

**MECHANICVILLE CITY SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2021**

MECHANICVILLE CITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Mechanicville City School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mechanicville City School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Mechanicville City School District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 9 to the financial statements, in 2020/2021, the District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Correction of an Error

As discussed in Note 8 to the financial statements, the District discovered an error in the calculation of capital assets and accumulated depreciation, in prior years, which was corrected during the year ended June 30, 2021. Our opinion is not modified with respect to that matter.

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 A1 - A7, budgetary comparison information on pages C1 and C2, schedule of changes in total OPEB liability on page C3, schedules of proportionate share of net pension liability (asset) on page C4 and schedules of District contributions on page C5 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mechanicville City School District's basic financial statements. The supplemental information on pages D1 - D3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on page F3 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

This supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY

September 27, 2021

MECHANICVILLE CITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2021

The following discussion and analysis of the Mechanicville City School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2021. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements; we encourage readers to consider the information presented here, in conjunction with information provided in the financial statements.

Financial Highlights

- The District's financial status changed during the 2020-2021 school year. Total net position increased by \$5,776,124 over the course of the year.
- The District is in the midst of finalizing a capital improvement project and the Capital Fund shows a fund balance deficit of \$107,472. The deficit will be eliminated when the final cost reports are submitted, and transfer made from the General Fund.
- General fund expenditures of \$26.0 million was less than revenues of \$28.5 million by \$2.5 million. The operating surplus is the result of unrealized expenditures in the area of central services, instruction and employee benefits.

Overview of the Financial Statements

The District's annual report consists of five parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, supplemental information and the single audit section. The basic financial statements include two kinds of statements that present different views of the District:

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

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

District-wide Statements

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

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

MECHANICVILLE CITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2021

The *statement of activities* presents information showing how the assets of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., retirement system liabilities and earned but unused vacation leave).

The District-wide financial statements can be found on pages B1 and B2 of this report.

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**MECHANICVILLE CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2021**

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$227,296 at the close of the most recent fiscal year.

Net position (in thousands of dollars)

<u>Governmental Activities</u>	<u>6/30/21</u>	<u>6/30/20</u>
Current and other assets	\$ 12,587	\$ 10,788
Capital assets	42,011	40,790
Net pension asset	(0)	1,365
Total assets	\$ 54,598	\$ 52,943
Deferred Outflows of Resources	\$ 13,310	\$ 12,127
Current liabilities	\$ 4,506	\$ 15,200
Long-term liabilities	58,943	52,128
Net pension liability	1,490	1,839
Total liabilities	\$ 64,939	\$ 69,167
Deferred Inflows of Resources	\$ 3,196	\$ 2,692
Net position		
Net investment in capital assets	\$ 11,959	\$ 10,023
Restricted	1,902	1,042
Unrestricted	(14,088)	(17,855)
Total net position	\$ (227)	\$ (6,790)

**MECHANICVILLE CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2021**

The District's 2021 revenue was \$30,146,379. Property taxes and New York State aid accounted for the majority of the revenue by contributing 45% and 49%, respectively, of the total revenue raised. The remainder of the revenue came from fees for services, use of money and property, operating grants and other miscellaneous sources.

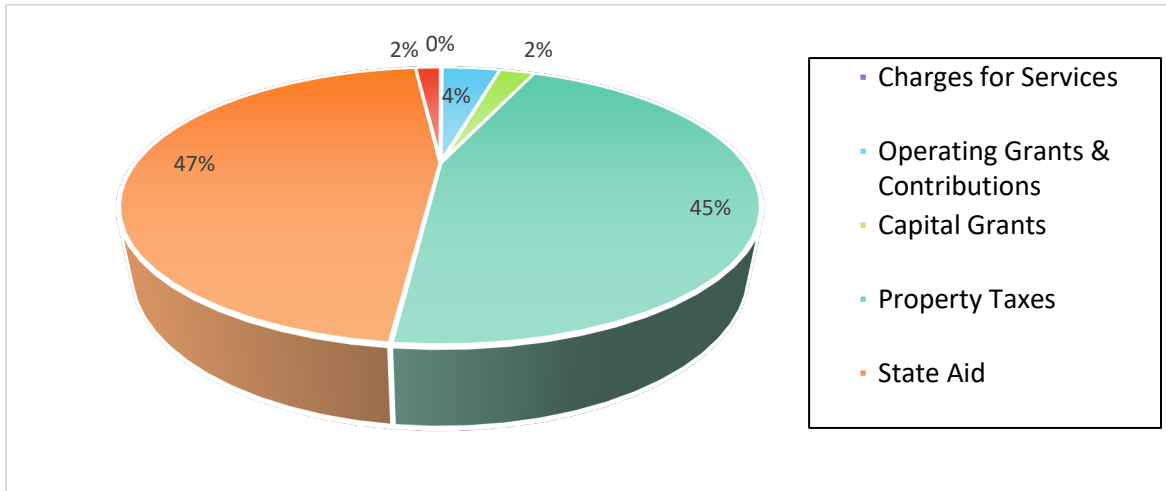
The total cost of all programs and services totaled \$24,370,255 for 2021. Seventy-two percent of this total represent expenses for the education, supervision and transportation of students, while 19% represents the school district's administrative, business, maintenance and other general support activities.

Statement of Activities (in thousands of dollars)

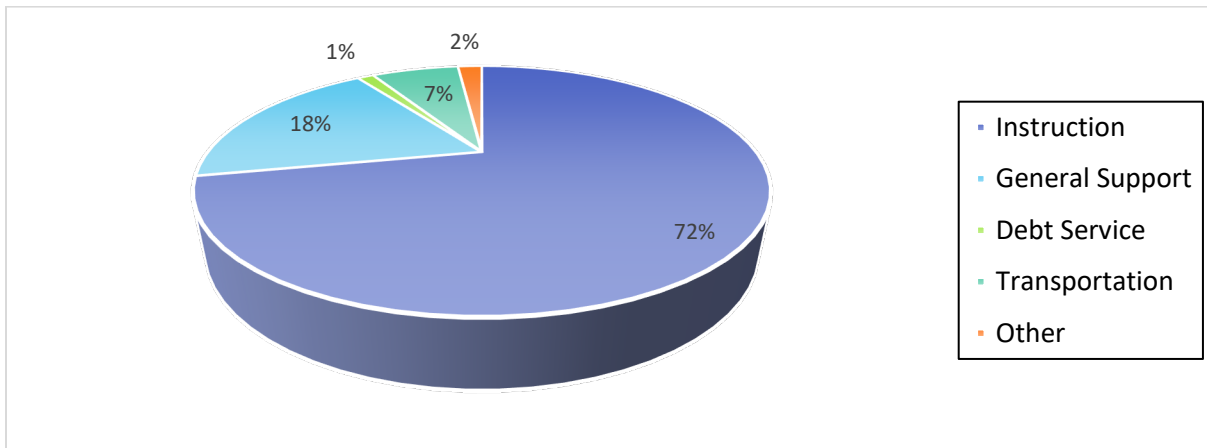
Revenues	<u>2021</u>	<u>2020</u>
Program revenues		
Charges for services	\$ 36	\$ 85
Operating grants	1,196	1,137
Capital grants	715	0
General revenues		
Property taxes	13,670	14,022
State aid	14,012	12,614
Other	517	539
Total Revenues	<u>\$ 30,146</u>	<u>\$ 28,397</u>
Expenses		
Instruction	\$ 17,498	\$ 19,216
General support	4,527	3,654
Debt service	296	778
Transportation	1,603	6,739
Other	446	395
Total Expenses	<u>\$ 24,370</u>	<u>\$ 30,782</u>
Increase (decrease) in net position	<u>\$ 5,776</u>	<u>\$ (2,385)</u>

MECHANICVILLE CITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2021

Sources of Revenues for Fiscal Year 2021



Expenses for Fiscal Year 2021



Financial Analysis of The District's Funds

As explained earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The General fund is the primary operating fund of the District. At the end of the fiscal year, the total fund balance of this fund was \$10,198,350, of which \$5,325,423 (or 16.76% of the ensuing year's budget) was unassigned.

New York State Law limits the amount of unassigned fund balance that can be retained to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. Regarding the amount of unassigned fund balance in excess of the limit allowed by NY State Law, the District plans on using such funds to at least partially finance the District's share of debt service costs attributable to the multiple ongoing capital projects.

The District has earmarked funds for the following purposes:

- *Reserve for encumbrances of \$121,235.* These funds are reserved to pay for commitments at June 30 that will be reappropriated during the subsequent fiscal year.

MECHANICVILLE CITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2021

Financial Analysis of The District's Funds

- *Reserve for Employee Benefit Accrued Liabilities of \$343,701.* The District will use these funds to pay accrued employee benefits due upon termination of the employee's service.
- *Retirement Contribution Reserves of \$861,292.* The District will use these funds to pay retirement contributions for the NYS and Local retirement system.
- *Reserve for Debt of \$609,158.* The District will use the funds to pay debt.

General Fund Budgetary Highlights

During the year final revenues were over the revised budgetary estimates by \$1.5 million, primarily due to use of money and property, specifically interest and earnings and other sources for premium on bond issued. Expenditures and encumbrances were under revised budgetary estimates by \$2.4 million or 8.7%, the majority of which was due to central services, instruction and employee benefits.

Capital Asset and Debt Administration

Capital Assets

By the end of 2021, the District had invested \$42.0 million, net of accumulated depreciation, in a broad range of capital assets, including school buildings. Total depreciation expense for the year was \$1.5 million while building improvements and additions to equipment and furniture amounted to \$2.4 million.

The following summarizes capital assets, net of accumulated depreciation, at June 30, 2021 and 2020:

	<u>6/30/21</u>	<u>6/30/20</u>
Land	\$ 166,345	\$ 166,345
Construction in progress	37,279	11,827,097
Buildings and improvements	40,006,335	27,339,528
Furniture and equipment	<u>1,800,670</u>	<u>1,456,865</u>
Total Capital Assets, Net of Depreciation	<u>\$ 42,010,629</u>	<u>\$ 40,789,835</u>

Long Term Debt

At June 30, 2021, the District had \$63.3 million in general obligation bonds and other long-term debt outstanding, which is increased due to other post-employment benefits payable. (More detailed information about the District's long-term liabilities is presented in Note 2.B. II. to the financial statements.)

The following summarizes long-term liabilities at June 30, 2021 and 2020:

	<u>6/30/21</u>	<u>6/30/20</u>
General Obligation Bonds and Contract Lease	\$ 30,140,883	\$ 18,686,221
Other Post Employment Benefits	31,306,279	33,279,157
Compensated Absences	435,230	162,777
Net Pension Liability, Proportionate Share	<u>1,489,881</u>	<u>1,839,138</u>
Total Long-Term Liabilities	<u>\$ 63,372,273</u>	<u>\$ 53,967,293</u>

**MECHANICVILLE CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2021**

Economic Factors and Next Year's Budgets and Rates

At the time these financial statements were prepared the school district was aware of the following existing circumstances that could significantly affect the District's financial position in the future.

Significant reductions in NYS State aid are anticipated due to the State budget deficit that has been made worse by the COVID-19 pandemic.

Unanticipated expenses related to the COVID-19 pandemic.

The District has negotiated the Administrators, Supervisors, Confidential staff, CSEA and MTA contracts. The CSEA, MAA, and MTA contracts will expire June 30, 2022.

Positive trends show that the District's tax base continues modest steady growth spreading school taxes over a larger assessed value, slowing the growth of tax rates.

Capital project work continues to be active.

Contacting the District's Financial Management

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

Mechanicville City School District
Attn: Jodi A. Birch
25 Kniskern Ave
Mechanicville, NY 12118
(518) 664-5727

MECHANICVILLE CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Current Assets	
Cash - Unrestricted	\$ 1,972,238
Cash - Restricted	189,302
Investments - Unrestricted	4,966,988
Investments - Restricted	1,814,151
Accounts Receivable	17,239
Taxes Receivable, net	451,588
Due From Fiduciary Funds	-
State and Federal Aid Receivable	2,588,479
Due From Other Governments	90,000
Inventories	19,287
Prepaid Expenditures	2,829
Long-Term Due From Other Governments	475,000
Capital Assets, net	42,010,629
Net Pension Asset, Proportionate Share	-
Total Assets	54,597,730
Deferred Outflows of Resources	
Loss on Refunding	89,276
Other Post Employment Benefits	6,413,126
Pensions	6,808,059
Total Deferred Outflows of Resources	13,310,461
Total Assets and Deferred Outflows of Resources	\$ 67,908,191

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 349,487
Accrued Liabilities	23,505
Other Liabilities	101,372
Due to Fiduciary Funds	-
Due to Other Governments	8,127
Bond Interest Accrued	33,181
Due to Teachers' Retirement System	908,087
Due to Employees' Retirement System	119,390
Retainage Payable	-
Unearned Revenues	24,390
Bond Anticipation Notes	-
Long-Term Liabilities - Due and Payable Within One Year	
Bonds	2,830,138
Installment Purchase Debt	108,269
Long-Term Liabilities - Due and Payable After One Year	
Bonds	26,525,000
Installment Purchase Debt	-
Unamortized Bond Premium	677,476
Compensated Absences	435,230
Other Post Employment Benefits Payable	31,306,279
Net Pension Liability, Proportionate Share	1,489,881
Total Liabilities	64,939,812
Deferred Inflows of Resources	
Pensions	3,195,675
Other Post Employment Benefits	-
Total Deferred Inflows of Resources	3,195,675

NET POSITION

Net Investment in Capital Assets	11,959,022
Restricted	1,902,081
Unrestricted	(14,088,399)
Total Net Position	(227,296)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 67,908,191

See accompanying notes to financial statements.

B1.

**MECHANICVILLE CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

		<u>Program Revenues</u>			<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Grants</u>	<u>Changes in</u>
					<u>Net Position</u>
FUNCTIONS/PROGRAMS					
General support	\$ 4,526,687	\$ -	\$ -	\$ -	\$ (4,526,687)
Instruction	17,498,092	7,998	733,443	-	(16,756,651)
Pupil transportation	1,603,388	-	-	-	(1,603,388)
Debt service	296,247	-	-	-	(296,247)
Capital Outlay	-	-	-	714,596	714,596
School lunch program	445,841	27,792	462,950	-	44,901
Total Functions and Programs	\$ <u>24,370,255</u>	\$ <u>35,790</u>	\$ <u>1,196,393</u>	\$ <u>714,596</u>	<u>(22,423,476)</u>
GENERAL REVENUES					
Real property taxes					13,670,053
Investment earnings					11,269
Use of money and property					615
Sale of property and compensation for loss (loss on disposition)					(36,317)
State sources					14,012,087
Federal sources					180,011
Miscellaneous					361,882
Total General Revenues					<u>28,199,600</u>
Change in Net Position					5,776,124
Total Net Position - Beginning of Year as Originally Reported					(6,789,087)
Prior Period Adjustment - Correction of an Error (Note 8)					692,542
Cumulative Effect of Change in Accounting Principle (Note 9)					<u>93,125</u>
Total Net Position, Beginning of Year, As Restated					<u>(6,003,420)</u>
Total Net Position - End of Year					\$ <u>(227,296)</u>

See accompanying notes to financial statements.

**MECHANICVILLE CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Special Aid Fund	School Lunch Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets							
Cash - Unrestricted	\$ 1,952,743	\$ 14,886	\$ 4,608	\$ -	\$ 1	\$ -	\$ 1,972,238
Cash - Restricted	101,372	-	-	87,930	-	-	189,302
Temporary Investments							
Investments in Securities	4,966,415	-	-	-	573	-	4,966,988
Investments in Securities-Restricted	1,814,151	-	-	-	-	-	1,814,151
State and Federal Receivable	2,049,060	177,308	108,025	-	254,086	-	2,588,479
Due From Other Funds	510,734	5,838	25,655	-	-	-	542,227
Accounts Receivable, net	17,239	-	-	-	-	-	17,239
Taxes Receivable, net	451,588	-	-	-	-	-	451,588
Inventories	-	-	19,287	-	-	-	19,287
Prepaid Expenditures	2,829	-	-	-	-	-	2,829
Total Assets	\$ 11,866,131	\$ 198,032	\$ 157,575	\$ 87,930	\$ 254,660	\$ -	\$ 12,564,328
Liabilities							
Accounts Payable	\$ 175,267	\$ 6,462	\$ 3,494	\$ -	\$ 164,264	\$ -	\$ 349,487
Accrued Liabilities	23,237	-	268	-	-	-	23,505
Due to Other Funds	31,493	180,770	132,096	-	197,868	-	542,227
Due to Other Governments	-	7,734	393	-	-	-	8,127
Due to Teachers' Retirement System	908,087	-	-	-	-	-	908,087
Due to Employees' Retirement System	119,390	-	-	-	-	-	119,390
Extra Curricular Activity Funds	101,372	-	-	-	-	-	101,372
Refundable Advances	-	3,066	21,324	-	-	-	24,390
Bond Anticipation Notes	-	-	-	-	-	-	-
Total Liabilities	1,358,846	198,032	157,575	-	362,132	-	2,076,585
Deferred Inflows of Resources	308,935	-	-	-	-	-	308,935
Fund Equity							
Fund Equity:							
Non-spendable	2,829	-	19,287	-	-	-	22,116
Restricted	1,814,151	-	-	87,930	-	-	1,902,081
Committed	-	-	-	-	-	-	-
Assigned	3,055,947	-	-	-	-	-	3,055,947
Unassigned	5,325,423	-	(19,287)	-	(107,472)	-	5,198,664
Total Fund Equity	10,198,350	-	-	87,930	(107,472)	-	10,178,808
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	\$ 11,866,131	\$ 198,032	\$ 157,575	\$ 87,930	\$ 254,660	\$ -	\$ 12,564,328

Amounts reported for governmental activities in the statement of net position are different due to the following:

Fund equity of the governmental funds	\$ 10,178,808
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	42,010,629
Amounts due from other governments are not financial resources and therefore are not reported in the funds	565,000
Accrued interest expense is reported under the accrual basis	(33,181)
Property tax revenues are recorded as revenue when levied under the accrual basis and when "available" under the modified accrual basis.	308,935
Net pension liability	(1,489,881)
Net deferred (inflows)/outflows related to other post employment benefits	6,413,126
Net deferred (inflows)/outflows related to net pension asset/liability adjustments	3,612,384
Loss on refunding	89,276
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(61,882,392)
Net Position of Governmental Activities	\$ (227,296)

MECHANICVILLE CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Aid Fund	School Lunch Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues							
Real Property Taxes and Tax Items	\$ 14,445,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,445,220
Charges for Services	7,998	-	-	-	-	-	7,998
Use of Money and Property	11,743	-	36	105	-	-	11,884
Sale of Property and Compensation for Loss	-	-	-	-	-	-	-
Miscellaneous	321,578	-	171	20,175	-	-	341,924
Miscellaneous - Library	104,958	-	-	-	-	-	104,958
State Sources	13,467,077	142,912	14,909	-	714,596	-	14,339,494
Federal Sources	180,011	590,531	448,041	-	-	-	1,218,583
Sales	-	-	27,792	-	-	-	27,792
Total Revenues	28,538,585	733,443	490,949	20,280	714,596	-	30,497,853
Expenditures							
General Support	2,760,448	-	-	-	-	-	2,760,448
Instruction	13,438,539	747,282	-	-	-	-	14,185,821
Pupil Transportation	1,255,987	18,491	-	-	-	-	1,274,478
Community Services	-	-	-	-	-	-	-
Employee Benefits	5,201,985	3,398	129,749	-	-	-	5,335,132
Debt Service	3,326,829	-	-	-	-	-	3,326,829
Cost of Sales	-	-	445,841	-	-	-	445,841
Other	-	-	-	25,475	-	-	25,475
Capital Outlay	-	-	-	-	2,180,349	-	2,180,349
Total Expenditures	25,983,788	769,171	575,590	25,475	2,180,349	-	29,534,373
Excess (Deficiency) of Revenues Over Expenditures	2,554,797	(35,728)	(84,641)	(5,195)	(1,465,753)	-	963,480
Other Financing Sources And (Uses)							
Interfund Transfers, net	147,313	35,728	84,641	-	(267,682)	-	-
Proceeds of Bonds	-	-	-	-	13,185,138	-	13,185,138
Premium on Bonds	346,014	-	-	-	-	123,176	469,190
Proceeds of Advanced Refunding	-	-	-	-	-	4,750,000	4,750,000
Payments to Escrow Agent - Advanced Refunding	-	-	-	-	-	(4,873,176)	(4,873,176)
BANs Redeemed From Appropriations	-	-	-	-	775,000	-	775,000
Total Other Sources (Uses)	493,327	35,728	84,641	-	13,692,456	-	14,306,152
Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	3,048,124	-	-	(5,195)	12,226,703	-	15,269,632
Fund Equity, Beginning of Year	7,150,226	-	-	-	(12,334,175)	-	(5,183,949)
Cumulative Effect of Change in Accounting Principle (Note 9)	-	-	-	93,125	-	-	93,125
Fund Equity, Beginning of Year as Restated	7,150,226	-	-	93,125	(12,334,175)	-	(5,090,824)
Fund Equity, End of Year	\$ 10,198,350	\$ -	\$ -	\$ 87,930	\$ (107,472)	\$ -	\$ 10,178,808

See accompanying notes to financial statements.

B4.

**MECHANICVILLE CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Net changes in fund balance - total governmental funds	\$ 15,269,632
Capital outlays for the purchase of capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their useful lives as depreciation expense in the statement of activities.	
Depreciation expense	\$ (1,483,058)
Capital outlays (excluding retainage)	<u>2,439,558</u>
	956,500
The net book value, cost less accumulated depreciation, of capital assets disposed of are removed from the statement of net position. Any gain or loss resulting is recorded in the statement of activities.	(36,317)
Interest is recognized as an expense in the governmental funds when paid. For governmental activities, interest expense is recognized as it accrues.	(7,816)
Proceeds of serial bond principal is revenue in governmental funds, but proceeds increase long-term liabilities in the statement of net position.	(13,185,138)
Bond anticipation notes redeemed from appropriations is revenue in governmental funds, but not in the statement of activities.	(775,000)
Amortization of bond premium and loss on refunding is an adjustment to interest expense in the statement of activities and are recorded as liabilities in the statement of net position.	260,422
Amortization of deferred expenses on advanced bond refunding is an adjustment to interest expense in the statement of activities.	(1,268)
Premium on bond issuance is included as revenues in the governmental funds but are reported as long-term liabilities in the statement of net position.	(469,190)
Deferred loss on refunding is included as expenditures in the governmental funds but are reported as long-term assets in the statement of net position.	90,544
Repayments of long-term debt are recorded as expenditures in the governmental funds but are recorded as payments of liabilities in the statement of net position.	7,464,244
Proceeds from advanced refunding bonds are recorded as revenue in the governmental funds, but are recorded as liabilities in the statement of net position.	(4,750,000)
Certain revenues in the statement of activities do not meet the availability criteria required for recognition in a governmental fund and are reported as deferred inflows in governmental funds.	(169,586)
Property taxes are reported as revenue in governmental funds when available. Property taxes that are levied but not considered available are reported as deferred inflows of resources. However, for governmental activities property tax revenues are recognized when levied.	(60,571)
Long-term receivable payment received in the current year recorded as a revenue in the governmental funds but applied against the outstanding receivable balance in the statement of net position.	(85,000)
Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Other Post Employment Benefits	2,540,084
Compensated Absences	(272,453)
Adjustments for net pension liability - ERS	126,254
Adjustments for net pension asset - TRS	<u>(1,119,217)</u>
Change in net position - governmental activities	\$ <u>5,776,124</u>

See accompanying notes to financial statements.

MECHANICVILLE CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2021

	<u>Custodial</u>	<u>Private Purpose Trusts</u>
ASSETS		
Cash - restricted	\$ 6,967	\$ -
Cash - extraclassroom activity balances	-	-
Investments - restricted	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 6,967</u>	<u>\$ -</u>
LIABILITIES		
Extraclassroom activity balances	\$ -	\$ -
Due to other funds	-	-
Other liabilities	<u>6,967</u>	<u>-</u>
Total Liabilities	<u>\$ 6,967</u>	<u>\$ -</u>
NET POSITION		
Reserved for scholarships		<u>\$ -</u>

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Private Purpose Trusts</u>
ADDITIONS	
Gifts and contributions	\$ -
Investment earnings	<u>-</u>
Total Additions	<u>-</u>
DEDUCTIONS	
Scholarships and awards	<u>-</u>
Change in Net Position	-
Net Position - Beginning of Year, As Originally Reported	101,115
Cumulative Change in Accounting Principle (Note 9)	<u>(101,115)</u>
Net Position - Beginning of Year, As Restated	<u>-</u>
Net Position - End of Year	<u>\$ -</u>

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Mechanicville City School District ("the District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the District and its component unit. The District is not a component unit of another reporting entity.

The decision to include a potential component unit in the reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of an entity included in the District's reporting entity.

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities for accounting and reporting purposes. As a result of applying this guidance and due to the administrative involvement defined in footnote 1 to paragraph 8b of GASB 84, the District accounts for these student organization funds within the General Fund.

The Extraclassroom Activity Fund

The extraclassroom activity fund of the District represents 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. A separate audited financial statement (cash basis) of the extraclassroom activity fund can be found at the District's business office, located at 25 Kniskern Ave, Mechanicville, New York.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

The Mechanicville City School District is one of 31 component school districts in the Washington-Saratoga-Warren-Hamilton-Essex Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

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

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

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

BOCES charges districts for program costs and administrative costs. During the year ended June 30, 2021, the District was billed \$3,450,405 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,059,885. Financial statements for the BOCES are available from the BOCES administrative offices.

C. Basis of Presentation

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

The Statement of Activities presents a comparison between direct expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund Financial Statements

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

The District reports the following major governmental funds:

I. Governmental Funds

1. General Fund

The general fund is the principal operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

The special revenue funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditure for specified purposes. Special revenue funds include the following funds:

a. Special Aid Fund

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

b. School Lunch Fund

The school lunch fund is used to account for child nutrition activities whose funds are restricted as to use.

c. Special Revenue Fund

Used to account for revenues legally restricted to expenditures for specific purposes such as scholarships.

3. Capital Projects Fund

The capital projects fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities, or equipment.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

I. Governmental Funds

4. Debt Service Fund

This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

II. Fiduciary Funds

During the fiscal year ended June 30, 2021, the District adopted provisions of GASB Statement No. 84, *Fiduciary Activities*. The primary objective of this Statement is to improve the guidance regarding the indemnification of fiduciary activities for accounting and financial reporting purposes. See Note 9 of the financial statements for the impact of the implementation the financial statements. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included 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:

- a. Private purpose trust funds: These funds are used to account for trust arrangements under which principal and income benefits individuals, private organizations or other governments. 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.
- b. Custodial funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations.

D. Basis of Accounting/Measurement Focus

General Information

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

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

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Accounting/Measurement Focus

General Information

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

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

E. Refundable Advances

Refundable advances arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for refundable advances is removed and revenue is recognized.

F. Property Taxes

I. Calendar

Real property taxes are levied annually by The Board of Education. The levy was adopted by the Board of Education on August 6, 2020 and became a lien on August 6, 2020. Taxes were collected during the period September 1, 2020 through October 31, 2020.

II. Enforcement

Uncollected real property taxes are enforced by the City of Mechanicville and the Counties of Saratoga and Rensselaer. An amount representing all uncollected real property taxes must be transmitted by the City and Counties to the District within two years from the return of unpaid taxes to such City and Counties. Real property taxes receivable expected to be collected within sixty days subsequent to June 30, 2021, less similar amounts collected during this period in the preceding year, are recognized as revenue; otherwise, real property taxes receivable are offset by deferred inflows of resources.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

1. The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the general fund is approved by the voters within the District.
- c. Appropriations are adopted at the line item level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources now included in original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

From Additional Revenues:

Federal Funding	<u>\$ 216,331</u>
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- e. 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.
- f. 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.

II. 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 reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Budgetary Procedures and Budgetary Accounting

III. Budget Basis of Accounting

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District is not legally required to adopt a budget for its special revenue funds. Therefore, budget comparison information for special revenue funds is not included in the District's financial statements.

H. Cash and Investments

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

The District's investment policies are governed by New York State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies; obligations of the State and its municipalities and School Districts. Investments are stated at fair value. Certificates of deposit, if any, are classified as investments in these financial statements.

I. Accounts Receivable

Accounts receivable are shown, net of an allowance for uncollectible accounts. Allowances are reported when accounts are considered to be uncollectible. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

J. Inventories and Prepaid Items

Inventories of food and/or supplies in the school lunch fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value that approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase. Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund equity in the amount of these non-liquid assets has been identified as not available for other subsequent expenditures.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Interfund Transactions

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

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

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

Refer to Note 3.A.II for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

L. Equity Classification

District-wide statements:

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

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

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

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

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classification

Fund statements:

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

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the prepaid expenditures recorded in the General Fund of \$2,829 and inventory recorded in the School Lunch Fund of \$19,287.

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Reserve for Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefits due an employee upon termination of service. This reserve fund was established by a majority vote of the Board of Education and is funded by budgetary appropriations, and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

Reserve for Debt

This reserve was established according to General Municipal Law §6-l, and for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from unexpended bond proceeds. This reserve is accounted for in the General Fund.

Retirement Contribution Reserve

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

Special Revenue Fund

Restricted for scholarships for students that meet donor specified criteria.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classification

Restricted fund balance includes the following:

General Fund:	
Employee Benefit Accrued Liability	\$ 343,701
Debt	609,158
Retirement Contribution - ERS	540,644
Retirement Contribution - TRS	320,648
Special Revenue Fund	<u>87,930</u>
Total	<u>\$ 1,902,081</u>

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school district's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2021.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as the encumbrances not classified as restricted at the end of the fiscal year. All encumbrances of the General Fund are classified as assigned fund balance in the General Fund. Encumbrances reported in the General Fund amounted to \$121,235. Appropriated fund balance in the General Fund is \$2,934,712.

Encumbrances

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

Purpose of Encumbrances

General Fund	
General Support	\$ 20,592
Instruction	70,872
Pupil Transportation	<u>29,771</u>
	<u>\$ 121,235</u>

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classification

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

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. The District exceeded this limit by \$4,054,681 at June 30, 2021.

Net Position/Fund Balance

Net Position Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted sources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted sources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Order of Use of Fund Equity:

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

M. Post Employment Benefits

In addition to providing the retirement benefits described in Note 3, the District provides post employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of these 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 employment benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure. See Note 3.B.VII.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Capital Assets

Capital assets are reported at actual cost or estimated historical costs. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Donated assets, if any, are reported at estimated fair market value at the time received.

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 2,500	Straight Line	15-40 years
Furniture and equipment	2,500	Straight Line	5-20 years
Computers	1,000	Straight Line	5 years

O. Short-term Debt

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The District did not issue or redeem any revenue or tax anticipation notes during the current year.

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. See Note 3.B.II.1. for detail of BANs issued by the District.

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

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District may have four items that qualify for reporting in this category. The first 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. The second is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the district-wide statement of net position. This represents the effect of the net change in the actual and expected experience. Fourth is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on refunding results from the difference in 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.

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 two items that qualify for reporting in this category. The first represents the effect of the net change in the District's proportion of the collective net pension 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. The second 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.

Q. 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 fund 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, as applied to the reporting of capital assets and long-term liabilities, including pensions.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements

- b. Statement of revenues, expenditures and changes in fund balance vs. statement of activities:

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

Long-Term Revenue and Expense 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 in the statement of activities.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported in 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.

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.

Pension Differences

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

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.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

R. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other post employment benefits, potential contingent liabilities, net pension liability/asset, deferred inflows/outflows and useful lives of long-term assets.

S. Vested Employee Benefits

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.

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.

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

T. 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, other post employment benefits payable and compensated absences that will be paid from governmental funds, are reported as a liability in the governmental funds 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 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 after one year in the statement of net position.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

U. Implementation of New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2021, the District implemented the following new standards issued by GASB:

GASB issued Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2021. See Note 9 for impact of this standard.

GASB has issued Statement 90, *Accounting and Financial Reporting for Majority Equity Interest*, effective for the year ending June 30, 2021. This statement had no impact on the District.

V. Future Changes in Accounting Standards

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.

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

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

GASB has issued Statement 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023.

GASB has issued Statement 92, *Omnibus 2020*, effective for the year ending June 30, 2022.

GASB has issued Statement 93, *Replacement of Interbank Offered Rates*, effective for the year ending June 30, 2022.

GASB has issued Statement 94, *Public-Private and Public-Public Partnerships*, effective for the year ending June 30, 2023.

GASB issued Statement 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023.

GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for the year ending June 30, 2022.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

2. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

A. *Unassigned Fund Balance*

The District's unassigned fund balance in the general fund was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year, by \$4,054,681.

B. *Deficit Fund Balance*

There was a deficit fund balance in the capital projects fund of \$107,472. This deficit will be removed when final cost reports are submitted, and transfers made from the General Fund.

3. DETAIL NOTES ON ALL FUNDS

A. *Assets*

I. *Cash and Investments*

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2021, all deposits were fully insured and collateralized by the District's agent in the District's name.

Investment and Deposit Policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with Federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts
- Certificates of deposit
- Obligations of the United States Treasury and United States agencies
- Obligations of New York State and its localities

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies
- Obligations issued or fully insured or guaranteed by New York State and its localities
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization

Restricted Cash and Investments

Fund Financial Statements

Restricted cash and investments of \$1,915,523 in the General Fund on the fund financial statements consists of \$540,644 restricted for retirement contribution - ERS reserve, \$320,648 restricted for retirement contribution - TRS reserve, \$343,701 restricted for employee benefit accrued liability reserve, \$609,158 restricted for the reserve for debt and \$101,372 restricted for the Extraclassroom Activity Fund.

Restricted cash in the Special Revenue fund of \$87,930 is restricted for scholarships.

Fiduciary

Restricted cash in the custodial fund of \$6,967 is restricted for scholarships.

Investments

U.S. GAAP established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the District's investments are valued based on Level 2 of the hierarchy. The District participates in NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2021, the District held \$6,781,139 in investments consisting of various investments in securities issued by the United States and its agencies. The following valuation inputs are included as investments:

Total investments of the cooperative as of year-end are \$3,351,078,688, which consisted of \$353,203,694 in repurchase agreements \$860,892,115 in collateralized bank deposits \$1,941,279,884 in U.S. Government Treasury Securities and \$195,702,995 in FDIC Insured Bank Deposits.

Investments in Securities at Fair Value		<u>Valuation Inputs</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
General Fund	\$ -	\$ -	\$ 6,780,566	\$ -	\$ 6,780,566
Capital Fund	-	-	573	-	573
Total	\$ -	\$ -	\$ 6,781,139	\$ -	\$ 6,781,139

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

The above amounts represent the fair value of the investment pool shares. For the year ended June 30, 2021, the portfolio did not have significant unobservable inputs (Level 3) used in determining fair value. Thus, a reconciliation of assets in which significant unobservable inputs (Level 3) which were used in determining fair value is not applicable.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period. The portfolio recognizes transfers between the levels as of the beginning of the fiscal year.

Risks and Uncertainties with Investments

The District invests in various investments securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the statement of net position and balance sheet.

II. Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transactions and balances are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 510,734	\$ 31,493	\$ 267,682	\$ 120,369
Special Aid Fund	5,838	180,770	35,728	-
School Lunch Fund	25,655	132,096	84,641	-
Capital Projects Fund	<u>-</u>	<u>197,868</u>	<u>-</u>	<u>267,682</u>
Total Government Activities	542,227	542,227	388,051	388,051
Fiduciary Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 542,227</u>	<u>\$ 542,227</u>	<u>\$ 388,051</u>	<u>\$ 388,051</u>

The General Fund transferred to the Special Aid Fund is for the District's share of special education summer school programs its students attended. The General Fund transferred to the School Lunch Fund amounts to cover the fund's deficit. The Capital Fund transferred to the General Fund unexpended local funds.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

A. Assets

IV. Capital Assets

Capital asset balances for the year ended June 30, 2021 are as follows:

	<u>Restated Balance July 1, 2020</u>	<u>Additions</u>	<u>Retire- ments/ Re- classific- ations</u>	<u>Balance June 30, 2021</u>
Governmental Activities				
Capital assets that are not depreciated:				
Land	\$ 166,345	\$ -	\$ -	\$ 166,345
Construction in progress	<u>11,827,097</u>	<u>37,279</u>	<u>11,827,097</u>	<u>37,279</u>
Total Nondepreciable Historical Cost	<u>11,993,442</u>	<u>37,279</u>	<u>11,827,097</u>	<u>203,624</u>
Capital assets that are depreciated:				
Buildings and improvements	42,777,354	13,585,937	24,059	56,339,232
Machinery and equipment	<u>7,268,115</u>	<u>251,509</u>	<u>474,948</u>	<u>7,044,676</u>
Total Depreciable Historical Cost	<u>50,045,469</u>	<u>13,837,446</u>	<u>499,007</u>	<u>63,383,908</u>
Less accumulated depreciation:				
Buildings and improvements	15,306,592	1,036,840	10,535	16,332,897
Machinery and equipment	<u>5,249,942</u>	<u>446,218</u>	<u>452,154</u>	<u>5,244,006</u>
Total Accumulated Depreciation	<u>20,556,534</u>	<u>1,483,058</u>	<u>462,689</u>	<u>21,576,903</u>
Total Capital Assets, net	<u>\$ 41,482,377</u>	<u>\$ 12,391,667</u>	<u>\$ 11,863,415</u>	<u>\$ 42,010,629</u>

Depreciation expense for the year ended June 30, 2021, was allocated to specific functions as follows:

General Support	\$ 1,047,136
Instruction	202,812
Pupil Transportation	<u>233,110</u>
Total	<u>\$ 1,483,058</u>

See Note 8 for information regarding restatement.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

General Information

The District participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). Collectively, TRS and ERS are referred to herein as the "Systems". 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.

Plan Descriptions

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. 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. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in the 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. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information 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 NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System

The New York State and Local Employees' Retirement 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. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). 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 System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244-0001 or found at www.osc.state.ny.us/retire/publications/index.php.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976 who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller 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 TRS.

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

	<u>ERS</u>	<u>TRS</u>
2020-21	\$ 374,453	\$ 837,431
2019-20	351,753	806,304
2018-19	353,555	931,651

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

Pension Liabilities

At June 30, 2021, 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, 2021 for ERS and June 30, 2020 for TRS. The total net 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 of all participating members, actuarially determined. This information was provided by the ERS and TRS systems in reports provided to the District. The ERS information provided was further allocated by the District so that just its proportionate share is recognized.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2020	June 30, 2019
Net pension asset/(liability)	(\$7,732)	\$(1,482,149)
District's portion of the Plan's total net pension asset/(liability)	.0077647%	.053638%

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Pension Expense (Credit)

For the year ended June 30, 2021, the District recognized its proportionate share of pension expense of \$1,999,506 for TRS and \$179,535 for ERS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2021, the District 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>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experiences	\$ 94,424	\$ 1,298,659	\$ -	\$ 75,958
Changes of assumptions	1,421,596	1,874,574	26,812	668,187
Net difference between projected and actual earnings on pension plan investments	-	967,973	2,220,977	-
Changes in proportion and differences between contributions and proportionate share of contributions	194,122	-	20,583	183,158
Contributions subsequent to the measurement date	<u>119,390</u>	<u>837,321</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,829,532</u>	<u>\$ 4,978,527</u>	<u>\$ 2,268,372</u>	<u>\$ 927,303</u>

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension (liability)/asset in the year ended June 30, 2021 for TRS and March 31, 2022 for ERS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized within pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2021	\$ -	\$ 538,862
2022	(71,233)	1,127,015
2023	357	923,706
2024	(85,102)	563,637
2025	(402,253)	3,049
Thereafter	-	57,634

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

The total pension (liability)/asset 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)/asset to the measurement date. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.9%	7.10%
Salary scale	4.4%	1.9% - 4.72%
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.7%	2.20%
Projected cost of living		
Adjustments	1.4% annually	1.3% annually

For ERS, annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2020. For TRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2019.

For ERS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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

<u>ERS</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
	<u>2021</u>	<u>2021</u>
Asset Class:		
Domestic equities	32%	4.05%
International equities	15	6.30
Private Equity	10	6.75
Real estate	9	4.59
Opportunistic ARS Portfolio (1)	3	4.50
Opportunistic portfolio	4	3.63
Real assets	3	5.95
Fixed income	23	6.00
Cash	<u>1</u>	0.50
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.0% for 2021.

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity, respectively.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

<u>TRS</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
	<u>2020</u>	<u>2020</u>
Asset Class:		
Domestic equity	33 %	7.1 %
International equity	16	7.7
Global equity	4	7.4
Real estate equity	11	6.8
Private equity	8	10.4
Domestic fixed income	16	1.8
Global bonds	2	1.0
High-yield bonds	1	3.9
Private debt	1	5.2
Real estate debt	7	3.6
Cash equivalents	1	0.7
Total	<u>100</u> %	

* Real rates of return are net of the long-term inflation assumption of 2.2% for 2020.

Discount rate

The discount rate used to calculate the total pension (liability)/asset was 5.9% for ERS and 7.10% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially based upon the assumptions, and the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (liability)/asset.

Sensitivity of the Proportionate Share of the Net Pension (Liability)/Asset to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension (liability)/asset calculated using the discount rate of 5.9% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.9% for ERS and 6.10% for TRS) or 1-percentage-point higher (6.9% for ERS and 8.10% for TRS) than the current rate:

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension asset/(liability)	\$ (2,145,999)	\$ (7,732)	\$ 1,964,251
TRS	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension asset/(liability)	\$ (9,362,224)	\$ (1,482,149)	\$ 5,131,231

Changes of Assumptions

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

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2021 is \$249,988 for ERS and \$1,956,977 for TRS.

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$119,390.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 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, 2021 amounted to \$908,087.

Other Benefits

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

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

1. Short-Term Debt

Bond Anticipation Notes

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

Changes in Short-Term Debt

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance July 1</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30</u>
BAN	6/18/21	1.00%	<u>\$ 12,990,000</u>	<u>\$ -</u>	<u>\$ 12,990,000</u>	<u>\$ -</u>

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

Interest paid	\$ 126,747
Less interest accrued in the prior year	(3,904)
Plus interest accrued in the current year	<u>-</u>
Total Expense	<u>\$ 122,843</u>

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

2. Long-Term Debt

a. Serial and Statutory Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

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

Interest paid	\$ 420,838
Less interest accrued in the prior year	(21,461)
Plus interest accrued in the current year	33,181
Plus amortization of deferred expenses	1,268
Less amortization of bond premium	(260,422)
Total Expense	<u>\$ 173,404</u>

b. Long-term Obligations

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

3. Changes

The changes in bonds and other long-term indebtedness during the year ended June 30, 2021 are summarized as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
Serial Bonds	\$ 18,005,000	\$ 17,935,138	\$ 6,585,000	\$ 29,355,138
Installment Purchase Debt	212,513	-	104,244	108,269
Less unamortized loss on refunding*	-	(90,544)	(1,268)	(89,276)
Unamortized Bond Premium	<u>468,708</u>	<u>469,190</u>	<u>260,422</u>	<u>677,476</u>
Total Bonds	18,686,221	18,313,784	6,948,398	30,051,607
Compensated Absences	162,777	272,453	-	435,230
Other Post Employment Benefits	<u>33,279,157</u>	<u>3,923,099</u>	<u>5,895,977</u>	<u>31,306,279</u>
Total	<u>\$ 52,128,155</u>	<u>\$ 22,509,336</u>	<u>\$ 12,844,375</u>	<u>\$ 61,793,116</u>

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

*This item is recorded as a deferred outflow on the Statement of Net Position.

The above liabilities are liquidated by the General Fund.

4. Maturity

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2021</u>
Construction/Reconstruction	6/02/2020	6/15/2035	1.8329%	\$ 9,410,000
2006 Refunding Bond	3/22/2016	6/15/2026	1.0%-4.0%	2,030,000
Energy Performance Contract	6/15/2006	5/15/2022	3.826%	108,269
2021 Serial Bonds	6/16/2021	6/15/2035	1.6604%	13,185,138
2021 Refunding	6/16/2021	6/15/2027	1.0%-2.0%	<u>4,730,000</u>
Total				<u>\$ 29,463,407</u>

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

4. Maturity

The following is a summary of maturing debt service requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>	<u>Total</u>
2022	\$ 2,938,407	\$ 584,170	\$ 136,684	\$ 3,659,261
2023	2,880,000	528,800	115,894	3,524,694
2024	2,930,000	470,700	94,810	3,495,510
2025	2,890,000	422,150	73,405	3,385,555
2026	2,735,000	365,450	52,272	3,152,722
Thereafter	<u>15,090,000</u>	<u>1,488,450</u>	<u>204,411</u>	<u>16,782,861</u>
	<u>\$ 29,463,407</u>	<u>\$3,859,720</u>	<u>\$ 677,476</u>	<u>\$ 34,000,603</u>

III. Deferred Inflows of Resources

Deferred inflow of resources arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period and is contingent on future outcomes not expected to occur within the availability period.

IV. Constitutional Debt Limit

The constitution of the State of New York limits the amounts of indebtedness which may be issued by the District. The District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 5% of the average full valuation of taxable real estate within the District. At June 30, 2021, the District has exhausted 72.37% of its constitutional debt limit.

V. Workers' Compensation Insurance

The District participates in the Southern Adirondack Public Schools Workers' Compensation plan administered by the Board of Director which is composed of the chief executive office or other designated officer of the districts participating in Washington-Saratoga-Warren-Hamilton-Essex BOCES. Participant of the plan are required to make their current year contributions on July 15 and October 15 of each plan year. The plan year is July 1 through June 30. The Board may retain surplus to establish and maintain a claim contingency fund. If sufficient funds are not available the Board will determine the amount to be assessed to the participants. For the year ended June 30, 2021, \$92,308 was paid to the plan for workers' compensation premiums.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

VI. Health Insurance Trust

The District participates in the WSWHE Health Insurance Consortium, a 501(c)9 not-for-profit trust. The Health Insurance Consortium Trust is operated of the benefit of School District/BOCES Members located in the counties of Washington, Saratoga, Warren, Hamilton and Essex, New York. The purpose of the Health Insurance Consortium Trust is to enable the member School/BOCES Districts to purchase group health insurance pursuant to New York State Insurance Law Section 4235.

VII. Post Employment Benefits

Plan Description

The District administers the post employment benefits as a single-employer defined benefit plan (the Plan), through which retirees and their spouses receive benefits. The Plan provides for continuation of medical and/or dental/vision benefits for certain retirees and their survivors and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in trust that meet the criteria in paragraph 4 of Statement No. 75.

Funding Policy

The obligations of the Plan members, employer and other contributing entities are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement.

The District provides post employment (health insurance) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreement. The contribution requirements of the plan are negotiated between the District and union representatives. The required contribution is based on projected pay-as-you-go financing requirements. For retirees, the District contributes 75% of the premium cost for individual coverage. For spouses/dependents of retirees, the District contributes 35% of the premium cost in excess of what was billed for the retiree's individual coverage.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

VII. Post Employment Benefits

Employees Covered by Benefit Terms – At the valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	143
Inactive plan members entitled to but not yet receiving benefit payments	-0-
Active plan members	<u>203</u>
Total plan members	<u>346</u>

Net OPEB Liability

The District's total OPEB liability was measured as of July 1, 2020; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability at the valuation date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60% (Based on CPI-2016 OASDI Trustee Report)
Salary increases	3.0% (including inflation)
Discount Rate	2.21% (S&P Municipal Bond 20-year High Grade Index)
Healthcare cost trend rates	
Pre-Medicare	7.00% decreasing 0.5% per year to an ultimate rate of 5.00% by 2026
Medicare	N/A

Mortality rates were based on RP-2014 Mortality Table with adjustments for mortality improvements based in Scale MP-2020.

Retirement participation rate assumed that 95% of future retirees eligible for coverage will elect the benefit. Marriage assumption, it was assumed that participants will keep their marital status upon retirement. For current retirees, actual census information was used. Additionally, a tiered approach based on age and years of service was used to determine retirement rate assumption.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

VII. Post Employment Benefits

Termination rates are based on tables used by the New York State Teachers' Retirement System and the New York State and Local Retirement System. Rate are tiered based on the percentage of employees who will terminate employment at any given age each year, for reasons other than death or retirement.

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

Changes in the Net OPEB Liability

Changes in the District's net OPEB liability were as follows:

	Total OPEB Liability <u>[a]</u>	Plan Fiduciary Net Position <u>[b]</u>	Net OPEB Liability <u>[c]</u>
Balances at June 30, 2020	\$ 33,279,157	\$ -	\$ 33,279,157
Changes for the year:			
Service cost	944,113	-	944,113
Interest	1,170,604	-	1,170,604
Changes in benefit terms	(5,000,000)	-	(5,000,000)
Difference between expected and actual experience	(94,539)	-	(94,539)
Contributions - employer	-	-	-
Net investment income	-	-	-
Change of assumptions or other Inputs	1,808,313	-	1,808,313
Benefit payments	(801,369)	-	(801,369)
Administrative expense	-	-	-
Net changes	<u>(1,972,878)</u>	<u>-</u>	<u>(1,972,878)</u>
Balances, June 30, 2021	<u>\$ 31,306,279</u>	<u>\$ -</u>	<u>\$ 31,306,279</u>

Changes of assumptions and other inputs includes a change in the discount rate from 3.51% to a 2.21% in 2021. Changes in benefit terms reflect a switch from NY-44 plan to WSWHE plan.

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	1% Decrease <u>(1.21%)</u>	Discount Rate <u>(2.21%)</u>	1% Increase <u>(3.21%)</u>
Total OPEB Liability	\$ 33,250,588	\$ 31,306,279	\$ 29,729,088

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

VII. Post Employment Benefits

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's total OPEB liability, 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 (6.0% decreasing to 4.0%) or 1 percentage point higher (8.0% decreasing to 6.0%) than the current healthcare cost trend rate:

	1% Decrease (6.0% Decreasing to <u>4.0%</u>)	Healthcare Cost Trend Rate (7.0% Decreasing to <u>5.0%</u>)	1% Increase (8.0% Decreasing to <u>6.0%</u>)
Total OPEB Liability	\$ 29,759,299	\$ 31,306,279	\$ 33,166,188

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$(1,852,191). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 4,468,806	\$ -
Amounts recognized in OPEB expense	-	-
Changes of assumptions	1,257,942	-
Contributions subsequent to the measurement period	686,378	-
Total	<u>\$ 6,413,126</u>	<u>\$ -</u>

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

VII. Post Employment Benefits

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

Year Ending June 30,

2022	\$	1,033,093
2023		1,033,093
2024		1,431,594
2025		1,431,594
2026		368,912
Thereafter		428,462

4. COMMITMENTS AND CONTINGENCIES

A. Litigation

Various tax certiorari actions are pending against the District for reductions in the assessed value of various properties. While the ultimate results of these claims cannot be presently determined, management does not expect that these matters will have a material adverse effect on the financial position of the District.

B. Risk Financing and Related Insurance

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

C. Other Items

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

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

5. TAX ABATEMENTS

The City of Mechanicville, entered into various property tax abatement programs for the purpose of economic development. The District property tax revenue was reduced by \$51,511. The District received payment in Lieu of Tax (PILOT) payment totaling \$22,952.

The City of Mechanicville Town of Stillwater Industrial Development Agency, entered into various property tax abatement programs for the purpose of economic development. The District property tax revenue was reduced by \$219,983. The District received payment in Lieu of Tax (PILOT) payment totaling \$200,929.

6. DUE FROM OTHER GOVERNMENT

The District levies taxes on behalf of the library and retains the debt service obligation. The District has outstanding serial bonds totaling \$565,000 at June 30, 2021 (included in the 2021 refunding) that were issued on behalf of the Mechanicville Public Library, the proceeds of which were used by the Library for a capital project that was administered by, and was the responsibility of, the Library. The Library is responsible for reimbursing the District for all debt service payments pertaining to this obligation. As a result an amount totaling \$565,000 is also reflected as due from other governments on the statement of net position. During the fiscal year ended June 30, 2021, the District received \$104,958 as reimbursement for bond principal (\$85,000) and interest (\$19,958) payments.

7. CONTINGENCY

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a respiratory disease, to be a pandemic. It is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. The District's operations are heavily dependent on real property taxes and state aid. Additionally, access to grants, funding and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak will likely have a continued material adverse impact on the economy and cost of education. The full impact of the COVID-19 outbreak continues to evolve as of the date these financial statements were available to be issued.

8. CORRECTION OF AN ERROR

During the year ended June 30, 2021, the District obtained a full valuation report and physical inventory for fixed assets and depreciation prepared by a third part appraisal company. Upon reviewing and reconciling that report to District records it was determined that there were errors in the net property, plant and equipment resulting in an understatement of \$692,542. Specifically, buildings and improvements was overstated by \$251,176, furniture, equipment and vehicles was overstated by \$843,39,1 and accumulated depreciation for buildings and improvements was overstated by \$382,410 and for furniture, equipment and vehicles was overstated by \$1,404,699. The opening balances on the Statement of Net Position and in Note 4.A.III have been adjusted to reflect the correction of this error.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

9. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

As of July 1, 2020, the District implemented GASB Statement No. 84, *Fiduciary Activities*. The Statement establishes new criteria for identifying fiduciary activities for accounting and reporting purposes. As a result of applying this guidance many items previously reported as fiduciary in nature have been reclassified. The District's fund balances and government-wide net position were restated as a result of the implementation of GASB No. 84 as follows:

Fiduciary Fund - Private Purpose Trust Fund:

Net position at beginning of year, as previously stated	\$ 101,115
GASB Statement No. 84 implementation	<u>(101,115)</u>
Net position at beginning of year, as restated	<u>\$ -</u>

Special Revenue Fund:

Fund Equity at beginning of year, as previously stated	\$ -
GASB Statement No. 84 implementation	<u>93,125</u>
Fund Equity at beginning of year, as restated	<u>\$ 93,125</u>

Statement of Activities:

Net position at beginning of year, as previously stated	\$ (6,789,087)
Prior Period Adjustment (see Note 8)	692,542
GASB Statement No. 84 implementation	<u>93,125</u>
Net position at beginning of year, as restated	<u>\$ (6,003,420)</u>

A portion of funds previously reported within the Private Purpose Trust Fund are now reported as Custodial Funds under the new guidance.

10. DEFEASED DEBT

Current Year Defeasance

On February 25, 2021, the District issued \$4,750,000 in general obligation bonds with an average interest rate of 1.5% to 4.0% to advance refund \$1,660,000 of outstanding 2013 serial bonds with an average interest rate of 2.0%. The net proceeds of \$4,873,176 (after payment of \$97,631 in underwriting fees, insurance, and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, a portion of the 2010, 2011 and 2013 serial bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. At June 30, 2021, the balance of the advance refunded bonds was \$4,685,000. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$90,000.

11. SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 27, 2021, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2021, have been incorporated into these financial statements.

**MECHANICVILLE CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance with Actual</u>
Revenues				
Local Sources				
Real Property Taxes	\$ 12,773,351	\$ 12,773,351	\$ 12,918,556	\$ 145,205
Real Property Tax Items	1,638,197	1,638,197	1,526,664	(111,533)
Charges for Services	-	-	7,998	7,998
Use of Money and Property	53,000	53,000	11,743	(41,257)
Sale of Property and Compensation for Loss	-	-	-	-
Miscellaneous - Library	108,200	108,200	104,958	(3,242)
Miscellaneous	<u>102,000</u>	<u>102,000</u>	<u>321,578</u>	<u>219,578</u>
Total Local Sources	14,674,748	14,674,748	14,891,497	216,749
State Sources	12,688,392	12,688,392	13,467,077	778,685
Federal Sources	<u>70,000</u>	<u>286,331</u>	<u>180,011</u>	<u>(106,320)</u>
Other Sources				
Interfund Transfers	-	-	267,682	267,682
Premium on Bond	<u>-</u>	<u>-</u>	<u>346,014</u>	<u>346,014</u>
Total Revenue and Other Sources	<u>27,433,140</u>	<u>27,649,471</u>	<u>\$ 29,152,281</u>	<u>\$ 1,502,810</u>
Appropriated Fund Balance				
Prior Year's Encumbrances	96,192	96,192		
Appropriated Fund Equity	959,846	959,846		
Appropriated Fund Equity for Debt Payment	<u>-</u>	<u>-</u>		
Total Appropriated Fund Balance	<u>1,056,038</u>	<u>1,056,038</u>		
Total Revenues, Other Sources and Appropriated Fund Balance	<u>\$ 28,489,178</u>	<u>\$ 28,705,509</u>		

MECHANICVILLE CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Actual and Encumbrances</u>
Expenditures						
General Support						
Board of Education	\$ \$	42,978	\$ 36,704	\$ 28,698	\$ -	\$ 8,006
Central Administration		270,927	271,669	265,386	-	6,283
Finance		383,639	392,655	400,344	-	(7,689)
Staff		77,018	118,135	128,854	-	(10,719)
Central Services		1,860,136	1,847,708	1,591,525	20,592	235,591
Special Items		372,424	355,858	345,641	-	10,217
Total General Support		3,007,122	3,022,729	2,760,448	20,592	241,689
Instruction						
Instruction, Administration & Improvement		509,024	610,729	641,678	-	(30,949)
Teaching - Regular School		6,777,854	6,732,377	6,180,924	25,323	526,130
Programs for Students with Disabilities		4,239,318	4,212,501	3,995,733	114	216,654
Occupational Education		377,310	377,310	362,790	-	14,520
Teaching - Special Schools		350	350	0	-	350
Instructional Media		1,249,951	1,254,142	1,259,551	3,289	(8,698)
Pupil Services		1,091,382	1,169,937	997,863	42,146	129,928
Total Instruction		14,245,189	14,357,346	13,438,539	70,872	847,935
Other Pupil Transportation		1,620,347	1,620,348	1,255,987	29,771	334,590
Community Services		-	-	-	-	-
Employee Benefits		6,155,160	6,212,696	5,201,985	-	1,010,711
Debt Service						
Debt Service Principal		2,229,244	2,779,244	2,779,244	-	-
Debt Service Interest		1,032,116	547,585	547,585	-	-
Total other		11,036,867	11,159,873	9,784,801	29,771	1,345,301
Total Expenditures		28,289,178	28,539,948	25,983,788	121,235	2,434,925
Other Financing Uses						
Interfund Transfer, net		200,000	165,561	120,369	-	45,192
Total Expenditures and Other Uses	\$ \$	28,489,178	\$ 28,705,509	26,104,157	\$ 121,235	\$ 2,480,117
Net Change in Fund Balance				\$ 3,048,124		
Fund balance - beginning				7,150,226		
Fund balance - ending				10,198,350		

**MECHANICVILLE CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	Fiscal Year Ending * <u>2019</u>	<u>2018</u>
Total OPEB Liability				
Measurement date	7/1/2020	7/1/2019	7/1/2018	7/1/2017
Service cost	\$ 944,113	\$ 899,155	\$ 1,030,156	\$ 1,030,156
Interest	1,170,604	1,194,744	802,668	671,706
Changes in benefit terms	(5,000,000)	-	-	-
Difference between expected and actual experience in the measurement of the total OPEB liability	(94,539)	-	7,965,174	-
Changes in assumptions and other inputs	1,808,313	1,082,831	(526,328)	(2,391,070)
Benefit payments	<u>(801,369)</u>	<u>(639,883)</u>	<u>(621,246)</u>	<u>(544,952)</u>
Net Change in Total OPEB Liability	(1,972,878)	2,536,847	8,650,424	(1,234,160)
Total OPEB Liability - beginning	<u>33,279,157</u>	<u>30,742,310</u>	<u>22,091,886</u>	<u>23,326,046</u>
Total OPEB Liability - ending	<u>\$ 31,306,279</u>	<u>\$ 33,279,157</u>	<u>\$ 30,742,310</u>	<u>\$ 22,091,886</u>
Covered-employee payroll	\$ 9,046,527	\$ 9,845,344	\$ 9,407,881	\$ 8,993,697
Total OPEB Liability as a percentage of covered-employee payroll	346.06%	338.02%	326.77%	245.64%

* Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally, the amounts presented for each fiscal year were determined as of the measurement date.

**MECHANICVILLE CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2021**

	ERS Pension Plan Last 10 Fiscal Years						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0077647%	0.0069452%	0.0073234%	0.0076218%	0.0074670%	0.0074608%	0.0073043%
Proportionate share of the net pension liability (asset)	\$ 7,732	\$ 1,489,881	\$ 518,888	\$ 245,988	\$ 701,619	\$ 1,197,472	\$ 246,758
Covered-employee payroll	\$ 2,631,703	\$ 2,681,134	\$ 2,470,909	\$ 2,396,643	\$ 2,239,654	\$ 2,189,738	\$ 2,108,171
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	0.3%	55.6%	21.0%	10.3%	31.3%	54.7%	11.7%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.7%	97.9%
	TRS Pension Plan Last 10 Fiscal Years						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.053638%	0.052557%	0.051245%	0.050648%	0.050111%	0.049215%	0.049159%
Proportionate share of the net pension liability (asset)	\$ 1,482,149	\$ (1,365,436)	\$ (926,637)	\$ 384,972	\$ (536,713)	\$ 5,111,902	\$ 5,476,001
Covered-employee payroll	\$ 8,870,726	\$ 9,263,447	\$ 8,838,630	\$ 8,025,977	\$ 7,731,509	\$ 7,451,879	\$ 7,312,256
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	16.7%	-14.7%	-10.5%	4.8%	-6.9%	68.6%	74.9%
Plan fiduciary net position as a percentage of the total pension liability	97.80%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally, the amounts presented for each fiscal year were determined as of the measurement date as disclosed in the footnotes.

**MECHANICVILLE CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021**

ERS Pension Plan
Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 354,930	\$ 348,706	\$ 359,789	\$ 356,199	\$ 339,682	\$ 419,803	\$ 400,997
Contributions in relation to the contractually required contribution	<u>(354,930)</u>	<u>(348,706)</u>	<u>(359,789)</u>	<u>(356,199)</u>	<u>(339,682)</u>	<u>(419,803)</u>	<u>(400,997)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,631,703	\$ 2,681,134	\$ 2,470,909	\$ 2,396,643	\$ 2,239,654	\$ 2,189,738	\$ 2,108,171
Contributions as a percentage of covered-employee payroll	13.49%	13.01%	14.56%	14.86%	15.17%	19.17%	19.02%

TRS Pension Plan
Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 806,613	\$ 931,653	\$ 818,023	\$ 940,645	\$ 1,025,353	\$ 1,295,959	\$ 1,180,001
Contributions in relation to the contractually required contribution	<u>(806,613)</u>	<u>(931,653)</u>	<u>(818,023)</u>	<u>(940,645)</u>	<u>(1,025,353)</u>	<u>(1,295,959)</u>	<u>(1,180,001)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,870,726	\$ 9,263,447	\$ 8,838,630	\$ 8,025,977	\$ 7,731,509	\$ 7,451,879	\$ 7,312,256
Contributions as a percentage of covered-employee payroll	9.09%	10.06%	9.26%	11.72%	13.26%	17.39%	16.14%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally, the amounts presented for each fiscal year were determined as of the measurement date as disclosed in the footnotes.

**MECHANICVILLE CITY SCHOOL DISTRICT
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET AND
SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2021**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 28,392,986
Add: Prior year's encumbrances	<u>96,192</u>
Original Budget	28,489,178
Additions:	
Budget Amendments	<u>216,331</u>
Final Budget	<u><u>\$ 28,705,509</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-22 [subsequent year's] voter-approved expenditure budget	\$ 31,768,546
Maximum allowed (4% of 2020-21 [subsequent year's] budget)	1,270,742

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

Unrestricted Fund Balance:	
Committed Fund Balance	\$ -
Assigned Fund Balance	3,055,947
Unassigned Fund Balance	<u>5,325,423</u>
Total Unrestricted Fund Balance	<u>8,381,370</u>

Less:

Appropriated Fund Balance	2,934,712
Encumbrances included in Committed and Assigned Fund Balance	<u>121,235</u>
Total Adjustments	<u>3,055,947</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 5,325,423</u></u>
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Actual percentage	16.76%
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- * Per office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions," Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

**MECHANICVILLE CITY SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2021**

			Expenditures				Methods of Financing			Fund Balance (Deficit) June 30, 2021
Project Title	Original	Revised	Prior Year's	Current Year's	Total	Unexpended Balance	Proceeds of Obligations	Local Sources	Total	
Phase IV SED 010-004	\$ 1,050,418	\$ 1,066,171	\$ 1,066,171	\$ -	\$ 1,066,171	\$ -	\$ 1,061,207	\$ -	\$ 1,061,207	\$ (4,964)
Phase II SED 006-015	11,714,862	12,871,341	11,435,166	1,436,175	12,871,341	-	11,978,986	873,145	12,852,131	(19,210)
Phase I SED 006-016	10,010,970	10,064,020	10,064,020	-	10,064,020	-	9,863,300	159,490	10,022,790	(41,230)
Phase I SED 014-001	290,713	293,335	293,335	-	293,335	-	281,995	11,585	293,580	245
Smartschool Project	884,252	884,252	-	714,595	714,595	169,656	-	714,596	714,596	
No SED Project yet	7,700	51,489	21,910	29,579	51,489	-	-	9,176	9,176	(42,313)
Total All Capital Projects	23,958,915	25,230,608	22,880,602	2,180,349	25,060,951	169,656	23,185,488	1,767,992	24,953,480	(107,472)
Bus Purchases	1,480,000	1,451,220	1,451,220	-	1,451,220	-	1,319,179	132,041	1,451,220	-
Grand Totals	\$ 25,438,915	\$ 26,681,828	\$ 24,331,822	\$ 2,180,349	\$ 26,512,171	\$ 169,656	\$ 24,504,667	\$ 1,900,033	\$ 26,404,700	\$ (107,472)

MECHANICVILLE CITY SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2021

Capital Assets, Net		\$ 42,010,629
Add:		
Capital projects fund - cash and investments	\$ 574	
Deferred loss on refunding	<u>89,276</u>	
		89,276
Deduct:		
Bond anticipation notes payable	\$ -	
Short-term portion of bonds payable	(2,830,138)	
Long-term portion of bonds payable	(26,525,000)	
Unamortized bond premium	(677,476)	
Short-term portion of installment purchase debt	(108,269)	
Long-term portion of installment purchase debt	<u>-</u>	
		<u>(30,140,883)</u>
Net Investment in Capital Assets		\$ <u>11,959,022</u>

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

To the President and Members
of the Board of Education of the
Mechanicville City 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 and each major fund of the Mechanicville City School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 27, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompany schedule of findings and questioned costs as item 2021-001.

District's Responses to Findings

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

Purpose of this Report

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

Marvin and Company, P.C.

Latham, NY

September 27, 2021

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

To the President and Members
of the Board of Education of
Mechanicville City School District

Report on Compliance for Each Major Federal Program

We have audited the Mechanicville City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The 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 the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the Mechanicville City School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Mechanicville City 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, 2021.

Report on Internal Control over Compliance

Management of the Mechanicville City 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 the 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-002, that we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Marvin and Company, P.C.

Latham, NY

September 27, 2021

**MECHANICVILLE CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title Program Title	Assistance Listing/ Federal CFDA Number	Pass- Through Grantor's Number	Passed Through to Subrecipient	Total Federal Expenditures
<u>U.S. Department of Education</u>				
Passed Through New York State Education Department:				
Special Education Cluster				
Special Education - Grants to States	84.027	0032-21-0820	\$ -	\$ 313,630
Special Education - Preschool Grants	84.173	0033-21-0820	-	18,346
Total Special Education Cluster				331,976
Title I Grants to Local Educational Agencies	84.010	0021-21-2715	-	193,789
Title I Grants to Local Educational Agencies	84.010	0021-20-2715	-	5,054
Total Title I				198,843
Improving Teacher Quality State Grants	84.367	0147-21-2715	-	44,813
Migrant Education - State Grant Program	84.938C	0080-21-2715	-	14,899
Student Support and Academic Enrichment Program				
COVID-19 Governor's Emergency Education Relief	84.425C	5895-21-2695	-	27,560
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-2695	-	122,419
Total Student Support and Academic Enrichment Program				149,979
Total U.S. Department of Education				\$ 740,510
<u>U.S. Department of Agriculture</u>				
Passed Through New York State Education Department:				
Child Nutrition Cluster				
COVID-19 Summer Food Program	10.559	Not Applicable	\$ -	\$ 416,942
Food Distribution	10.555	Not Applicable	-	31,099
Total Child Nutrition Cluster				448,041
Total Expenditures of Federal Awards				\$ 1,188,551

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of federal award programs administered by the Mechanicville City School District (District), which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the District financial statements. 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 presented in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This Schedule only presents a selected portion of the operations of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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.

The federal expenditures are recognized under the Uniform Guidance.

3. SCOPE OF AUDIT

The Mechanicville City School District is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

3. NON-CASH ASSISTANCE

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2021, the District received food commodities totaling \$31,099.

4. INDIRECT COST RATE

The Mechanicville City School District did not elect to use the 10% de minimus cost rate.

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. The District's policy is not to charge federal award programs with indirect costs.

MECHANICVILLE CITY SCHOOL DISTRICT SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

_____yes X no
_____yes X none reported

Noncompliance material to financial statements noted?

X yes _____no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

_____yes X no
X yes _____none reported

Type of auditor's report issued on compliance for major programs

unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X yes _____no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 & 84.173	Special Education Cluster
10.553 & 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____yes X no

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Noncompliance Material to the Financial Statements

2021-001 Compliance with New York State Real Property Tax Law

Statement of Condition: The unassigned fund balance of the general fund exceeds 4% of the 2021-22 general fund budget.

Criteria: NYS Real Property Tax Law Section 1318 limits the amount of unassigned fund balance a District can have to no more than 4% of the general fund budget for the ensuing fiscal year.

**MECHANICVILLE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Noncompliance Material to the Financial Statements

2021-001 Compliance with New York State Real Property Tax Law (continued)

Cause of Condition: The cumulative effect of expenditures being under budget for numerous years.

Effect of Condition: The District was not in compliance with NYS Real Property Tax Law.

Recommendation: The District should continue to implement the plan to address and use the excess in future years.

Context: As part of our audit procedures compliance with the NYS Real Property Tax Law Limit Section 1318 is reviewed.

Views of the Responsible Officials and Planned Corrective Actions: Regarding the amount of unassigned fund balance in excess of the limit allowed by NY State Law, the District plans on using such funds to at least partially finance the District's share of debt service costs attributable to the multiple ongoing capital projects. If District officials determine the level of excess funds exceed the District's share of the debt service costs, the Board will then determine the most appropriate use for any remaining excess funds, including considering appropriating surplus fund balance to finance annual operating costs, establishing and financing any necessary reserve funds and/or transferring moneys to existing reserves that are not fully funded. This plan will be implemented June 30, 2023, and the School Business Manager, Jodi Birch, will be the person responsible for the implementation.

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal awards which are required to be reported in accordance with 2 CFR.516(a):

Significant Deficiencies

2021-002 Child Nutrition Cluster - Procurement

Information on Federal Program: U.S Department of Agriculture Child Nutrition Cluster (Food Distribution, and COVID-19 Summer School Food Service Program CFDA No. 10.555, and 10.559) passed through the New York State Education Department.

**MECHANICVILLE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal awards which are required to be reported in accordance with 2 CFR.516(a):

Significant Deficiencies

2021-002 Child Nutrition Cluster - Procurement

Criteria: CFR Section 200.318 stipulates that a non-Federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in Part 200 Subpart D. Additionally, 2 CFR Section 200.213 stipulates that no awards, subawards, or contracts be awarded to parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Statement of Condition: During our discussions with management and testing of the major program, we noted that the District is not verifying the eligibility of vendors to participate in Federal assistance programs.

Statement of Cause: The District did not review compliance requirements related to procurement outlined in 2 CFR Section 200.318 and Section 200.213.

Statement of Effect: The District is not in compliance with 2 CFR Section 200.213. The District is not performing required procedures, as a result, vendors that are not eligible for participation in Federal assistance programs or activities could be selected or the District could be overpaying for goods and services.

Questioned Costs: None

Perspective Information: As part of testing of compliance over procurement, a selection of vendors charged to the major program was selected for testing of compliance. Of the District's vendors charged to the program, none were suspended or debarred from participation in Federal assistance programs or activities.

Repeat Finding: No

Recommendation: We recommend that the District review the requirements of 2 CFR Section 200.213 and ensure that a review of the eligibility of potential vendors to participate in Federal assistance programs or activities is performed prior to disbursing funds to the vendor.

Views of the Responsible Officials and Planned Corrective Actions: The requirements of 2 CFR Section 200.213 have been reviewed. Going forward all new vendors will be reviewed to ensure they are eligible to participate in Federal Assistance programs. This review will include looking the vendor up on the exclusion section of the SAM.gov website. This plan will be implemented September 2021, and the School Business Manager, Jodi Birch, and Administrative Assistant to the Business Manager, Sydney Leonard, will be the persons responsible for the implementation.

**MECHANICVILLE CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

Finding 2020-001 Compliance with New York State Real Property Tax Law

Condition: The unassigned fund balance of the general fund exceeds 4% of the 2020-21 general fund budget.

Current Status

Comment was repeated as item 2021-001.

Finding 2020-002 Eligibility

Condition: During our testing we noted one application for free meals was calculated incorrectly. The District determined the household was eligible to receive free meals, however, based on the income eligibility guidelines, the household was not eligible for free or reduced price meals. Additionally, there were eleven applications that could not be located therefore we were unable to verify whether the eligibility of the households for free or reduced price meals was accurate.

Current Status

The District has implemented their corrective action plan for the above finding, therefore finding not required to be repeated.

Finding 2020-003 Paid Lunch Equity Calculation

Condition: The paid lunch equity calculation was not performed.

Current Status

The District has implemented their corrective action plan for the above finding, therefore finding not required to be repeated.

Finding 2020-004 Verification of Free and Reduced Price

Condition: We noted the income verification was not submitted on time.

Current Status

The District has implemented their corrective action plan for the above finding, therefore finding not required to be repeated.