White**  
Accounts Payable  
Clerk

**Kimberly R. Treptow**  
Human Resources Clerk

**Lindsay W. Chapman**  
Payroll Account Clerk

**Judy Fleury**  
Superintendent's  
Secretary

**Management's Response:** The Administration will continue to work with the Board of Education to prudently bring the District's fund balance into compliance with the Real Property Law 1318.

In the 2014-15 school year, the District received a one-time aid adjustment for the Native American Tuition. The District brought a miscalculation to the attention of NYS and worked for several years to have the formula corrected. In June 2014, NYS agreed to pay the District for the previous year with an amended formula. This resulted in the District adding \$5,124,072 to the fund balance due to the timing of the payments.

The District did not know the State was going to approve the formula change during the budgeting for the 2015-16 school year, so it was not included in the budget. During the year, the District did work to start replacing equipment and utilize one-time purchases to start bringing the fund balance back down.

Going forward, the tuition formula has resulted in increased tuition revenue each year. However, the District has been hesitant in adding too many staffing positions at once, given the uncertain nature of the tuition formula changes. The District has added a handful of positions into the budget each year to offset the increases in tuition. Since the additional positions only help to offset the annual tuition increases, this year the District created several reserves to set aside fund balance. Reserves for future capital projects, employee retirement costs, unemployment insurance costs and workers' compensation costs were created by the Board of Education and have lowered the unreserved fund balance.

Even with the creation of the reserves the fund balance remains in excess of the 4% allowed by law. However, it should be noted that the District faces multiple future economic challenges. Our District is very heavily dependent on State Aid with 95% of revenues coming from State, Federal and Native American Aid. Rising health insurance rates and increasing personnel costs will also undoubtedly lead to increased program costs. Every year increasing unfunded mandates from NYS add to the burden of the budget with an inability to raise taxes due to the low tax base in our community. A 2% tax levy increase equates to approximately just over \$40,000 in revenue. It is the District's opinion that it is necessary given these factors to maintain an unreserved fund balance higher than 4%.

**Salmon River Central School District**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2020**

**Section III – Federal Award Findings and Questioned Costs**

None noted

**Salmon River Central School District**  
Schedule of Prior Year Audit Findings  
June 30, 2020

2019-001 Fund Balance  
Status – Not Corrected  
See 2020-001