

**MECHANICVILLE CITY SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2022**

MECHANICVILLE CITY SCHOOL DISTRICT

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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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Mechanicville City School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 9 to the financial statements, in 2021/2022, the District adopted new accounting guidance, GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mechanicville City School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mechanicville City School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mechanicville City School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental 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 supplemental 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 F4 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. These supplemental schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 October 7, 2022, 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 the effectiveness of the Mechanicville City School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY
October 7, 2022

MECHANICVILLE CITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING JUNE 30, 2022

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, 2022. 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 2021-2022 school year. Total net position increased by \$2,426,645 over the course of the year.
- General fund expenditures of \$27 million was less than revenues of \$28.5 million by \$1.5 million. The operating surplus is the result of unrealized expenditures in the area of instruction and employee benefits.
- The 2021-22 budget included a \$2 million transfer from excess fund balance to the capital fund to decrease the amount of long-term debt.

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, 2022**

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, 2022**

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 \$2,328,012 at the close of the most recent fiscal year.

Net position (in thousands of dollars)

<u>Governmental Activities</u>	<u>6/30/22</u>	<u>6/30/21</u>
Current and other assets	\$ 13,969	\$ 12,587
Capital assets	40,528	42,011
Lease assets	276	(0)
Net pension asset	<u>9,648</u>	<u>(0)</u>
Total assets	\$ 64,421	\$ 54,598
 Deferred Outflows of Resources	 \$ 12,272	 \$ 13,310
Current liabilities	\$ 4,658	\$ 4,506
Long-term liabilities	57,291	58,943
Net pension liability	<u>(0)</u>	<u>1,490</u>
Total liabilities	\$ 61,949	\$ 64,939
 Deferred Inflows of Resources	 \$ 12,416	 \$ 3,196
 Net position		
Net investment in capital assets	\$ 13,521	\$ 11,959
Restricted	3,209	1,902
Unrestricted	<u>(14,402)</u>	<u>(14,088)</u>
Total net position	\$ 2,328	\$ (227)

**MECHANICVILLE CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2022**

The District's 2022 revenue was \$31,463,804. Property taxes and New York State aid accounted for the majority of the revenue by contributing 46% and 43%, 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.

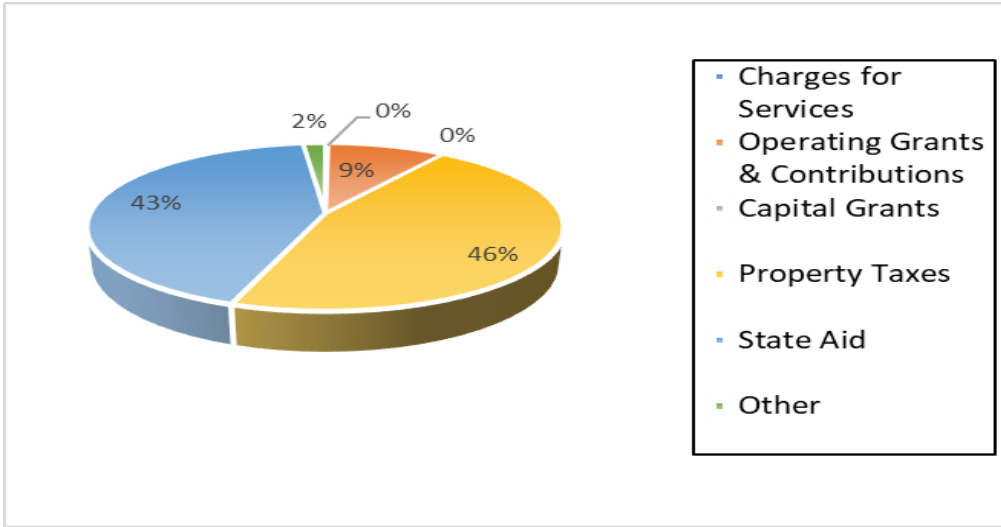
The total cost of all programs and services totaled \$29,037,159 for 2022. 77% of this total represent expenses for the education, supervision and transportation of students, while 19% represents the school district's administrative, business, maintenance and other general support activities.

Statement of Activities (in thousands of dollars)

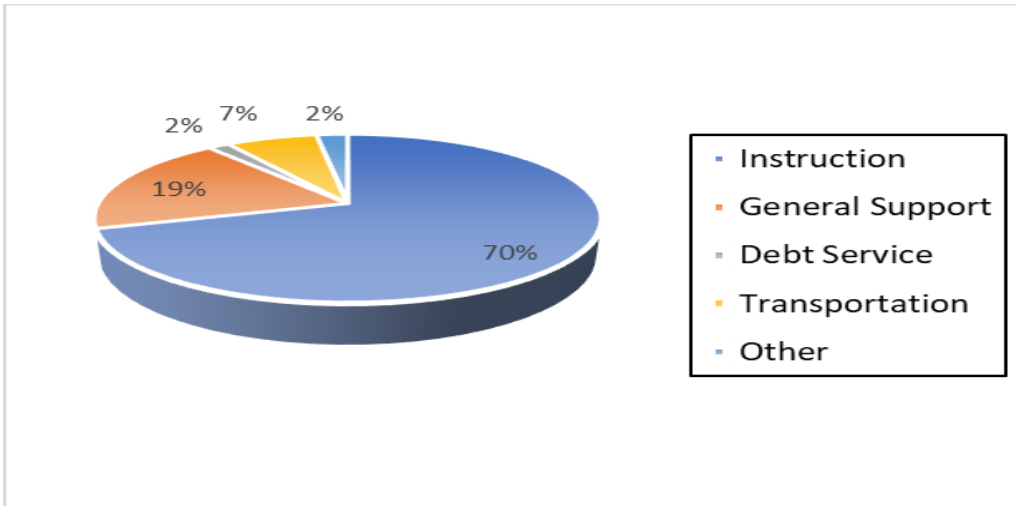
Revenues	<u>2022</u>	<u>2021</u>
Program revenues		
Charges for services	\$ 70	\$ 36
Operating grants	2,943	1,196
Capital grants	(0)	715
General revenues		
Property taxes	14,432	13,670
State aid	13,470	14,012
Other	549	517
Total Revenues	<u>\$ 31,464</u>	<u>\$ 30,146</u>
 Expenses		
Instruction	\$ 20,396	\$ 17,498
General support	5,487	4,527
Debt service	474	296
Transportation	1,997	1,603
Other	683	446
Total Expenses	<u>\$ 29,037</u>	<u>\$ 24,370</u>
 Increase (decrease) in net position	 <u>\$ 2,427</u>	 <u>\$ 5,776</u>

**MECHANICVILLE CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2022**

Sources of Revenues for Fiscal Year 2022



Expenses for Fiscal Year 2022



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 \$9,643,971, of which \$4,160,493 (or 13.50% 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 2021-2022 budget included a \$2,000,000 transfer to the capital fund to decrease the amount of long term bonds that will need to be issued for multiple ongoing capital projects. An additional \$2.3 million of excess fund balance was approved by the voters at the May 17, 2022 budget vote to be appropriated for the anticipated purchase of a bus garage facility.

**MECHANICVILLE CITY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2022**

Financial Analysis of The District’s Funds

The District has earmarked funds for the following purposes:

- *Reserve for encumbrances of \$223,232.* These funds are reserved to pay for commitments at June 30 that will be reappropriated during the subsequent fiscal year.
- *Reserve for Employee Benefit Accrued Liabilities of \$344,251.* The District will use these funds to pay accrued employee benefits due upon termination of the employee’s service.
- *Retirement Contribution Reserves of \$1,188,393.* The District will use these funds to pay retirement contributions for the NYS and Local retirement system.
- *Reserve for Debt of \$459,884.* The District will use the funds to pay debt.

General Fund Budgetary Highlights

During the year final revenues were under the revised budgetary estimates by \$368,989, primarily due to a decrease in state aid. Expenditures and encumbrances were under revised budgetary estimates by \$2.6 million or 8.37%, the majority of which was due to instruction and employee benefits.

Capital Asset and Debt Administration

Capital Assets

By the end of 2022, the District had invested \$40.5 million, net of accumulated depreciation, in a broad range of capital assets, including school buildings. Total depreciation expense for the year was \$1.7 million.

The following summarizes capital assets, net of accumulated depreciation, at June 30, 2022 and 2021:

	<u>6/30/22</u>		<u>6/30/21</u>
Land	\$ 166,345	\$	166,345
Construction in progress	107,285		37,279
Buildings and improvements	38,656,513		40,006,335
Furniture and equipment	1,597,547		1,800,670
Total Capital Assets, Net of Depreciation	<u>\$ 40,527,690</u>	\$	<u>42,010,629</u>

**MECHANICVILLE CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2022**

Long Term Debt

At June 30, 2022, the District had \$60.3 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, 2022 and 2021:

	<u>6/30/22</u>	<u>6/30/21</u>
General Obligation Bonds and Contract Lease	\$ 27,065,792	\$ 30,140,883
Lease Liability	208,811	(0)
Other Post Employment Benefits	32,668,380	31,306,279
Compensated Absences	347,930	435,230
Net Pension Liability, Proportionate Share	<u>(0)</u>	<u>1,489,881</u>
Total Long-Term Liabilities	<u>\$ 60,290,913</u>	<u>\$ 33,231,390</u>

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.

Given the unstable economy and rising inflation the District anticipates that this may have a negative impact on the amount of State Aid the District will receive.

The District has negotiated the Administrators, Supervisors, Confidential staff, CSEA and MTA contracts which will expire on June 30, 2025.

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.

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, 2022**

ASSETS

Current Assets	
Cash - Unrestricted	\$ 1,152,682
Cash - Restricted	2,001,803
Investments - Unrestricted	5,768,478
Investments - Restricted	1,991,808
Accounts Receivable	10,117
Taxes Receivable, net	414,046
State and Federal Aid Receivable	2,123,997
Due From Other Governments	100,551
Inventories	21,446
Long-Term Due From Other Governments	385,000
Capital Assets, net	40,527,690
Lease Assets, net	275,723
Net Pension Asset, Proportionate Share	<u>9,647,540</u>
Total Assets	<u>64,420,881</u>
Deferred Outflows of Resources	
Loss on Refunding	58,983
Other Post Employment Benefits	5,519,713
Pensions	<u>6,692,900</u>
Total Deferred Outflows of Resources	<u>12,271,596</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 76,692,477</u>

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 227,735
Accrued Liabilities	38,486
Other Liabilities	90,887
Due to Other Governments	8,042
Bond Interest Accrued	22,013
Due to Teachers' Retirement System	1,111,871
Due to Employees' Retirement System	90,954
Unearned Revenues	68,040
Long-Term Liabilities - Due and Payable Within One Year	
Bonds	2,880,000
Lease Liabilities	119,577
Long-Term Liabilities - Due and Payable After One Year	
Bonds	23,645,000
Lease Liabilities	89,234
Unamortized Bond Premium	540,792
Compensated Absences	347,930
Other Post Employment Benefits Payable	<u>32,668,380</u>
Total Liabilities	<u>61,948,941</u>
Deferred Inflows of Resources	
Pensions	<u>12,415,524</u>
Total Deferred Inflows of Resources	<u>12,415,524</u>

NET POSITION

Net Investment in Capital Assets	15,344,577
Restricted	3,208,820
Unrestricted	<u>(16,225,385)</u>
Total Net Position	<u>2,328,012</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 76,692,477</u>

**MECHANICVILLE CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
FUNCTIONS/PROGRAMS					
General support	\$ 5,486,804	\$ -	\$ -	\$ -	\$ (5,486,804)
Instruction	20,396,457	7,165	2,263,838	-	(18,125,454)
Pupil transportation	1,997,315	-	-	-	(1,997,315)
Debt service	473,813	-	-	-	(473,813)
Capital outlay	84,100	-	-	-	(84,100)
School lunch program	<u>598,670</u>	<u>62,911</u>	<u>679,222</u>	<u>-</u>	<u>143,463</u>
Total Functions and Programs	<u>\$ 29,037,159</u>	<u>\$ 70,076</u>	<u>\$ 2,943,060</u>	<u>\$ -</u>	<u>(26,024,023)</u>
GENERAL REVENUES					
Real property taxes					14,431,746
Investment earnings					21,711
Use of money and property					1,073
Sale of property and compensation for loss (loss on disposition)					13,851
State sources					13,469,866
Federal sources					80,051
Miscellaneous					<u>432,370</u>
Total General Revenues					<u>28,450,668</u>
Change in Net Position					<u>2,426,645</u>
Total Net Position - Beginning of Year as Originally Reported					(227,296)
Cumulative Effect of Change in Accounting Principle (Note 9)					<u>128,663</u>
Total Net Position, Beginning of Year, As Restated					<u>(98,633)</u>
Total Net Position - End of Year					<u>\$ 2,328,012</u>

See accompanying notes to financial statements.

**MECHANICVILLE CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Special Aid Fund	School Lunch Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Assets						
Cash - Unrestricted	\$ 1,146,256	\$ 6,244	\$ 182	\$ -	\$ -	\$ 1,152,682
Cash - Restricted	90,887	-	-	87,794	1,823,122	2,001,803
Temporary Investments						
Investments in Securities	5,767,904	-	-	-	574	5,768,478
Investments in Securities-Restricted	1,991,808	-	-	-	-	1,991,808
State and Federal Receivable	1,131,751	598,123	140,037	-	254,086	2,123,997
Due From Other Governments	5,551	-	-	-	-	5,551
Due From Other Funds	953,872	58,037	318	-	-	1,012,227
Accounts Receivable, net	10,117	-	-	-	-	10,117
Taxes Receivable, net	414,046	-	-	-	-	414,046
Inventories	-	-	21,446	-	-	21,446
Total Assets	\$ 11,512,192	\$ 662,404	\$ 161,983	\$ 87,794	\$ 2,077,782	\$ 14,502,155
Liabilities						
Accounts Payable	\$ 204,436	\$ 5,924	\$ 17,375	\$ -	\$ -	\$ 227,735
Accrued Liabilities	38,123	54	309	-	-	38,486
Due to Other Funds	58,130	628,692	70,145	-	255,260	1,012,227
Due to Other Governments	-	7,734	308	-	-	8,042
Due to Teachers' Retirement System	1,111,871	-	-	-	-	1,111,871
Due to Employees' Retirement System	90,954	-	-	-	-	90,954
Extra Curricular Activity Funds	90,887	-	-	-	-	90,887
Refundable Advances	-	20,000	48,040	-	-	68,040
Total Liabilities	1,594,401	662,404	136,177	-	255,260	2,648,242
Deferred Inflows of Resources	273,820	-	-	-	-	273,820
Fund Equity						
Fund Equity:						
Non-spendable	-	-	21,446	-	-	21,446
Restricted	1,991,808	-	-	87,794	1,129,218	3,208,820
Committed	-	-	-	-	-	-
Assigned	3,491,670	-	4,360	-	693,304	4,189,334
Unassigned	4,160,493	-	-	-	-	4,160,493
Total Fund Equity	9,643,971	-	25,806	87,794	1,822,522	11,580,093
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	\$ 11,512,192	\$ 662,404	\$ 161,983	\$ 87,794	\$ 2,077,782	\$ 14,502,155

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

Fund equity of the governmental funds	\$ 11,580,093
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	40,527,690
Amounts due from other governments are not financial resources and therefore are not reported in the funds	480,000
Accrued interest expense is reported under the accrual basis	(22,013)
Property tax revenues are recorded as revenue when levied under the accrual basis and when "available" under the modified accrual basis.	273,820
Net pension asset	9,647,540
Lease asset	275,723
Lease liability	(208,811)
Net deferred (inflows)/outflows related to other post employment benefits	5,519,713
Net deferred (inflows)/outflows related to net pension asset/liability adjustments	(5,722,624)
Loss on refunding	58,983
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(60,082,102)
Net Position of Governmental Activities	\$ 2,328,012

MECHANICVILLE CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues						
Real Property Taxes and Tax Items	\$ 14,466,861	\$ -	\$ -	\$ -	\$ -	\$ 14,466,861
Charges for Services	7,165	-	-	-	-	7,165
Use of Money and Property	22,555	-	66	163	-	22,784
Sale of Property and Compensation for Loss	13,851	-	-	-	-	13,851
Miscellaneous	367,938	-	14,506	35,476	-	417,920
Miscellaneous - Library	99,450	-	-	-	-	99,450
State Sources	13,469,866	161,119	13,391	-	-	13,644,376
Federal Sources	80,051	2,102,719	665,831	-	-	2,848,601
Sales	-	-	62,911	-	-	62,911
Total Revenues	<u>28,527,737</u>	<u>2,263,838</u>	<u>756,705</u>	<u>35,639</u>	<u>-</u>	<u>31,583,919</u>
Expenditures						
General Support	3,114,838	23,821	-	-	-	3,138,659
Instruction	13,482,085	2,228,128	-	-	-	15,710,213
Pupil Transportation	1,428,684	45,699	-	-	-	1,474,383
Employee Benefits	5,367,961	6,470	132,229	-	-	5,506,660
Debt Service	3,525,695	-	-	-	-	3,525,695
Cost of Sales	-	-	598,670	-	-	598,670
Other	-	-	-	35,775	-	35,775
Lease Expense	122,573	-	-	-	-	122,573
Capital Outlay	-	-	-	-	154,106	154,106
Total Expenditures	<u>27,041,836</u>	<u>2,304,118</u>	<u>730,899</u>	<u>35,775</u>	<u>154,106</u>	<u>30,266,734</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,485,901</u>	<u>(40,280)</u>	<u>25,806</u>	<u>(136)</u>	<u>(154,106)</u>	<u>1,317,185</u>
Other Financing Sources and (Uses)						
Interfund Transfers, net	(2,040,280)	40,280	-	-	2,000,000	-
Premium on Bonds	-	-	-	-	-	-
Proceeds of Leases	-	-	-	-	84,100	84,100
Total Other Sources (Uses)	<u>(2,040,280)</u>	<u>40,280</u>	<u>-</u>	<u>-</u>	<u>2,084,100</u>	<u>84,100</u>
Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>(554,379)</u>	<u>-</u>	<u>25,806</u>	<u>(136)</u>	<u>1,929,994</u>	<u>1,401,285</u>
Fund Equity, Beginning of Year	<u>10,198,350</u>	<u>-</u>	<u>-</u>	<u>87,930</u>	<u>(107,472)</u>	<u>10,178,808</u>
Fund Equity, End of Year	<u>\$ 9,643,971</u>	<u>\$ -</u>	<u>\$ 25,806</u>	<u>\$ 87,794</u>	<u>\$ 1,822,522</u>	<u>\$ 11,580,093</u>

**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
FOR THE YEAR ENDED JUNE 30, 2022**

Net changes in fund balance - total governmental funds	\$	1,401,285
<p>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.</p>		
Depreciation expense	\$ (1,745,036)	
Capital outlays (excluding retainage)	<u>262,096</u>	(1,482,940)
<p>Outlays for the acquisition of leased 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 amortization expense in the statement of activities.</p>		
Amortization expense	\$ (189,208)	
Lease expenditures	<u>93,068</u>	(96,140)
<p>Interest is recognized as an expense in the governmental funds when paid. For governmental activities, interest expense is recognized as it accrues.</p>		
		11,168
<p>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.</p>		
		136,684
<p>Amortization of deferred expenses on advanced bond refunding is an adjustment to interest expense in the statement of activities.</p>		
		(30,293)
<p>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.</p>		
		2,938,407
<p>Lease proceeds are revenue in governmental funds but increase long-term liabilities in the statement of net position.</p>		
		(84,100)
<p>Lease principal payments are expenditures in governmental funds but are recorded as payments of liabilities in the statement of net position</p>		
		118,490
<p>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.</p>		
		(35,115)
<p>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.</p>		
		(85,000)
<p>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:</p>		
Other Post Employment Benefits		(2,255,514)
Compensated Absences		87,300
Adjustments for net pension asset - ERS		243,043
Adjustments for net pension asset - TRS		<u>1,559,370</u>
Change in net position - governmental activities	\$	<u>2,426,645</u>

See accompanying notes to financial statements.

B5.

**MECHANICVILLE CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2022**

	Custodial
ASSETS	
Cash - restricted	\$ <u>6,458</u>
Total Assets	\$ <u><u>6,458</u></u>
LIABILITIES	
Extraclassroom activity balances	\$ -
Due to other funds	-
Other liabilities	<u>-</u>
Total Liabilities	\$ <u><u>-</u></u>
NET POSITION	
Reserved for scholarships	\$ <u><u>6,458</u></u>

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Custodial
ADDITIONS	
Gifts and contributions	\$ 1,630
Investment earnings	<u>10</u>
Total Additions	<u>1,640</u>
DEDUCTIONS	
Scholarships and awards	<u>2,150</u>
Change in Net Position	(510)
Net Position - Beginning of Year	<u>6,968</u>
Net Position - End of Year	\$ <u><u>6,458</u></u>

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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:

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.

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.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

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, 2022, the District was billed \$2,834,136 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,045,967. 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, 2022**

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

This fund is used to account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the fund, 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, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

II. Fiduciary Funds

Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included 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.

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.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Accounting/Measurement Focus

General Information

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 installment purchase debt and 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 5, 2021 and became a lien on August 5, 2021. Taxes were collected during the period September 1, 2021 through October 31, 2021.

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, 2022, 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

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.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

- c. 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>62,892</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.

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.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 of 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.

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.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Interfund Transactions

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.

Fund statements:

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

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 equity include the inventory recorded in the School Lunch Fund of \$21,446.

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

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classification

Reserve for Employee Benefit Accrued Liability

According to General Municipal Law §6-p, this reserve 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. 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. This reserve is accounted for in the Special Revenue Fund.

Restricted fund balance includes the following:

General Fund:	
Employee Benefit Accrued Liability	\$ 344,251
Debt	459,164
Retirement Contribution - ERS	741,509
Retirement Contribution - TRS	446,884
Special Revenue Fund	87,794
Capital Projects Fund:	
Encumbrances	<u>1,129,218</u>
Total	<u>\$ 3,208,820</u>

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classification

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, 2022.

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 \$223,232. Appropriated fund balance in the General Fund is \$3,268,438.

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	\$	52,829
Instruction		47,079
Pupil Transportation		123,324
	\$	223,232

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 \$2,927,755 at June 30, 2022.

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classification

Net Position/Fund Equity

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 Equity 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 equity). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund equity 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.

N. Capital Assets and Lease 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.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Capital Assets and Lease Assets

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

Lease Assets

The District-wide financial statements, lease assets are reported within the major class of the underlying asset and valued at the future minimum lease payment. Amortization is between 3 and 5 years based on the contract terms and/or estimated replacement of the assets.

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 any 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, 2022**

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 equities of governmental fund vs. net position of governmental activities:

Total fund equities 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 and lease assets and long-term liabilities, including pensions.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 equity vs. statement of activities:

Differences between the governmental funds statement of revenues, expenditures and changes in fund equity 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, 2022**

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.

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, 2022, the District implemented the following new standards issued by GASB:

MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

U. Implementation of New Accounting Standards

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2022. See Note 9.

GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2022. This statement had no impact on the District.

GASB has issued Statement No. 92, *Omnibus*, effective for the year ending June 30, 2022. This statement had no impact on the District.

GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates (paragraphs 11b, 13 and 14)*, effective for the year ending June 30, 2022. This statement had no impact on the District.

GASB has issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and 84, and a Supersession of GASB Statement No. 32*, effective for the year ending June 30, 2022. This statement had no impact on the District.

GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023. This standard was implemented early as permitted. See Note 9.

GASB has issued Statement 98, *The Annual Comprehensive Financial Report*, effective for the year ending June 30, 2022. 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 No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 99, *Omnibus 2022*, effective for the year ending June 30, 2023.

GASB has issued Statement No. 100, *Accounting Changes and Error Corrections*, effective for the year ending June 30, 2024.

GASB has issued Statement No. 101, *Compensated Absences*, effective for the year ending June 30, 2025.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 \$2,927,755.

B. Deficit Fund Balance

There were no deficit fund equities reported at June 30, 2022.

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, 2022, 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, 2022**

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

General Fund

Restricted cash and investments of \$2,082,695 in the General Fund on the fund financial statements consists of \$741,509 restricted for retirement contribution - ERS reserve, \$446,884 restricted for retirement contribution - TRS reserve, \$344,251 restricted for employee benefit accrued liability reserve, \$459,164 restricted for the reserve for debt and \$90,887 restricted for the Extraclassroom Activity Fund.

Special Revenue

Restricted cash of \$87,794 is restricted for scholarships.

Capital Fund

Restricted cash of \$1,823,122 is restricted for payment of expenditures related to voter approved capital projects.

Fiduciary

Restricted cash in the custodial fund of \$6,458 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:

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

3. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

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

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, 2022, the District held \$7,760,286 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 \$4,232,768,655, which consisted of \$1,155,122,566 in repurchase agreements \$646,343,774 in collateralized bank deposits \$2,234,478,573 in U.S. Government Treasury Securities and \$196,823,742 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	\$ -	\$ 7,759,712	\$ -	\$ 7,759,712
Capital Fund	-	574	-	574
Total	<u>\$ -</u>	<u>\$ 7,760,286</u>	<u>\$ -</u>	<u>\$ 7,760,286</u>

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, 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	\$ 953,872	\$ 58,130	\$ -	\$ 2,040,280
Special Aid Fund	58,037	628,692	40,280	-
School Lunch Fund	318	70,145	-	-
Capital Projects Fund	<u>-</u>	<u>255,260</u>	<u>2,000,000</u>	<u>-</u>
Total Government Activities	<u>\$ 1,012,227</u>	<u>\$ 1,012,227</u>	<u>\$ 2,040,280</u>	<u>\$ 2,040,280</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 Capital Fund for the purchase of a new bus garage as approved by the voters.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

3. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Capital Assets

Capital asset balances for the year ended June 30, 2022 are as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retire- ments/ Re- classific- ations</u>	<u>Balance June 30, 2022</u>
Governmental Activities				
Capital assets that are not depreciated:				
Land	\$ 166,345	\$ -	\$ -	\$ 166,345
Construction in progress	<u>37,279</u>	<u>70,006</u>	<u>-</u>	<u>107,285</u>
Total Nondepreciable Historical Cost	<u>203,624</u>	<u>70,006</u>	<u>-</u>	<u>273,630</u>
Capital assets that are depreciated:				
Buildings and improvements	56,339,232	-	-	56,339,232
Machinery and equipment	<u>7,044,676</u>	<u>192,090</u>	<u>(201,925)</u>	<u>7,034,841</u>
Total Depreciable Historical Cost	<u>63,383,908</u>	<u>192,090</u>	<u>(201,925)</u>	<u>63,374,073</u>
Less accumulated depreciation:				
Buildings and improvements	16,332,897	1,349,822	-	17,682,719
Machinery and equipment	<u>5,244,006</u>	<u>395,214</u>	<u>201,925</u>	<u>5,437,294</u>
Total Accumulated Depreciation	<u>21,576,903</u>	<u>1,745,036</u>	<u>201,925</u>	<u>23,120,013</u>
Total Capital Assets, net	<u>\$ 42,010,629</u>	<u>\$ (1,482,940)</u>	<u>\$ -</u>	<u>\$ 40,527,690</u>

Depreciation expense for the year ended June 30, 2022, was allocated to specific functions as follows:

General Support	\$ 1,360,330
Instruction	197,257
Pupil Transportation	<u>187,449</u>
Total	<u>\$ 1,745,036</u>

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022**

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>
2021-22	\$ 327,268	\$ 877,093
2020-21	374,453	837,431
2019-20	351,753	806,304

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

Pension Liabilities

At June 30, 2022, 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, 2022 for ERS and June 30, 2021 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, 2021	June 30, 2020
Net pension asset/(liability)	\$677,184	\$8,970,356
District's portion of the Plan's total net pension asset/(liability)	.0082840%	.051765%

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Pension Expense (Credit)

For the year ended June 30, 2022, the District recognized its proportionate share of pension expense of \$514,015 for TRS and \$30,628 for ERS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2022, 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	\$ 51,284	\$ 1,236,468	\$ 66,518	\$ 46,605
Changes of assumptions	1,130,144	2,950,538	19,070	522,497
Net difference between projected and actual earnings on pension plan investments	-	-	2,217,493	9,388,406
Changes in proportion and differences between contributions and proportionate share of contributions	164,291	57,023	14,305	140,630
Contributions subsequent to the measurement date	<u>90,954</u>	<u>1,012,198</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,436,673</u>	<u>\$ 5,256,227</u>	<u>\$ 2,317,386</u>	<u>\$ 10,098,138</u>

The 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, 2022 for TRS and March 31, 2023 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:		
2022	\$ -	\$ (1,190,409)
2023	(114,028)	(1,386,378)
2024	(204,418)	(1,733,636)
2025	(542,071)	(2,274,445)
2026	(111,150)	424,961
Thereafter	-	305,799

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022	June 30, 2021
Actuarial valuation date	April 1, 2021	June 30, 2020
Interest rate	5.9%	6.95%
Salary scale	4.4%	1.95% - 5.18%
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience	July 1, 2015 - June 30, 2020 System's Experience
Inflation rate	2.7%	2.40%
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, 2015 - June 30, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2020.

For ERS, the actuarial assumptions used in the April 1, 2021 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, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2015 - June 30, 2020.

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, 2022**

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>2022</u>	<u>2022</u>
Asset Class:		
Domestic equities	32%	3.30%
International equities	15	5.85
Private equity	10	6.50
Real estate	9	5.00
Opportunistic ARS portfolio	3	4.10
Credit	4	3.78
Real assets	3	5.80
Fixed income	23	0.00
Cash	<u>1</u>	(1.00)
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.50% for 2022.

<u>TRS</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
	<u>2021</u>	<u>2021</u>
Asset Class:		
Domestic equity	33 %	6.8 %
International equity	16	7.6
Global equity	4	7.1
Real estate equity	11	6.5
Private equity	8	10.0
Domestic fixed income	16	1.3
Global bonds	2	0.8
High-yield bonds	1	5.9
Private debt	1	3.3
Real estate debt	7	3.8
Cash equivalents	<u>1</u>	(0.2)
Total	<u>100 %</u>	

* Real rates of return are net of the long-term inflation assumption of 2.4% for 2021.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Discount rate

The discount rate used to calculate the total pension (liability)/asset was 5.9% for ERS and 6.95% 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 6.95% 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 5.95% for TRS) or 1-percentage-point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

ERS	1% Decrease <u>(4.9%)</u>	Current Assumption <u>(5.9%)</u>	1% Increase <u>(6.9%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (1,743,063)	\$ 677,184	\$ 2,701,603
 TRS	 1% Decrease <u>(5.95%)</u>	 Current Assumption <u>(6.95%)</u>	 1% Increase <u>(7.95%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ 941,308	\$ 8,970,356	\$15,718,189

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 for the period during which the changes occurred. Differences between projected and actual earnings on pension plan investment are amortized over a closed five-year period.

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, 2022 is \$101,552 for ERS and \$546,712 for TRS.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$90,954.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the System in September, October and November 2022 through a state aid intercept. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 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, 2022 amounted to \$1,111,871.

Other Benefits

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

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. There was no short-term debt at June 30, 2022.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 and leases for the year was composed of:

Interest paid	\$ 591,371
Less interest accrued in the prior year	(33,180)
Plus interest accrued in the current year	22,013
Plus amortization of deferred expenses	30,293
Less amortization of bond premium	<u>(136,684)</u>
Total Expense	<u>\$ 473,813</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.

3. Changes

The changes in bonds and other long-term indebtedness during the year ended June 30, 2022 are summarized as follows:

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

3. Changes

	<u>As Restated July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
Serial Bonds	\$ 29,355,138	\$ -	\$ 2,830,138	\$ 26,525,000
Installment Purchase Debt	108,269	-	108,269	-
Unamortized Loss on Refunding*	(89,276)	-	(30,293)	(58,983)
Unamortized Bond Premium	<u>677,476</u>	<u>-</u>	<u>136,684</u>	<u>540,792</u>
Total Bonds	<u>30,051,607</u>	<u>-</u>	<u>3,044,798</u>	<u>27,006,809</u>
Compensated Absences	435,230	-	87,300	347,930
Lease Liability (See Note 8)	243,200	84,100	118,489	208,811
Other Post Employment Benefits	<u>31,306,279</u>	<u>2,048,479</u>	<u>686,378</u>	<u>32,668,380</u>
Total	<u>\$ 62,036,316</u>	<u>\$ 2,132,579</u>	<u>\$ 3,936,965</u>	<u>\$ 60,231,930</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, 2022</u>
Construction/Reconstruction	6/02/2020	6/15/2035	1.8329%	\$ 8,800,000
2006 Refunding Bond	3/22/2016	6/15/2026	1.0%-4.0%	1,640,000
2021 Serial Bonds	6/16/2021	6/15/2035	1.6604%	12,330,000
2021 Refunding	6/16/2021	6/15/2027	1.0%-2.0%	<u>3,755,000</u>
Total				<u>\$ 26,525,000</u>

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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>
2023	\$ 2,880,000	\$ 528,300	\$ 115,894	\$ 3,524,194
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
2027	1,715,000	302,250	41,640	2,058,890
Thereafter	<u>13,375,000</u>	<u>1,186,200</u>	<u>162,771</u>	<u>14,723,971</u>
	<u>\$ 26,525,000</u>	<u>\$3,275,050</u>	<u>\$ 540,792</u>	<u>\$ 30,340,842</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, 2022, the District has exhausted 62.63% 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, 2022, \$91,787 was paid to the plan for workers' compensation premiums.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022**

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	203
 Total plan members	 346

Net OPEB Liability

The District’s total OPEB liability was measured as of July 1, 2021; 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	2.16% (S&P Municipal Bond 20-year High Grade Index)
Healthcare cost trend rates	
Pre-Medicare	7.00% decreasing 0.4% per year to an ultimate rate of 5.00% by 2027
Medicare	N/A

Mortality rates were based on RP-2017 Mortality Table with adjustments for mortality improvements based in Scale MP-2020.

Retirement participation rate assumed that 100% 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, 2022**

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. Rates 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, 2021	\$ 31,306,279	\$ -	\$ 31,306,279
Changes for the year:			
Service cost	1,214,673	-	1,214,673
Interest	697,706	-	697,706
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Contributions - employer	-	-	-
Net investment income	-	-	-
Change of assumptions or other inputs	136,100	-	136,100
Benefit payments	(686,378)	-	(686,378)
Administrative expense	-	-	-
Net changes	<u>1,362,101</u>	<u>-</u>	<u>1,362,101</u>
Balances, June 30, 2022	<u>\$ 32,668,380</u>	<u>\$ -</u>	<u>\$ 32,668,380</u>

Changes of assumptions and other inputs includes a change in the discount rate from 2.21% to 2.16% in 2022.

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 (1.16%) or 1 percentage point higher (3.16%) than the current discount rate:

	1% Decrease <u>(1.16%)</u>	Discount Rate <u>(2.16%)</u>	1% Increase <u>(3.16%)</u>
Total OPEB Liability	\$ 34,697,252	\$ 32,668,380	\$ 31,022,567

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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	\$ 31,054,092	\$ 32,668,380	\$ 34,609,212

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$2,962,493. At June 30, 2022, 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	\$ 3,342,742	\$ -
Amounts recognized in OPEB expense	-	-
Changes of assumptions	1,470,001	-
Contributions subsequent to the measurement period	<u>706,970</u>	<u>-</u>
Total	<u>\$ 5,519,713</u>	<u>\$ -</u>

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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,

2023	\$	1,050,105
2024		1,448,617
2025		1,448,617
2026		385,925
2027		479,479

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.

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 \$137,999. The District received payment in Lieu of Tax (PILOT) payment totaling \$49,679.

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 \$209,586.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 \$480,000 at June 30, 2022 (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 \$480,000 is also reflected as due from other governments on the statement of net position. During the fiscal year ended June 30, 2022, the District received \$94,450 as reimbursement for bond principal (\$85,000) and interest (\$9,450) 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 operations. The District's operations are heavily dependent on real property taxes and state aid. 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. In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The District was awarded three different stimulus packages known as Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), and the American Rescue Plan Act (ARPA). New York State Required the CARES funds to be reported in the General fund, as an offset to state aid reductions, referred to as the Pandemic Adjustment, while the CRRSA and ARPA funds are required to be reported in the special aid fund.

See the schedule of expenditures of federal awards for the COVID-19 funding received by the District. All stimulus funds may be used for pre-award costs dating back to March 13, 2020, when the national emergency was declared. The District also provided free breakfast and lunches to all students (except those who opted out) through the Federal Summer Food Service Program as well as National School Lunch and Breakfast programs.

8. LEASE OBLIGATIONS

Lease Assets

A summary of the lease asset activity during the year ended June 30, 2022 is as follows:

	As Restated Balance July 1	Additions	Deletions	Balance June 30
Lease Assets				
Furniture and equipment	\$ 371,863	\$ 93,068	\$ -	\$ 464,931
Less accumulated amortization	<u>-</u>	<u>189,208</u>	<u>-</u>	<u>189,208</u>
Total Lease Assets, Net	<u>\$ 371,863</u>	<u>\$ (96,140)</u>	<u>\$ -</u>	<u>\$ 275,723</u>

Amortization expense is allocated to instruction on the statement of activities.

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

8. LEASE OBLIGATIONS

Lease Liability

Lease agreements are summarized as follows:

	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total Lease Liability</u>	<u>Balance June 30, 2022</u>
Furniture and equipment	9/24/21	3 years	\$ 28,256	0.79%	\$ 84,100	\$ 55,844
Furniture and equipment	4/16/21	3 years	32,122	1.84%	62,511	31,540
Furniture and equipment	2/14/20	5 years	62,195	1.62%	180,689	<u>121,427</u>
Total Lease Agreements						<u>\$ 208,811</u>

The computer equipment and printers were leased for the District with the terms noted above. This lease is not renewable and the District will not acquire the equipment at the end of the lease term.

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 119,577	\$ 2,996
2024	89,234	1,216
2025	-	-
2026	-	-
2027	-	-
	<u>\$ 208,811</u>	<u>\$ 4,212</u>

9. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

Changes in Accounting Principles

For the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of the statement changes the reporting for leases and subscription-based information technology agreements.

For the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*. The District's net position has been restated as follows:

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

9. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

Restatement of Net Position

Statement of Activities	
Net position beginning of year, as previously stated	\$ (227,299)
Lease assets	371,863
<u>Lease liability</u>	<u>(243,200)</u>
Net Position Beginning of Year, as Restated	<u>\$ (98,633)</u>

10. DEFEASED DEBT

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$3,760,000 of bonds outstanding are considered defeased.

11. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 7, 2022, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2022, have been incorporated into these financial statements.

**MECHANICVILLE CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance with Actual</u>
Revenues				
Local Sources				
Real Property Taxes	\$ 12,932,180	\$ 12,932,180	\$ 12,970,675	\$ 38,495
Real Property Tax Items	1,499,680	1,499,680	1,496,186	(3,494)
Charges for Services	-	-	7,165	7,165
Use of Money and Property	25,000	25,000	22,555	(2,445)
Sale of Property and Compensation for Loss	8,000	8,000	13,851	5,851
Miscellaneous - Library	99,450	99,450	99,450	-
Miscellaneous	<u>102,000</u>	<u>102,000</u>	<u>367,938</u>	<u>265,938</u>
Total Local Sources	14,666,310	14,666,310	14,977,820	311,510
State Sources	14,117,524	14,117,524	13,469,866	(647,658)
Federal Sources	<u>50,000</u>	<u>112,892</u>	<u>80,051</u>	<u>(32,841)</u>
Other Sources				
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Sources	<u>28,833,834</u>	<u>28,896,726</u>	<u>\$ 28,527,737</u>	<u>\$ (368,989)</u>
Appropriated Fund Equity				
Prior Year's Encumbrances	121,235	121,235		
Appropriated Fund Equity	<u>2,934,712</u>	<u>2,934,712</u>		
Total Appropriated Fund Equity	<u>3,055,947</u>	<u>3,055,947</u>		
Total Revenues, Other Sources and Appropriated Fund Equity	<u>\$ 31,889,781</u>	<u>\$ 31,952,673</u>		

**MECHANICVILLE CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	<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	\$ 44,507	\$ 43,820	\$ 31,985	\$ -	\$ 11,835
Central Administration	276,577	275,577	270,776	-	4,801
Finance	408,264	414,811	399,814	-	14,997
Staff	98,942	192,270	191,225	-	1,045
Central Services	1,981,336	1,979,916	1,838,802	52,829	88,285
Special Items	390,209	390,209	382,236	-	7,973
Total General Support	<u>3,199,835</u>	<u>3,296,603</u>	<u>3,114,838</u>	<u>52,829</u>	<u>128,936</u>
Instruction					
Instruction, Administration & Improvement	619,844	625,779	560,524	-	65,255
Teaching - Regular School	7,254,187	7,259,960	6,733,095	19,957	506,908
Programs for Students with Disabilities	4,181,921	4,093,528	3,473,171	961	619,396
Occupational Education	370,050	370,050	354,289	-	15,761
Instructional Media	1,357,498	1,245,590	1,151,118	-	94,472
Pupil Services	1,257,801	1,332,842	1,209,888	26,161	96,793
Total Instruction	<u>15,041,301</u>	<u>14,927,749</u>	<u>13,482,085</u>	<u>47,079</u>	<u>1,398,585</u>
Other Pupil Transportation	1,777,644	1,777,644	1,428,684	123,324	225,636
Community Services	-	-	-	-	-
Employee Benefits	5,961,266	5,918,369	5,367,961	-	550,408
Debt Service					
Debt Service Principal	2,919,463	3,178,090	3,056,897	-	121,193
Debt Service Interest	790,272	654,218	591,371	-	62,847
Total Other	<u>11,448,645</u>	<u>11,528,321</u>	<u>10,444,913</u>	<u>123,324</u>	<u>960,084</u>
Total Expenditures	29,689,781	29,752,673	27,041,836	223,232	2,487,605
Other Financing Uses					
Interfund Transfer, net	2,200,000	2,200,000	2,040,280	-	159,720
Total Expenditures and Other Uses	<u>\$ 31,889,781</u>	<u>\$ 31,952,673</u>	<u>29,082,116</u>	<u>\$ 223,232</u>	<u>\$ 2,647,325</u>
Net Change in Fund Equity			\$ (554,379)		
Fund equity - Beginning			<u>10,198,350</u>		
Fund equity - Ending			<u>\$ 9,643,971</u>		

**MECHANICVILLE CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>	Fiscal Year Ending * <u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Measurement date	7/1/2021	7/1/2020	7/1/2019	7/1/2018	7/1/2017
Service cost	\$ 1,214,673	\$ 944,113	\$ 899,155	\$ 1,030,156	\$ 1,030,156
Interest	697,706	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	136,100	1,808,313	1,082,831	(526,328)	(2,391,070)
Benefit payments	<u>(686,378)</u>	<u>(801,369)</u>	<u>(639,883)</u>	<u>(621,246)</u>	<u>(544,952)</u>
Net Change in Total OPEB Liability	1,362,101	(1,972,878)	2,536,847	8,650,424	(1,234,160)
Total OPEB Liability - beginning	<u>31,306,279</u>	<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>\$ 32,668,380</u>	<u>\$ 31,306,279</u>	<u>\$ 33,279,157</u>	<u>\$ 30,742,310</u>	<u>\$ 22,091,886</u>
Covered-employee payroll	\$ 10,318,880	\$ 9,046,527	\$ 9,845,344	\$ 9,407,881	\$ 8,993,697
Total OPEB Liability as a percentage of covered-employee payroll	316.59%	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, 2022**

	ERS Pension Plan Last 10 Fiscal Years							
	<u>2022</u>	<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)	0.0082840%	0.0077647%	0.0069452%	0.0073234%	0.0076218%	0.0074670%	0.0074608%	0.0073043%
Proportionate share of the net pension liability (asset)	\$ (677,184)	\$ 7,732	\$ -	\$ 518,888	\$ 245,988	\$ 701,619	\$ 1,197,472	\$ 246,758
Covered-employee payroll	\$ 2,888,739	\$ 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	-23.4%	0.3%	0.0%	21.0%	10.3%	31.3%	54.7%	11.7%
Plan fiduciary net position as a percentage of the total pension liability	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.7%	97.9%
	TRS Pension Plan Last 10 Fiscal Years							
	<u>2022</u>	<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)	0.051765%	0.053638%	0.052557%	0.051245%	0.050648%	0.050111%	0.049215%	0.049159%
Proportionate share of the net pension liability (asset)	\$ (8,970,356)	\$ 1,482,149	\$ (1,365,436)	\$ (926,637)	\$ 384,972	\$ (536,713)	\$ 5,111,902	\$ 5,476,001
Covered-employee payroll	\$ 10,424,040	\$ 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	-86.1%	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	113.20%	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, 2022**

		ERS Pension Plan Last 10 Fiscal Years							
		<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$	373,034	\$ 354,930	\$ 348,706	\$ 359,789	\$ 356,199	\$ 339,682	\$ 419,803	\$ 400,997
Contributions in relation to the contractually required contribution		<u>(373,034)</u>	<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>	<u>-</u>
Covered-employee payroll	\$	2,888,739	\$ 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		12.91%	13.49%	13.01%	14.56%	14.86%	15.17%	19.17%	19.02%

		TRS Pension Plan Last 10 Fiscal Years							
		<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$	837,321	\$ 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>(837,321)</u>	<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>	<u>-</u>
Covered-employee payroll	\$	10,424,040	\$ 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		8.03%	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, 2022**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$	31,768,546
Add: Prior year's encumbrances		121,235
Original Budget		31,889,781
Additions:		
Budget Amendments		62,892
Final Budget	\$	31,952,673

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2022-23 [subsequent year's] voter-approved expenditure budget	\$	30,818,448
Maximum allowed (4% of 2022-23 [subsequent year's] budget)		1,232,738

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

Unrestricted Fund Balance:		
Committed Fund Balance	\$	-
Assigned Fund Balance		3,491,670
Unassigned Fund Balance		4,160,493
Total Unrestricted Fund Balance		7,652,163
Less:		
Appropriated Fund Balance		3,268,438
Encumbrances included in Committed and Assigned Fund Balance		223,232
Total Adjustments		3,491,670
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$	4,160,493
Actual percentage		13.50%

* 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, 2022**

<u>Project Title</u>	<u>Expenditures</u>					<u>Methods of Financing</u>			<u>Fund Balance (Deficit) 2022</u>	
	<u>Original</u>	<u>Revised</u>	<u>Prior Year's</u>	<u>Current Year's</u>	<u>Total</u>	<u>Unexpended Balance</u>	<u>Proceeds of Obligations</u>	<u>Local Sources</u>		<u>Total</u>
Phase IV										
SED 010-004	\$ 1,050,418	\$ 1,066,171	\$ 1,066,171	\$ -	\$ 1,066,171	\$ -	\$ 1,061,207	\$ 4,964	\$ 1,066,171	\$ -
Phase II										
SED 006-015	11,714,862	12,871,341	12,871,341	-	12,871,341	-	11,978,986	892,355	12,871,341	-
Phase I										
SED 006-016	10,010,970	10,064,020	10,064,020	-	10,064,020	-	9,863,300	200,720	10,064,020	-
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	714,596	-	714,596	169,656	-	714,596	714,596	-
MS Roof										
SED 006-019	516,207	-	-	-	-	-	-	516,207	516,207	516,207
No SED Project yet	7,700	121,495	51,489	70,006	121,495	-	-	1,427,565	1,427,565	1,306,070
Total All Capital Projects	24,475,122	25,300,614	25,060,952	70,006	25,130,958	169,656	23,185,488	3,767,992	26,953,480	1,822,522
Lease Expense	-	-	-	84,100	84,100	84,100	-	84,100	84,100	-
Bus Purchases	1,480,000	1,451,220	1,451,220	-	1,451,220	-	1,280,051	171,169	1,451,220	-
Grand Totals	\$ 25,955,122	\$ 26,751,834	\$ 26,512,172	\$ 154,106	\$ 26,666,278	\$ 253,756	\$ 24,465,539	\$ 4,023,261	\$ 28,488,800	\$ 1,822,522

**MECHANICVILLE CITY SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2022**

Capital Assets, Net	\$	40,527,690
Add:		
Capital projects fund - cash and investments	\$ 1,823,696	
Deferred loss on refunding	<u>58,983</u>	
		1,882,679
Deduct:		
Bond anticipation notes payable	\$ -	
Short-term portion of bonds payable	(2,880,000)	
Long-term portion of bonds payable	(23,645,000)	
Unamortized bond premium	<u>(540,792)</u>	
		<u>(27,065,792)</u>
Net Investment in Capital Assets	\$	<u>15,344,577</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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 7, 2022.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompany schedule of findings and questioned costs as item 2022-001.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit are 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 the financial statements and, accordingly, we express no opinion on the response.

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

October 7, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND 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

Opinion on Each Major Federal Program

We have audited the Mechanicville City School District's (the District) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination for the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of

laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

October 7, 2022

**MECHANICVILLE CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> <u>Program Title</u>	<u>Assistance Listing/ Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipient</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Education</u>				
Passed Through New York State Education Department:				
Special Education Cluster				
Special Education - Grants to States	84.027	0032-22-0820	\$ -	\$ 330,504
Special Education - Preschool Grants	84.173	0033-22-0820	-	17,919
Total Special Education Cluster				<u>348,423</u>
Title I Grants to Local Educational Agencies	84.010	0021-22-2715	-	227,601
Title I Grants to Local Educational Agencies	84.010	0021-21-2715	-	2,025
Total Title I				<u>229,626</u>
Improving Teacher Quality State Grants	84.367	0147-22-2715	-	40,804
Migrant Education - State Grant Program	84.938C	0080-22-2715	-	4,371
Education Stabilization Funds				
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-2695	-	58,510
COVID-19 CRRSA Act - Elementary and Secondary School Emergency Relief Fund - Full Day UPK Expansion	84.425U	5870-22-9185	-	161,811
COVID-19 CRRSA Act - Governor's Emergency Education Relief Fund	84.425C	5896-21-2695	-	97,975
COVID-19 CRRSA Act - Elementary and Secondary School Emergency Relief Fund	84.425D	5891-21-2695	-	650,165
COVID-19 ARP - Elementary and Secondary School Emergency Relief Fund	84.425U	5880-21-2695	-	427,082
COVID-19 ARP - Elementary and Secondary School Emergency Relief Fund - Comprehensive After School	84.425U	5883-21-2695	-	21,923
COVID-19 ARP - Elementary and Secondary School Emergency Relief Fund - Learning Loss	84.425U	5884-21-2695	-	120,539
Total Education Stabilization Funds				<u>1,538,005</u>
Total U.S. Department of Education				\$ <u>2,161,229</u>
<u>U.S. Department of Agriculture</u>				
Passed Through New York State Education Department:				
Child Nutrition Cluster				
COVID-19 School Breakfast Program	10.553	Not Applicable	\$ -	\$ 181,159
COVID-19 National School Lunch Program	10.555	Not Applicable	-	462,283
Food Distribution	10.555	Not Applicable	-	22,389
Total Child Nutrition Cluster				<u>665,831</u>
Total Expenditures of Federal Awards				\$ <u><u>2,827,060</u></u>

**MECHANICVILLE CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022, the District received food commodities totaling \$22,389.

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, 2022**

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? _____yes X no
- Significant deficiency(ies) identified? _____yes X none reported

Noncompliance material to financial statements noted? _____Xyes _____no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(ies) identified? _____yes X 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)? _____yes X no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Education Stabilization Funds
84.425D	COVID-19 Elementary and Secondary School Emergency Relief Fund
84.425U	COVID-19 CRRSA Act Elementary and Secondary School Emergency Relief Fund – Full Day UPK Expansion
84.425C	COVID-19 CRRSA Act Governor's Emergency Education Relief Fund
84.425D	COVID-19 CRRSA Act Elementary and Secondary School Emergency Relief Fund
84.425U	COVID-19 ARP Elementary and Secondary School Emergency Relief Fund
84.425U	COVID-19 ARP Elementary and Secondary School Emergency Relief Fund Comprehensive After School
84.425U	COVID-19 ARP Elementary and Secondary School Emergency Relief Fund Learning Loss

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____Xyes _____no
F6.

**MECHANICVILLE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

2022-001 Compliance with New York State Real Property Tax Law

Statement of Condition: The unassigned fund balance of the general fund exceeds 4% of the 2022-23 general fund budget by \$2,927,755.

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.

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):

None

**MECHANICVILLE CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Finding 2021-001

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 2022-001.

Finding 2021-002

Procurement

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.

Current Status

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