

***PINE VALLEY CENTRAL
SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS***

PINE VALLEY CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Pine Valley Central School District
South Dayton, New York**

We have audited the accompanying financial statements of the governmental activities and each major fund of *Pine Valley Central School District* as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the *Pine Valley Central School District's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the *Pine Valley Central School District* as of June 30, 2020, as displayed in the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Report on Summarized Comparative Information

We have previously audited *Pine Valley Central School District's* June 30, 2019 financial statements, and our report dated September 19, 2019, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 9), budgetary comparison information (pages 36 through 37), schedule of changes in the District's net OPEB liability and related ratios (page 43), schedule of District contributions – OPEB (page 44), schedule of the District's contributions for defined benefit pension plans (page 45), and schedule of the District's share of the net pension asset/liability (page 46), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Pine Valley Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020 on our consideration of **Pine Valley Central School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 **Pine Valley Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
September 17, 2020**

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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I. Discussion and Analysis

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

II. Financial Highlights

The following items are the financial highlights experienced by the *Pine Valley Central School District* during the fiscal year ended June 30, 2020:

- Overall net position of the District increased during the current year from operations in the amount of \$709,000 as compared to an increase of \$1,646,000 during the prior fiscal year.
- The District's total revenue increased 2% from \$17,222,000 for the year ended June 30, 2019 to \$17,569,000 for the year ended June 30, 2020 due to an increase in State Aid.
- The District's total expenses increased approximately 8% from \$15,576,000 during the year ended June 30, 2019 to \$16,860,000 during the year ended June 30, 2020. This increase was primarily the result of increases in Teacher's Retirement System (TRS) and Employee Retirement System (ERS) expenses due to an actuarial update.
- The District's had capital outlays during the current year in the amount of approximately \$1,022,000 which primarily related to the 2019 capital reconstruction project, a capital outlay project and vehicle and equipment purchases.

III. Overview of the Financial Statements

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

**III. Overview of the Financial Statements
(continued)**

A. Reporting the School District as a Whole (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 10) shows the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 11) shows the amounts of program-specific and general District revenue used to support the District's various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including general support, instruction, transportation, administration, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities. The District only had governmental activities during the current fiscal year.

The two district-wide statements report the School District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and the District's liabilities and deferred inflows of resources – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements):

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. 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 the balances left at year-end that are available for spending. Consequently the governmental funds

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements): (continued)

1. Governmental Funds (continued)

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.

2. Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

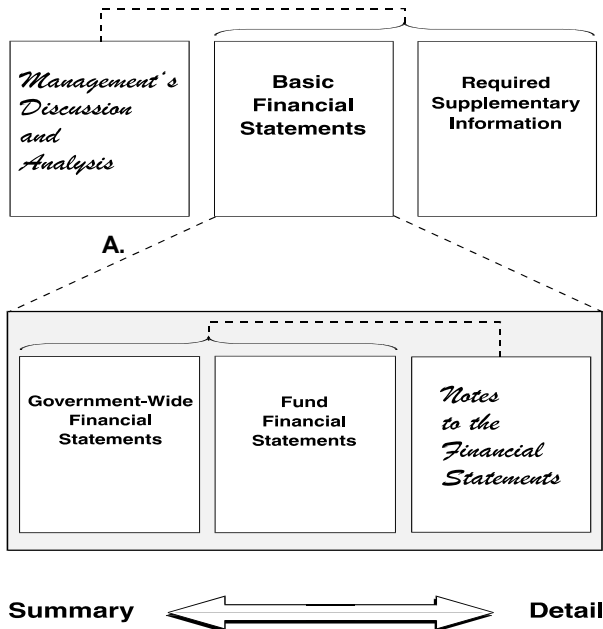
Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources /liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Figure A-2 - Required Components of the District's Annual Financial Report



IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was approximately \$22,955,000. The components of net position include: net investment in capital assets, of \$19,609,000; restricted net position of \$2,734,000 and unrestricted net position of \$612,000.

Changes in Net Position

The District's total government-wide revenue increased by approximately 2% to \$17,569,000. Approximately 19%, 6% and 73% of total revenue is derived from the property taxes, operating grants, and state aid, respectively. The remaining 2% comes from federal aid, use of money and property, miscellaneous and charges for services.

IV. Financial Analysis of the School District as a Whole (continued)

Changes in Net Position (continued)

The total cost of all programs and services of the District increased 8% to \$16,860,000. The District's expenses cover a range of services, with 73% related to instruction and 13% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities increased approximately 2%, while total expenses increased 8%. The District's total net position increased approximately \$709,000 during the fiscal year ended June 30, 2020.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$17,569,000 for the fiscal year ended June 30, 2020. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 19% of the District's total revenue for governmental activities remained consistent during the year ended June 30, 2020.
- The District's state sources which represent \$12,804,000 or 73% of total governmental revenue. The District's state sources increased approximately 3% during the current year. The District received an increase in State basic and excess cost aid during the current year.
- During the year ended June 30, 2020, the District saw an increase in program revenue, which resulted from an increase in charges for services of \$88,000 and an increase in operating grants and contributions of \$135,000. The increase in operating grants and contributions is primarily related to an increase in Federal and State reimbursements due to an increase in meals served during the COVID-19 pandemic.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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IV. Financial Analysis of the School District as a Whole (continued)

Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; general support, instruction, transportation, debt service costs and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$16,860,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support costs increased by approximately \$8,000 or 0%. This increase was primarily the result of an increase in BOCES expenses and increases in Teacher's Retirement System (TRS) and Employee Retirement System (ERS) expenses due to an actuarial update. These increases were offset by decreases in other contractual expenditures.
- The District's instruction costs increased by approximately \$1,114,000 or 10% which was primarily the result of an increase in curriculum supplies and increases in Teacher's Retirement System (TRS) and Employee Retirement System (ERS) expenses due to an actuarial update.
- Debt service costs increased \$29,000 during the current year.
- Transportation costs of the District increased \$78,000 or 5% during the year ended June 30, 2020 due to an increase in pension expense.
- The District's cost of sales (food service fund) totaled \$360,000 during the current year as compared to \$299,000 during the fiscal year ended June 30, 2019. This increase was the result of additional meals served during the COVID-19 pandemic.
- The District received approximately \$1,217,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the District's net costs (\$15.6 million) were financed by real property taxes and state aid.

IV. Financial Analysis of the School District as a Whole (continued)

Figure A-3 – Condensed Statement of Net Position

<i>Pine Valley Central School District</i>			
Condensed Statement of Net Position (in thousands of dollars)			
	Governmental Activities and Total District-wide		
	2020	2019	% Change
Assets			
Current and other assets	\$ 7,968	\$ 7,486	6%
Capital assets	29,918	30,651	-2%
Total assets	37,886	38,137	-1%
Deferred outflows of resources	4,536	3,578	27%
Total assets and deferred outflows	\$ 42,422	\$ 41,715	2%
Liabilities			
Other liabilities	\$ 687	\$ 1,205	-43%
Long-term liabilities	16,945	18,553	-9%
Total liabilities	17,632	19,758	-11%
Deferred inflows of resources	1,835	1,357	35%
Net position			
Net investment in capital assets	19,609	15,288	28%
Restricted	2,734	3,858	-29%
Unrestricted	612	1,454	-58%
Total net position	22,955	20,600	11%
Total liabilities, deferred inflows and net position	\$ 42,422	\$ 41,715	2%

Figure A-4 – Changes in Net Position

<i>Pine Valley Central School District</i>			
Changes in Net Position from Operating Results (in thousands of Dollars)			
	Governmental Activities and Total District-wide		
	2020	2019	% Change
Revenue			
Program revenue			
Charges for services	\$ 197	\$ 109	81%
Operating grants and contributions	1,020	885	15%
General revenue			
Real property taxes	3,361	3,357	0%
Use of money & property	27	36	-25%
Sale of property & comp for loss	4	20	-80%
State sources	12,804	12,471	3%
Federal sources	57	170	-66%
Miscellaneous	99	174	-43%
Total revenue	17,569	17,222	2%
Expenses			
General support	2,238	2,230	0%
Instruction	12,261	11,147	10%
Transportation	1,625	1,547	5%
Community services	21	27	-22%
Debt service - interest	355	326	9%
Food service program	360	299	20%
Total expenses	16,860	15,576	8%
Change in net position	\$ 709	\$ 1,646	

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Figure A-5 – Sources of revenue

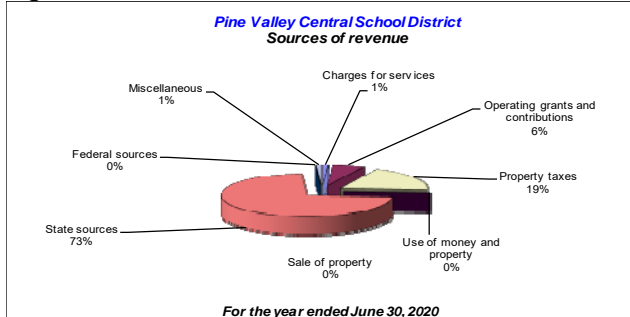


Figure A-6 - Expenses

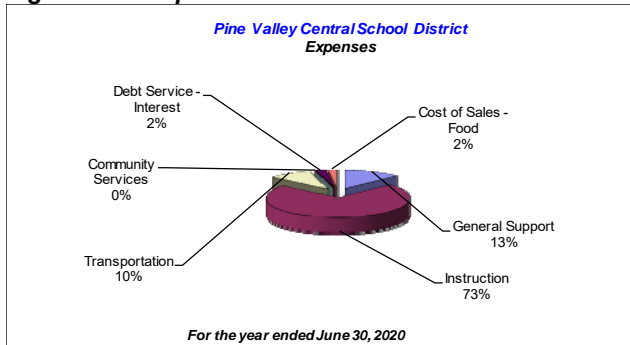


Figure A-7 – Expenditures Supported with Program Revenue

Pine Valley Central School District Expenditures supported with program revenue (in thousands of dollars)				
	Governmental Activities & Total District			
	2020	2019		
Expenditures supported with general revenue (from taxes & other sources)	\$ 15,643	\$ 14,582	93%	94%
Expenditures supported with program revenue	1,217	994	7%	6%
Total expenditures related to governmental activities	\$ 16,860	\$ 15,576	100%	100%

Figure A-8 – Net Cost of Governmental Activities

Pine Valley Central School District Net Cost of Governmental Activities (in thousands of dollars)						
	Total cost of services			Net cost of services		
	2020	2019	Change	2020	2019	Change
General support	\$ 2,238	\$ 2,230	\$ 8	\$ 2,238	\$ 2,230	\$ 8
Instruction	12,261	11,147	1,114	11,495	10,452	1,043
Transportation	1,625	1,547	78	1,607	1,532	75
Community Services	21	27	(6)	21	27	(6)
Debt service - interest	355	326	29	355	326	29
Cost of sales - food	360	299	61	(73)	15	(88)
Total	\$ 16,860	\$ 15,576	\$ 1,284	\$ 15,643	\$ 14,582	\$ 1,061

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund expenditures and other uses exceeded its revenues and other sources by approximately \$809,000.
- The District's general fund unassigned fund balance equated to approximately \$2,792,000 as of June 30, 2020.
- The District had many fund balance reserves during the year ended June 30, 2020, and had a total restricted fund balance of approximately \$2,225,000.
- The District's total assets decreased approximately \$1,018,000 as of June 30, 2020 due to a decrease in cash. The District's liabilities decreased approximately \$210,000 as a result of a decrease to the TRS accrual and accrued expenses.
- Total revenue in the District's general fund increased \$223,000 which was primarily related to an increase in State basic and excess cost aid. Total expenditures in the District's general fund increased \$1,163,000 resulting from an increase in interfund transfers.

Food Service Fund

- The District's food service fund experienced a \$83,000 increase in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$443,000 during 2020 as compared with \$283,000 in 2019. Expenditures were \$360,000 during 2020 as compared with \$299,000 in 2019. These increases were the result of increases in meals served due to the COVID-19 pandemic.

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$36,000 or 5% in the current year primarily related to a decrease in Title I and summer school spending.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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VI. General Fund Budgetary Highlights

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$1,296,000 below the revised budget. The most significant positive variances were in the areas of instruction and employee benefits which totaled \$492,000 and \$446,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$316,000 above the final budgeted amount. With the most significant variances being local sources which were \$202,000 above and state sources which were \$131,000 above, that budgeted.

Figure A-9 – Budget vs. Actual Comparison

Figure A-5 - Budget vs. Actual Comparison

Pine Valley Central School District

General Fund - Budget vs Actual Comparison (in thousands of dollars)

	Revised			
	Budget	Actual	Difference	
Revenue				
Local sources	\$ 3,472	\$ 3,640	\$ 168	
State sources	12,673	12,804	131	
Federal sources	40	57	17	
Operating transfers	-	-	-	
Total revenue	\$ 16,185	\$ 16,501	\$ 316	
Expenditures				
General support	\$ 1,717	\$ 1,618	\$ 99	
Instruction	8,600	8,108	492	
Transportation	1,142	1,104	38	
Employee benefits	3,032	2,586	446	
Debt service	2,490	2,281	209	
Community services	33	21	12	
Interfund transfers	1,591	1,591	-	
Total expenditures	\$ 18,605	\$ 17,309	\$ 1,296	

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2020, the District had invested approximately \$29,918,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2020, totaled approximately \$1,022,000 and consisted primarily of the purchase of new vehicles and capital improvements related to the District's capital outlay project and 2019 capital project. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-term Debt

As depicted in Figure A-11, as of June 30, 2020, the District had approximately \$16,945,000 in bonds, net pension liability, compensated absences and post-employment benefits, a decrease of approximately 5% as compared with the previous year. The decrease in bonds payable was the result of current year principal payments. The increase in other post-employment benefits and the net pension liability was a result of actuarial updates.

Figure A-10 – Capital Assets

<i>Pine Valley Central School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2020	2019	Change
Land	\$ 17,550	\$ 17,550	0%
Construction-in-progress	683,684	13,649	4909%
Building and improvements	39,362,889	39,264,325	0%
Furniture, equipment & vehicles	5,166,619	5,113,863	1%
Accumulated depreciation	(15,312,454)	(14,244,989)	7%
Total Capital Assets, net	\$ 29,918,288	\$ 30,164,398	-1%

Figure A-11 – Outstanding Long-term Debt

<i>Pine Valley Central School District</i>			
<i>Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2020	2019	Change
Bonds payable	\$ 11,191,306	\$ 13,062,140	-14%
Net pension liability	1,723,728	476,253	262%
Compensated Absences	351,256	330,324	6%
Other post-employment benefits	3,678,342	4,005,917	-8%
Total Long-Term Debt	\$ 16,944,632	\$ 17,874,634	-5%

VIII. Factors Bearing on the District's Future

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

- The District is uncertain as to the level of state aid in the upcoming years as a result of the Pandemic. New York State enacted a 2020-21 budget provision that provides for three time periods during the State's fiscal year at which time the Division of Budget will evaluate revenue and expenditures against its budget projections and potentially adjust State aid to school districts that could result in mid-year cuts. In addition, 2020-21 State aid includes a reduced "Pandemic Adjustment" which is being offset with Federal Stimulus funds.
- The District continues to note a decline in general student enrollment, however projections are showing that the decline has begun to level off.

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Pine Valley Central School District
District Administrative Offices
7755 Route 83
South Dayton, New York 14138

PINE VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

Schedule 1

Page 10

	2020	2019
Assets		
Cash		
Unrestricted	\$ 2,080,504	\$ 2,054,418
Restricted	2,734,550	4,120,804
Receivables		
State and federal aid	1,440,565	1,155,660
Due from other governments	165,020	3,376
Other receivables	57	-
Due from other fiduciary funds	-	1,936
Inventories	5,490	8,093
Net pension asset	659,387	419,990
Cash to be used for capital assets	881,922	86,351
Capital assets, net	29,918,288	30,164,398
Total assets	<u>37,885,783</u>	<u>38,015,026</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	3,451,442	2,869,264
Deferred outflows related to OPEB	1,084,507	950,101
Total deferred outflows of resources	<u>4,535,949</u>	<u>3,819,365</u>
 Total assets and deferred outflows of resources	 <u>\$ 42,421,732</u>	 <u>\$ 41,834,391</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 120,266	\$ 66,535
Accrued liabilities	14,501	191,033
Accrued interest	46,000	101,000
Due to other governments	218	238
Due to retirement systems	470,490	551,278
Unearned revenue	35,595	31,146
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	2,020,000	1,920,000
Portion due or payable after one year		
Bonds payable	9,171,306	11,142,140
Net pension liability	1,723,728	476,253
Compensated absences	351,256	330,324
Other post-employment benefits	3,678,342	4,005,917
Total liabilities	<u>17,631,702</u>	<u>18,815,864</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	1,084,186	719,549
Deferred inflows related to OPEB	750,428	52,591
Total deferred inflows of resources	<u>1,834,614</u>	<u>772,140</u>
Net Position		
Net investment in capital assets	19,608,904	17,188,609
Restricted	2,734,550	4,120,804
Unrestricted	611,962	936,974
Total net position	<u>22,955,416</u>	<u>22,246,387</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 42,421,732</u>	<u>\$ 41,834,391</u>

See accompanying independent auditor's report and notes to financial statements.

PINE VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 2

Page 11

		Indirect	Program Revenues		2020	2019
	Expenses	Expenses Allocation	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs						
General support	\$ 2,087,344	\$ 150,957	\$ -	\$ -	\$ (2,238,301)	\$ (2,229,606)
Instruction	11,501,429	758,286	154,738	610,130	(11,494,847)	(10,451,654)
Pupil transportation	1,266,556	358,846	-	18,740	(1,606,662)	(1,532,614)
Community services	21,496	-	-	-	(21,496)	(26,630)
Debt service	355,010	-	-	-	(355,010)	(325,767)
Food service program	360,200	-	42,062	391,285	73,147	(15,472)
Depreciation	1,268,089	(1,268,089)	-	-	-	-
Total functions and programs	\$ 16,860,124	\$ -	\$ 196,800	\$ 1,020,155	(15,643,169)	(14,581,743)
General Revenues						
Real property taxes					3,360,692	3,356,967
Use of money and property					27,416	35,780
Sale of equipment and compensation for loss					4,598	19,897
Miscellaneous					98,628	173,964
State sources					12,803,878	12,471,018
Federal sources					56,986	170,528
Total general revenues					16,352,198	16,228,154
Change in net position					709,029	1,646,411
Net position - beginning of year					22,246,387	20,599,976
Net position - end of year					\$ 22,955,416	\$ 22,246,387

PINE VALLEY CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2020

Schedule 3

Page 12

	Governmental Funds						2019
	General	Special Aid	Food Service	Debt Service	Capital Projects	2020 Total	(Memo only) Total
Assets							
Unrestricted cash	\$ 2,059,450	\$ 20,264	\$ -	\$ -	\$ -	\$ 2,079,714	\$ 2,054,418
Restricted cash	2,224,681	-	-	509,869	882,712	3,617,262	4,207,155
Due from other funds	493,416	-	-	-	-	493,416	340,601
State and federal aid receivable	879,280	396,017	165,268	-	-	1,440,565	1,155,660
Due from other governments	165,020	-	-	-	-	165,020	3,376
Other receivables	-	-	57	-	-	57	-
Inventories	-	-	5,490	-	-	5,490	8,093
Total assets	<u>\$ 5,821,847</u>	<u>\$ 416,281</u>	<u>\$ 170,815</u>	<u>\$ 509,869</u>	<u>\$ 882,712</u>	<u>\$ 7,801,524</u>	<u>\$ 7,769,303</u>
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 107,140	\$ 486	\$ 12,640	\$ -	\$ -	\$ 120,266	\$ 66,535
Accrued liabilities	14,501	-	-	-	-	14,501	191,033
Unearned revenue	33,278	350	1,967	-	-	35,595	31,146
Due to other funds	-	415,445	77,181	-	790	493,416	338,665
Due to other governments	-	-	218	-	-	218	238
Due to Teachers' Retirement System	396,928	-	-	-	-	396,928	480,180
Due to Employees' Retirement System	68,413	-	5,149	-	-	73,562	71,098
Total liabilities	<u>620,260</u>	<u>416,281</u>	<u>97,155</u>	<u>-</u>	<u>790</u>	<u>1,134,486</u>	<u>1,178,895</u>
Fund Equity							
Nonspendable	-	-	5,490	-	-	5,490	8,093
Restricted	2,224,681	-	-	509,869	-	2,734,550	4,120,804
Assigned	185,268	-	68,170	-	881,922	1,135,360	1,041,893
Unassigned	2,791,638	-	-	-	-	2,791,638	1,419,618
Total fund equity	<u>5,201,587</u>	<u>-</u>	<u>73,660</u>	<u>509,869</u>	<u>881,922</u>	<u>6,667,038</u>	<u>6,590,408</u>
Total liabilities and fund equity	<u>\$ 5,821,847</u>	<u>\$ 416,281</u>	<u>\$ 170,815</u>	<u>\$ 509,869</u>	<u>\$ 882,712</u>	<u>\$ 7,801,524</u>	<u>\$ 7,769,303</u>

PINE VALLEY CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 4

Page 13

	Governmental Funds						
	General	Special Aid	Food Service	Debt Service	Capital Projects	2020 (Memo only) Total	2019 (Memo only) Total
Revenue							
Real property taxes	\$ 3,360,692	\$ -	\$ -	\$ -	\$ -	\$ 3,360,692	\$ 3,356,967
Use of money and property	21,788	-	11	5,628	-	27,427	35,802
Charges for services	154,738	-	-	-	-	154,738	42,135
Sale of property compensation for loss	4,598	-	-	-	-	4,598	35,094
Miscellaneous	98,628	-	1,473	-	-	100,101	175,845
State sources	12,803,878	173,446	12,170	-	-	12,989,494	12,628,979
Federal sources	56,986	455,424	360,265	-	-	872,675	877,149
Surplus food	-	-	18,850	-	-	18,850	20,078
Sales (school food service)	-	-	40,578	-	-	40,578	65,080
Total revenue	16,501,308	628,870	433,347	5,628	-	17,569,153	17,237,129
Expenditures							
General support	1,617,778	-	136,962	-	-	1,754,740	1,831,567
Instruction	8,108,212	571,128	-	-	-	8,679,340	8,117,468
Pupil transportation	1,103,871	18,740	-	-	-	1,122,611	1,240,116
Community services	21,496	-	-	-	-	21,496	26,630
Employee benefits	2,585,653	56,002	26,758	-	-	2,668,413	2,811,103
Debt service							
Principal	1,920,000	-	-	-	-	1,920,000	2,338,350
Interest	360,844	-	-	-	-	360,844	439,999
Capital outlay	-	-	-	-	768,599	768,599	206,904
Cost of sales	-	-	187,035	-	-	187,035	126,395
Other expenses	-	-	9,445	-	-	9,445	5,165
Total expenditures	15,717,854	645,870	360,200	-	768,599	17,492,523	17,143,697
Excess (deficiency) of revenue over expenditures	783,454	(17,000)	73,147	5,628	(768,599)	76,630	93,432
Other sources and uses							
BANs redeemed from appropriations	-	-	-	-	-	-	278,350
Proceeds from serial bond refunding	-	-	-	3,130,000	-	3,130,000	-
Premiums earned on bond refunding	-	-	-	135,398	-	135,398	-
Payment to escrow agent for bond refunding	-	-	-	(3,265,398)	-	(3,265,398)	-
Operating transfers in	-	17,000	10,000	-	1,564,170	1,591,170	514,620
Operating transfers out	(1,591,170)	-	-	-	-	(1,591,170)	(514,620)
Total other sources (uses)	(1,591,170)	17,000	10,000	-	1,564,170	-	278,350
Excess (deficiency) of revenue and other sources over expenditures and other uses	(807,716)	-	83,147	5,628	795,571	76,630	371,782
Fund equity (deficit), beginning of year	6,009,303	-	(9,487)	504,241	86,351	6,590,408	6,218,626
Fund equity, end of year	\$ 5,201,587	\$ -	\$ 73,660	\$ 509,869	\$ 881,922	\$ 6,667,038	\$ 6,590,408

See accompanying independent auditor's report and notes to financial statements.

PINE VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2020

Schedule 5

Page 14

	Private Purpose Trusts	Agency Funds	2020 Total	2019 Total
Assets				
Cash and investments	\$ 12,650	\$ 85,523	\$ 98,173	\$ 84,312
Due from other funds	-	-	-	2,000
Total assets	<u>\$ 12,650</u>	<u>\$ 85,523</u>	<u>\$ 98,173</u>	<u>\$ 86,312</u>
Liabilities				
Accrued liabilities	\$ -	\$ 3,528	\$ 3,528	\$ 1,183
Due to other funds	-	-	-	3,936
Student extraclassroom activity funds	-	81,995	81,995	67,253
Total liabilities	-	85,523	85,523	72,372
Net Position				
Reserved for scholarships	12,650	-	12,650	13,940
Total liabilities and net position	<u>\$ 12,650</u>	<u>\$ 85,523</u>	<u>\$ 98,173</u>	<u>\$ 86,312</u>

PINE VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 6

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	6/30/2020	6/30/2019
Additions		
Gifts and contributions	\$ 180	\$ 380
Interest earnings	45	47
Total additions	225	427
Deductions		
Scholarships awarded	1,515	1,145
Change in net position	(1,290)	(718)
Net position - beginning of year	13,940	14,658
Net position - end of year	<u>\$ 12,650</u>	<u>\$ 13,940</u>

PINE VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

Total fund balances - governmental funds \$ 6,667,038

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

Cost of the assets	\$ 45,230,742	
Accumulated depreciation	<u>(15,312,454)</u>	29,918,288

District's proportionate share of the net pension asset is reported on the statement of net position, whereas in the governmental funds, pension costs are based on required contributions.		659,387
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Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(46,000)
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Net deferred outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, pension expense is based on required contributions.		2,367,256
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Net deferred outflows of resources related to actuarial OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, OPEB expense is based on required contributions.		334,079
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:

Bonds payable	(11,191,306)	
Net pension liability	(1,723,728)	
Compensated absences	(351,256)	
Other post-employment benefits	<u>(3,678,342)</u>	(16,944,632)

Total net position - governmental activities \$ 22,955,416

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 5,696,976	\$ -	\$ -	\$ (881,922)	\$ 4,815,054
Due from other funds	493,416	-	-	(493,416)	-
State and federal aid receivable	1,440,565	-	-	-	1,440,565
Due from other governments	165,020	-	-	-	165,020
Other receivables	57	-	-	-	57
Inventories	5,490	-	-	-	5,490
Net pension asset	-	659,387	-	-	659,387
Cash to be used for capital assets	-	-	-	881,922	881,922
Capital assets, net	-	29,918,288	-	-	29,918,288
Total assets	7,801,524	30,577,675	-	(493,416)	37,885,783
Deferred Outflows of Resources					
Deferred outflows related to pensions and OPEB	-	4,535,949	-	-	4,535,949
Total assets and deferred outflows of resources	\$ 7,801,524	\$ 35,113,624	\$ -	\$ (493,416)	\$ 42,421,732
Liabilities, Deferred Inflows of Resources and Fund Equity					
Liabilities					
Accounts payable	\$ 120,266	\$ -	\$ -	\$ -	\$ 120,266
Accrued liabilities	14,501	-	-	-	14,501
Unearned revenue	35,595	-	-	-	35,595
Accrued interest	-	-	46,000	-	46,000
Due to other funds	493,416	-	-	(493,416)	-
Due to other governments	218	-	-	-	218
Due to retirement systems	470,490	-	-	-	470,490
Bonds payable	-	-	11,191,306	-	11,191,306
Net pension liability	-	-	1,723,728	-	1,723,728
Compensated absences	-	-	351,256	-	351,256
Other post-employment benefits	-	-	3,678,342	-	3,678,342
Total liabilities	1,134,486	-	16,990,632	(493,416)	17,631,702
Deferred Inflows of Resources					
Deferred inflows related to pensions and OPEB	-	-	1,834,614	-	1,834,614
Fund equity and net position	6,667,038	35,113,624	(18,825,246)	-	22,955,416
Total liabilities, deferred inflows of resources, and fund equity/net position	\$ 7,801,524	\$ 35,113,624	\$ -	\$ (493,416)	\$ 42,421,732

PINE VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Total net change in fund balances - governmental funds	\$ 76,630
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	\$ 1,021,979	
Depreciation expense	<u>(1,268,089)</u>	(246,110)

Proceeds from the sale of assets are reported as revenue in the governmental funds, whereas in the statement of activities a gain or loss on sale is reported.

-

Proceeds from issuance of long-term debt (including bond refunding) is recorded as revenue in the governmental funds. However, in the statement of activities, proceeds from long-term are not recorded as revenue. Rather, long-term debt is recorded as a liability in the statement of net position.

(3,130,000)

Repayment of bond principal (including bond refunding) is an expenditure in the governmental funds, but the repayment reduces long-term and short-term liabilities in the government-wide financial statements. Also, interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This also includes the amortization of bond premiums and new premiums earned as a result of bond refunding in the current year.

5,055,834

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds, pension expense is based on the District's contribution to pension plans.

(790,537)

District's actuarial calculated OPEB expense and net amortization of deferred outflows and inflows related to OPEB are recorded in the statement of activities, whereas in the governmental funds, OPEB expense is based on the District's contribution to the OPEB plan.

(235,856)

In the statement of activities, certain operating expenses - compensated absences and special termination benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences changed by this amount.

(20,932)

Change in net position of governmental activities

\$ 709,029

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 3,360,692	\$ -	\$ -	\$ -	\$ 3,360,692
Use of money and property	27,427	-	-	(11)	27,416
Charges for services	154,738	-	-	(154,738)	-
Sale of property/compensation for loss	4,598	-	-	-	4,598
Miscellaneous	100,101	-	-	(1,473)	98,628
State sources	12,989,494	-	-	(185,616)	12,803,878
Federal sources	872,675	-	-	(815,689)	56,986
Surplus food	18,850	-	-	(18,850)	-
Sales (school food service)	40,578	-	-	(40,578)	-
Total revenue	17,569,153	-	-	(1,216,955)	16,352,198
Expenditures					
General support	1,754,740	150,957	-	332,604	2,238,301
Instruction	8,679,340	758,286	20,932	2,036,289	11,494,847
Pupil transportation	1,122,611	105,466	-	378,585	1,606,662
Community services	21,496	-	-	-	21,496
Employee benefits	2,668,413	-	1,026,393	(3,694,806)	-
Debt service	2,280,844	-	(1,925,834)	-	355,010
Capital outlay	768,599	(768,599)	-	-	-
Cost of sales	187,035	-	-	(260,182)	(73,147)
Other expenses	9,445	-	-	(9,445)	-
Total expenditures	17,492,523	246,110	(878,509)	(1,216,955)	15,643,169
Excess (deficiency) of revenue over expenditures	76,630	(246,110)	878,509	-	709,029
Other sources and uses					
Operating transfers in	1,591,170	-	-	(1,591,170)	-
Operating transfers out	(1,591,170)	-	-	1,591,170	-
BANs redeemed from appropriations	-	-	-	-	-
Premiums from serial bond issuance	135,398	-	(135,398)	-	-
Proceeds from serial bond refunding	3,130,000	-	(3,130,000)	-	-
Payment to escrow agent	(3,265,398)	-	3,265,398	-	-
Total other sources (uses)	-	-	-	-	-
Net change for year	\$ 76,630	\$ (246,110)	\$ 878,509	\$ -	\$ 709,029

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

The accompanying financial statements of the *Pine Valley Central School 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 financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial reporting entity.

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

Extraclassroom Activity Funds

The extraclassroom activity fund of the *Pine Valley Central School District* represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are available at the District's offices.

B. Joint Venture

The *Pine Valley Central School District* is one of 27 component school districts in the Erie 2 – Chautauqua-Cattaraugus 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Joint Venture (continued)

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

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of the administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

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. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year, the District was billed \$2,796,000 for BOCES administration, program and capital costs. The District's share of BOCES aid, rental charges and refunds amounted to \$1,005,000 for the year ended June 30, 2020. Financial statements for the Chautauqua-Cattaraugus BOCES are available at the BOCES administrative offices in Angola, New York.

C. Basis of Presentation

1. 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 double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

C. Basis of Presentation (continued)

1. District-wide Statements (continued)

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

2. Fund Financial Statements

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

The District reports the following major governmental fund types:

General - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid - 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. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

Food Service Fund - is used to account for the all revenue and expenditures pertaining to the cafeteria operations.

Capital Projects - is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. The fund is also utilized to account for the purchase of transportation vehicles.

Debt Service - is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

C. Basis of Presentation (continued)

3. Fiduciary Fund Types

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements because their resources do not belong to the District, and are not available to be used.

Fiduciary Funds include Private Purpose Trust Funds and Agency Funds. The Private Purpose Trust Funds and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations and other governments.

Private Purpose Trust Funds are accounted for on the accrual basis. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting.

D. Measurement Focus and Basis of Accounting

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments of three months or less are considered as cash equivalents. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

F. Investments

Investments are stated at current market value.

G. Inventory

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

H. Capital Assets

Capital assets are reported at actual cost and, estimated historical costs, based on an appraisal conducted by independent third-party professionals was used. Costs, as of September 2016, were estimated based on reverse trending techniques applied against the estimates of current replacement cost.

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 as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building and improvements	\$ 50,000	Straight-line	15-40 years
Infrastructure assets	250,000	Straight-line	15-40 years
Furniture and equipment	500	Straight-line	5-20 years
Transportation vehicles	500	Straight-line	8 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. 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 proportion share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date. The third item relates to OPEB reporting in the District-wide Statement of Net Position. This represents the actuarial differences that are deferred and amortized, along with benefits paid subsequent to the measurement period.

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. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item relates to OPEB reporting in the District-wide Statement of Net Position. This represents the actuarial differences that are deferred and amortized.

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Due To/From Other Funds

The amounts reported on the Statement of Net Position for due to and from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

K. Long-Term Debt

The liabilities reported as long-term liabilities include the School District's general obligation bonds, most obligations under lease/purchase and other financing arrangements, certain pension contributions and other long-term liabilities including vacation leave, sick leave, litigation, and other (i.e. workers' compensation, insurance-related liabilities pertaining to the Governmental Funds).

L. Unearned revenue

Unearned revenue is reported on the District's combined balance sheet. Unearned revenue arises 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 unearned revenue is removed and revenue is recognized.

M. Compensated Absences

Sick Leave Pay - certain of the District's employee groups have negotiated sick leave benefits payable based on accumulated unused sick days. Generally the employee must have accumulated minimum years of service with the District and must be eligible for retirement under the provisions of either the teacher or employee retirement systems.

The District has recorded an estimated liability in the government-wide financial statements amounting to approximately \$351,256 to recognize the cost of the benefits for those employees eligible to receive such a benefit. Payment of these benefits is dependent on many factors, therefore, the timing of future payments is not readily determinable. The District believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the District-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Post-Employment Benefits

In addition to the retirement benefits described in Note 3V, the District provides post-employment health insurance coverage to certain retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. The District recognizes the net cost of providing health insurance in the governmental funds when paid. The Statement of Net position reports the computed District liability at year-end and the Statement of Activities reports the net increase or decrease in the liability as expense.

O. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). Nonspendable Fund Balance includes the following category:

1. Inventory Reserve

This reserve is used to limit the investment in inventory and to restrict that portion of fund balance which is unavailable for appropriation. This reserve is accounted for in the School Food Service Fund.

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted Fund Balance includes the following categories:

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

O. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

1. Unemployment Reserve

This reserve is used to accumulate funds to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may be either transferred to another reserve or the excess applied to the appropriations next succeeding fiscal year's budget. If the District elects to convert to tax basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is recorded in the General Fund.

2. Reserve for Debt Service

This reserve is used for the purpose of retiring the outstanding obligation upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. Interest and earnings on outstanding obligations and remaining bond proceeds not utilized for the intended purpose are recorded in the Reserve for Debt Service. These monies must be used to pay the debt service of the obligations from which they originated. This reserve is accounted for in the Debt Service or General Fund.

3. Insurance Reserve

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

O. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

4. Reserve for Employee Benefit Accrued Liability

The purpose of this reserve is for the payment of any accrued employee benefit due an employee upon termination of the employee's service. This reserve fund may be established by a majority vote of the Board of Education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

5. Reserve for Retirement System Credits

This reserve is used to accumulate funds for employee retirement system contributions. The reserve may be established by a majority vote of the Board of Education and is accounted for in the General Fund.

6. Capital Reserve

These reserves are used to accumulate funds to finance all or a portion of future capital projects and bus purchases for which bonds may be issued. Voter authorization is required for both the establishment of the reserves and payments from the reserves. These reserves are accounted for in the General Fund or Capital Project Fund.

7. Tax Certiorari Reserve

The purpose of this reserve is to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amounts which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeding in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

8. Endowment Scholarships Reserve

This reserve is used to account for endowments, scholarships and other funds held in trust by the School District. These monies and earnings must be used for the specific purpose of the original contribution. This reserve is accounted for in the Private Purpose Trust Fund.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

O. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

9. Reserve for Teachers' Retirement Contributions

This reserve is used to pay for district expenses to the NYS Teachers' Retirement System. Funds may be paid into the retirement contribution reserve fund from budgetary appropriation or excess fund balance. Funds added to this reserve will not exceed 2% of teacher salaries in the prior year. When the District experiences a rate increase, the difference from year to year would be supported by the use of this reserve. The reserve may be established by a majority vote of the Board of Education and is accounted for in the General Fund.

10. Workers' Compensation Reserve

This reserve is used to fund Workers' Compensation expenses, related medical expenses and self-insurance administrative costs. This reserve is funded from excess fund balance, and can be used to pay any expenses related to Workers' Compensation. The reserve is accounted for in the General Fund.

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2020.

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager and Treasurer has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

O. Fund Equity (continued)

1. Governmental Funds (continued)

1. Encumbrance Accounting (continued)

If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. Reserve for encumbrances totaled \$52,488 as of June 30, 2020.

2. Appropriated Fund Equity

General Fund - The amount of \$132,780 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2021 as allowed by Section 1318 of the Real Property Tax Law.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

2. Government-wide financial statements

A. Net Investment in Capital Assets

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents net position of the District not restricted for any other purpose.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Equity (continued)

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

P. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.
- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year-end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. During the current year, the District voters approved supplemental appropriations related to transfers from the capital reserve fund to the capital projects fund totaling \$1,464,170.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Budgetary Procedures and Budgetary Accounting (continued)

2. Budget Basis for Accounting

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

The budget and actual comparison for the Food Service Fund reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

Budgetary controls for the special aid fund and capital funds are established in accordance with the applicable grant agreement or authorized project limit which may cover a period other than the District's fiscal year. Consequently, the budgets for such funds have been excluded from the combined schedule of revenue, expenditures and changes in fund equity - budget and actual.

Q. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on October 31.

2. Enforcement

Uncollected real property taxes are subsequently enforced by the County, in which the School District is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the forthcoming April 1.

R. Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers to provide services and construct assets.

S. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses.

T. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS**

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

A. Total Fund Equity of Governmental Funds vs. Net Position of Governmental Activities

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

B. Statement of Revenues, Expenditures and Changes in Fund 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 three broad categories. These categories are more fully explained below:

1. Long-term Revenue Differences

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

2. Capital Related Differences

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

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS (continued)**

3. Long-term Debt Transaction Differences

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

4. 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.

5. OPEB Differences

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS

I. Cash and Investments

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

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, New York State statutes govern the District's investment policies. At June 30, 2020, the District's bank deposits were fully collateralized.

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

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

I. Cash and Investments

its agencies and obligations of the State and its municipalities and School Districts.

A. Deposits

Deposits are valued at cost or cost plus interest and are categorized as either:

- (1) Insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the entity or by the agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name;
- (3) Uncollateralized

Total financial institution (bank) balances at June 30, 2020 per bank were approximately \$5,976,000. These deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$ 500,000	\$ 5,476,000	\$ -	\$ 5,976,000

B. Investments

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- (1) Insured or registered, or investments held by the District or by the District's agent in the District's name or,
- (2) Uninsured and unregistered, with the investments held by the financial institution's trust department in the District's name, or
- (3) Uninsured and unregistered, with investments held by the financial institution or its trust department but not in the District's name.

Private Purpose Trust:

Certificates of Deposit	\$ 5,000
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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

II. Capital Assets

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

	Beginning Balance 6/30/19	Additions Net of Disposals	Ending Balance 6/30/20
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 17,550	\$ -	\$ 17,550
Construction-in-progress	13,649	670,035	683,684
Total non-depreciable capital assets	31,199	670,035	701,234
Capital assets that are depreciated:			
Buildings and improvements	39,264,325	98,564	39,362,889
Furniture and equipment	5,113,863	52,756	5,166,619
Total depreciable historical cost	44,378,188	151,320	44,529,508
Total cost	44,409,387		45,230,742
Less accumulated depreciation:	14,244,989	\$ 1,067,465	15,312,454
Total net book value	\$30,164,398		\$29,918,288
<u>Depreciation</u>			
Depreciation expense was charged to governmental functions as follows:			
General support		\$ 150,957	
Instruction		758,286	
Pupil transportation		358,846	
		\$ 1,268,089	

Total additions during the current year amounted to approximately \$1,022,000.

III. Interfund Transactions

Interfund balances at June 30, 2020 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 493,416	\$ -
Special Aid Fund	-	415,445
Debt Service Fund	-	-
School Lunch Fund	-	77,181
Trust and Agency	-	-
Capital Project Fund	-	790
Total	\$ 493,416	\$ 493,416

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

III. Interfund Transactions (continued)

Interfund transfers consisted of the following during the fiscal year ended June 30, 2020:

	<u>Interfund Revenue</u>	<u>Interfund Expenditures</u>
General Fund	\$ -	\$ 1,591,170
Special Aid Fund	17,000	-
Debt Service Fund	-	-
School Lunch Fund	10,000	-
Capital Projects Fund	1,564,170	-
Total	<u>\$ 1,591,170</u>	<u>\$ 1,591,170</u>

During the current year, the District transferred \$17,000 from the general fund to the special aid fund as the local share of the summer school handicap program. The District also transferred \$10,000 to the school lunch fund to subsidize operations. Finally the District transferred \$1,564,170 from the general fund to the capital projects fund related to the 2019 capital improvement project and the 2020 capital outlay project as approved by the voters and Board of Education.

IV. Receivables

Receivables at June 30, 2020 consisted of amounts due from State and Federal sources as well as amounts due from other governments and other miscellaneous receivables. District management has deemed the amounts to be fully collectible. In August 2020, the New York State Division of Budget began withholding 20% of general, excess cost and BOCES aid payments which could be converted to permanent reductions, depending on the size and timing of new Federal aid, if any. As a result, due from State and Federal receivable and due from other governments reported in the general fund balance sheet and district-wide statement of net position have been adjusted to reflect the 20% withholding.

V. Liabilities

A. Pension Plans

1. Plan Descriptions and Benefits Provided

a. Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided

**a. Teachers' Retirement System (TRS)
(continued)**

Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nysstrs.org.

b. Employees' Retirement System (ERS)

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

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

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

1. Plan Descriptions and Benefits Provided (continued)

b. Employees' Retirement System (ERS) (continued)

2. Contributions

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

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

	ERS	TRS
2020	\$ 284,000	\$ 372,000
2019	\$ 296,000	\$ 451,000
2018	\$ 316,000	\$ 371,000

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At June 30, 2020, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

Measurement date	ERS 3/31/2020	TRS 6/30/2019
Net pension asset (liability)	\$ (1,723,728)	\$ 659,387
District's portion of the Plan's total net pension liability	.0065094%	.025380%

For the year ended June 30, 2020, the District's recognized pension expense of \$597,489 for ERS and \$851,211 for TRS. At June 30, 2020 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 101,448	\$ 446,850	\$ -	\$ 49,033
Changes of assumptions	34,708	1,245,670	29,970	303,730
Net difference between projected and actual earnings on pension plan investments	883,666	-	-	528,794
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	59,189	234,709	38,865	133,794
District's contributions subsequent to the measurement date	73,562	371,640	-	-
Total	\$ 1,152,573	\$ 2,298,869	\$ 68,835	\$ 1,015,351

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Pension Asset (Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

	ERS	TRS
Year ending:		
2021	\$ 175,681	\$ 334,081
2022	252,611	54,694
2023	321,681	333,000
2024	260,204	215,571
2025	-	19,099
Thereafter	-	(44,567)

4. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	3/31/20	6/30/19
Actuarial valuation date	4/1/19	6/30/18
Interest rate	6.8%	7.1%
Salary scale	4.2% average	1.90% - 4.72%
	4/1/10 - 3/31/15	7/1/09 - 6/30/14
	System's	System's
Decrement tables	Experience	Experience
Inflation rate	2.5%	2.2%

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

4. Actuarial Assumptions (continued)

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2018. For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018, applied on a generational basis.

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

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

Measurement date	ERS 3/31/20	Expected Rate of Return	TRS 6/30/19	Expected Rate of Return
Asset Type:				
Domestic Equity	36%	4.05%	33%	6.3%
International Equity	14%	6.15%	16%	7.8%
Global Equity	-%	-%	4%	7.2%
Private Equity	10%	6.75%	8%	9.9%
Real Estate	10%	4.95%	11%	4.6%
Absolute return strategies	2%	3.25%	-%	-%
Opportunistic portfolio	3%	4.65%	-%	-%
Real assets	3%	5.95%	-%	-%
Domestic fixed income securities	-%	-%	16%	1.3%
Global fixed income securities	-%	-%	2%	0.9%
Real estate debt	-%	-%	7%	2.9%
Private debt	-%	-%	1%	6.5%
High-yield fixed income	-%	-%	1%	3.6%
Bonds and Mortgages	17%	.75%	-%	-%
Cash equivalents	1%	0%	1%	0.3%
Inflation-indexed bonds	4%	.5%	-%	-%
Total:	100%		100%	

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

5. Discount Rate

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

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

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

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
ERS			
Employer's proportionate share of the net pension asset (liability)	\$ (3,163,528)	\$ (1,723,728)	\$ (397,667)

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

6. Sensitivity of the Proportionate Share of the Net Pension Asset (Liability) to the Discount Rate Assumption (continued)

	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
TRS			
Employer's proportionate share of the net pension asset (liability)	\$ (2,976,404)	\$ 659,387	\$ 3,709,406

7. Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	ERS	TRS
Measurement date	3/31/20	6/30/19
Employers' total pension liability	\$ 194,596,261	\$ 119,879,474
Plan net position	\$ 168,115,682	\$ 122,477,481
Employers' net pension asset (liability)	\$ (26,480,579)	\$ 2,598,007
Ratio of plan net position to be Employers' total pension asset (liability)	86.39%	102.2%

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$73,562.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$396,928 of which \$371,640 is related to employer contributions and \$25,288 is related to employee contributions.

B. Other Post-Employment Benefits

Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the District and specified in the District's employment contracts.

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2020 the plan had total active employees of 130 and retirees of 52.

Total OPEB Liability

The District's total OPEB liability of \$3,678,342 was measured as of March 31, 2020 and was determined by an actuarial valuation as of July 1, 2019.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Actuarial Methods and Other Inputs

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

Inflation	2.22% per year
Salary increases	3.22% per year
Discount rate	2.48% as of June 30, 2020 and 3.44% as of June 30, 2019
Healthcare cost trend rates	2020 – 5.2% reduced to an ultimate rate of 4.18% after 2070.
Retirees' share of benefit-related costs	District pays 83% for single and 83% for family – based on years of service and credited months

The discount rate was based on a yield for 20 year tax-exempt general obligation municipal bonds.

Mortality rates were based on the Scale MP-2019, fully generational.

The actuarial assumptions used in the July 1, 2019 valuation represent a long-term expectation of future OPEB outcomes.

Changes in the Total OPEB Liability

Service cost	\$	199,139
Interest		139,201
Change of benefit terms		(8,157)
Differences between expected and actual experience		(1,095,994)
Changes in assumptions or other inputs		596,764
Benefit payments		(158,528)
Net changes		(327,575)
Net OPEB liability – beginning of year		4,005,917
Net OPEB liability – end of year	\$	<u>3,678,342</u>

Changes in assumptions reflect a change in the discount rate from 3.44% in 2019 to 2.48% in 2020. Also, salary scale changes from 3.36% to 3.22%.

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.48%) or 1 percentage point higher (3.48%) than the current discount rate:

	1% Decrease (1.48%)	Current Assumption (2.48%)	1% Increase (3.48%)
Total OPEB liability	\$ 4,002,961	\$ 3,678,342	\$ 3,380,280

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease (4.2%- 3.18%)	Current Assumption (5.2%- 4.18%)	1% Increase (6.2%- 5.18%)
Total OPEB liability	\$ 3,328,763	\$ 3,678,342	\$ 4,082,285

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$393,538. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 618,092	\$ 750,428
Changes in assumptions or other inputs	426,892	--
Benefits subsequent to measurement date	39,523	
Total	<u>\$ 1,084,507</u>	<u>\$ 750,428</u>

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:	
2021	\$ 63,355
2022	84,303
2023	146,898
2024	-
2025	-
Thereafter	-

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds is 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 were no bond anticipation notes outstanding as of June 30, 2020.

b. Short-Term Debt Interest

Total interest incurred on short-term debt was \$0 during the fiscal year ended June 30, 2020.

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness

2. Long-Term Debt

a. Debt Limit

At June 30, 2020, the total outstanding indebtedness represented approximately 53% of the District's debt limit.

b. Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements or for the purchase of vehicles. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of capital assets.

c. Long-Term Debt Interest

Interest expenditures for long-term debt are recognized on a cash basis, when amounts become due and payable. The District recognized \$360,844 of expenditures for long-term debt interest in the governmental fund financial statements during the fiscal year ended June 30, 2020.

d. Changes

The School District's indebtedness, as of June 30, 2020 and 2019 are summarized as follows:

	<u>Balance June 30, 2020</u>	<u>Balance June 30, 2019</u>
Serial bonds	\$ 10,805,000	\$ 12,720,000
Premium on obligation	386,306	342,140
Compensated absences	351,256	330,324
Net pension liability	1,723,728	476,253
Other post-employment benefit	3,678,342	4,005,917
	<u>\$ 16,944,632</u>	<u>\$ 17,874,634</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Changes (continued)

The District made principal payments on serial bonds in the amount of \$1,920,000 during the current fiscal year, received additional principal of \$5,000 related to a bond refunding in the current year and recorded one year of amortization expense in the amount of \$91,232 and received an additional \$135,398 of premium on obligations. The net change in compensated absences was an increase of \$20,932 during the fiscal year ended June 30, 2020. The net change in other post-employment benefit liability was a decrease of \$327,575. Also, the increase in the net pension liability was \$1,247,475.

e. Summary

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

<u>Description</u>	<u>Outstanding June 30, 2020</u>
Serial Bonds, issued in 2020 (to refund 2008 and 2010 series) with maturity date of 2024, bonds carry interest at 2%-4%	\$ 3,130,000
Advanced refunding serial Bonds, issued 2012 with maturity date of 2021, bonds carry interest at 5%.	565,000
Serial Bonds, issued in 2016 with maturity date of 2032, bonds carry interest at 2%.	7,110,000
	<u>\$ 10,805,000</u>

f. Maturity

1. The following is the amortization schedule for the long-term liability for serial bonds.

<u>Year</u>	<u>Principal payments</u>	<u>Interest payments</u>
2021	\$ 2,020,000	\$ 226,398
2022	1,460,000	195,050
2023	1,500,000	149,400
2024	1,330,000	119,250
2025	685,000	83,050
2026-2030	3,420,000	203,800
2031-2032	390,000	5,700
Totals	<u>\$ 10,805,000</u>	<u>\$ 982,648</u>

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

3. Bond premiums and amortization

Premiums resulting from bond and other debt refinancing are being amortized over the life of the related debt.

4. Refunding of Long-Term Debt

In June 2020, the District issued general obligation bond series 2020 of \$3,130,000 (par value) with interest rates ranging from 2%-4% to refund general obligation bonds series 2008 and 2010. The net proceeds of \$3,265,398 (including premiums of \$135,398) were used to purchase government securities and to pay for bond issuance costs (\$90,000). Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the bond. As a result, the bonds are considered defeased, and the liability from those bonds have been removed from the District's financial statements.

VI. Fund Equity

A. Classification

The District's fund equity is comprised of various components.

Category / Fund	Description	Balance June 30, 2020
Nonspendable:		
Food Service	Inventory	\$ 5,490
Restricted:		
General	Unemployment reserve	\$ 34,795
	Employee benefit reserve	718,696
	Insurance reserve	76,107
	TRS Reserve	149,663
	ERS Reserve	613,374
	Capital reserve	581,882
	Workers' Compensation reserve	50,164
		\$ 2,224,681
Debt Service	Reserve for debt service	\$ 509,869
Trust and Agency	Reserve for endowment scholarships	\$ 12,650

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Fund Equity (continued)

A. Classification (continued)

Category / Fund	Description	Balance June 30, 2020
Assigned:		
General	Appropriated Fund Balance	\$ 132,780
	Encumbrances	52,488
		\$ 185,268
Capital Projects	Fund Equity	\$ 881,922
Food Service	Fund Equity	\$ 68,170

B. Assigned – Appropriated Fund Balance

General Fund - The amount of \$132,780 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2021 as allowed by Section 1318 of the Real Property Tax Law.

C. District-wide Net Position

Net position of the District include restricted net position of approximately \$2,734,000 which represent restricted amounts in the general, capital and debt service funds as presented above.

VII. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

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

2. Risk Sharing Pools

For its employee health and accident coverage, *Pine Valley Central School District* is a participant in the Chautauqua County School Districts' Medical health Plan, a public entity risk pool operated for the benefit of various individual governmental units located within Chautauqua County. The School District pays monthly premiums to the Plan for this health coverage.

**PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VII. Commitments and Contingencies (continued)

A. Risk Financing and Related Insurance (continued)

2. Risk Sharing Pools (continued)

The Plan is authorized to assess supplemental premiums to the participating districts. The Chautauqua County School Districts' Medical Health Plan obtains independent coverage for insured events in excess of this amount.

The *Pine Valley Central School District* also participates in a risk sharing pool, Erie 2 – Chautauqua-Cattaraugus BOCES, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. Administrators of the Plan have indicated that the Plan's reserves are believed to be in excess of estimated unbilled and open claims.

B. Compensated Absences

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$515,000 as of June 30, 2020 for accumulating non-vesting sick leave.

C. Federal and State Grants

The District has received grants reported in the special aid fund which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, will not be material.

NOTE 4 – CAPITAL PROJECT

The voters of Pine Valley Central School District approved a resolution authorizing a capital project in the amount of \$9,887,212 to be financed with serial bonds, State Excel Aid and District funds. Total expenditures incurred related to the project were \$672,181 during the year ended June 30, 2020. The District also transferred \$1,464,170 to the capital project fund from its capital reserve funds during June 30, 2020 as approved by the voters.

The District also had expenditures in the current year in the amount of \$96,418 related to its capital outlay projects.

NOTE 5 – TAX ABATEMENTS

The District does not have any significant tax abatement programs that are required to be disclosed under GASB 77.

NOTE 6 – COVID 19 PANDEMIC

In March 2020, the World Health Organization declared the novel strain of COVID-19 (coronavirus) a global pandemic and has become increasingly widespread in the United States. The coronavirus outbreak has had a significant impact on financial markets and general economic conditions. As a result, the District was forced to close its school buildings and move to a remote learning environment for the remainder of the school year. The District froze certain spending but maintained the majority of its workforce and contracted services. The District also provided free breakfast and lunches to all students (except those who opted out) through the Federal Seamless Summer Option program.

Also, in March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed which provides funding and emergency assistance to Organizations including public school Districts. The New York State Department of Education has allocated approximately \$366,000 of CARES Act assistance to the District which is for the funding period of March 13, 2020 through September 30, 2022. As of June 30, 2020 the District has not applied any expenditures against this funding. In addition, 2020-21 State aid includes a reduced "Pandemic Adjustment" which is being offset with Federal Stimulus funds.

Lastly, New York State enacted 2020-21 budget grants the authority to the Division of Budget (DOB) Director to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by DOB which includes the ability to withhold and reduce specific local aid payments during the fiscal year. The State budget is deemed out of balance for the fiscal year, and the Director's powers are activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during the year (April 1-30, May 1-June 30, and July 1-December 31).

Given the uncertainty regarding the COVID-19 Pandemic, the overall financial impact to the District cannot be reasonably predicted or estimated at this time.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 17, 2020, which is the date the financial statements were available to be issued.

The District is working on a COVID-19 reopening plan that meets the Centers for Disease Control and NYS Department of Health guidelines. Due to the uncertainty of the spread of coronavirus the reopening plans are subject to change.

PINE VALLEY CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Adopted Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 3,352,147	\$ 3,352,147	\$ 3,360,692	\$ 8,545
Charges for services	7,500	7,500	154,738	147,238
Use of money and property	18,020	18,020	21,788	3,768
Sale of property and compensation for loss	1,000	1,000	4,598	3,598
Miscellaneous	93,349	93,349	98,628	5,279
State Sources:				
Basic formula	11,660,434	11,660,434	11,808,155	147,721
BOCES	944,333	944,333	932,383	(11,950)
Textbooks	55,742	55,742	25,331	(30,411)
All other aid	12,931	12,931	38,009	25,078
Federal Sources:				
Medicaid reimbursement	40,000	40,000	56,986	16,986
Total revenue	16,185,456	16,185,456	16,501,308	315,852
Other Sources				
Operating transfer in	-	-	-	-
Total revenue and other sources	16,185,456	16,185,456	16,501,308	<u>\$ 315,852</u>
Supplemental appropriation	-	1,464,170		
Appropriated fund equity, reserves, and carryover encumbrances	955,200	955,542		
Total revenue, other sources, reserves and appropriated fund equity	<u>\$ 17,140,656</u>	<u>\$ 18,605,168</u>		

See accompanying independent auditor's report.

	Adopted Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 30,479	\$ 18,563	\$ 18,489	\$ 74	\$ -
Central administration	237,151	238,075	237,957	-	118
Finance	246,633	250,101	242,698	-	7,403
Staff	108,899	149,606	146,672	1,078	1,856
Central services	934,634	911,895	822,797	6,128	82,970
Special items	146,838	149,165	149,165	-	-
Instructional:					
Instruction, administration and improvement	587,375	837,806	744,019	29,700	64,087
Teaching - regular school	3,451,629	3,420,323	3,205,939	5,408	208,976
Programs for children with handicapping conditions	2,470,599	2,537,418	2,482,647	7,636	47,135
Occupational education	365,400	340,990	340,437	-	553
Instructional media	1,105,129	909,811	830,800	-	79,011
Pupil services	545,825	553,993	504,370	580	49,043
Pupil Transportation	1,141,786	1,141,786	1,103,871	1,884	36,031
Employee Benefits	3,051,022	3,032,022	2,585,653	-	446,369
Community Service	100,413	32,600	21,496	-	11,104
Debt Service:					
Debt service principal	2,120,000	2,120,000	1,920,000	-	200,000
Debt service interest	369,844	369,844	360,844	-	9,000
Total expenditures	<u>17,013,656</u>	<u>17,013,998</u>	<u>15,717,854</u>	<u>52,488</u>	<u>1,243,656</u>
Other Uses:					
Transfer to other funds	127,000	1,591,170	1,591,170	-	-
Total other uses	<u>127,000</u>	<u>1,591,170</u>	<u>1,591,170</u>	<u>-</u>	<u>-</u>
Total expenditures and other uses	<u>\$ 17,140,656</u>	<u>\$ 18,605,168</u>	<u>17,309,024</u>	<u>\$ 52,488</u>	<u>\$ 1,243,656</u>
Deficiency of revenue and other sources over expenditures and other uses			<u>\$ (807,716)</u>		

PINE VALLEY CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS1A

Page 37

	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 7,500	\$ 12,170	\$ 4,670
Federal sources	191,000	360,265	169,265
Sales	72,300	42,051	(30,249)
Surplus food	22,000	18,850	(3,150)
Use of money and property	20	11	(9)
Interfund transfer	10,000	10,000	-
Total revenue	302,820	443,347	140,527
Expenditures			
General support	124,972	136,962	(11,990)
Employee benefits	29,181	26,758	2,423
Cost of sales	140,547	187,035	(46,488)
Other expenses	8,120	9,445	(1,325)
Total expenditures	302,820	360,200	(57,380)
Excess of revenue over expenditures	<u>\$ -</u>	83,147	<u>\$ 83,147</u>
Fund equity (deficit), beginning of year		<u>(9,487)</u>	
Fund equity, end of year		<u>\$ 73,660</u>	

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

Schedule SS2

Page 38

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 17,140,656
Additions:	
Encumbrances	<u>342</u>
Original budget	17,140,998
Budget revisions:	
Supplemental appropriation - Voter approved transfer to capital project fund	<u>1,464,170</u>
Final budget	<u><u>\$ 18,605,168</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter-approved expenditure budget	\$ 15,763,271
Maximum allowed (4% of 2020-21 budget)	\$ 630,531
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:	
Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	185,268
Unassigned fund balance	<u>2,791,638</u>
Total unrestricted fund balance	<u>2,976,906</u>
Less:	
Appropriated fund balance	132,780
Encumbrances included in committed and assigned fund balance	<u>52,488</u>
Total adjustments	<u>185,268</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 2,791,638</u></u>
Actual percentage	<u><u>17.71%</u></u>

* Per Office of State Comptroller's "Fund Balance Reporting and Governmental Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of the 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.

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

Schedule SS3

Page 39

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended (Overexpended) Balance	Methods of financing				Fund Balance June 30, 2020
			Prior Years	Current Year	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
Capital Outlay 2020	\$ 100,000	\$ 100,000	\$ -	\$ 11,503	\$ 11,503	\$ 88,497	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 88,497
Capital Outlay 2019	100,000	100,000	13,649	84,915	98,564	1,436	-	-	100,000	100,000	1,436
Reconstruction Project - 2019	9,887,212	9,887,212	-	672,181	672,181	9,215,031	-	-	1,464,170	1,464,170	791,989
Total	\$ 10,087,212	\$ 10,087,212	\$ 13,649	\$ 768,599	\$ 782,248	\$ 9,304,964	\$ -	\$ -	\$ 1,664,170	\$ 1,664,170	\$ 881,922

See accompanying independent auditor's report.

PINE VALLEY CENTRAL SCHOOL DISTRICT**Schedule SS4A****BUDGET COMPARISON STATEMENT FOR STATE AND
OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020****Page 40**

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school *	N/A	2020	\$ 91,334	\$ 91,334	\$ 91,334
Universal Pre-kindergarten	409-20-7472	2020	99,112	99,112	99,112
School breakfast programs	N/A	2020	6,511	6,511	6,511
School lunch programs	N/A	2020	5,659	5,659	5,659
			\$ 202,616	\$ 202,616	\$ 202,616

* Revenue includes interfund transfer of \$17,000 from the general fund which represents local share of expenditures.

PINE VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS4B

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Pine Valley Central School District** and is presented on the modified accrual basis of accounting. The information 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). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Basis of Accounting

The basis of accounting varies by Federal program consistent with underlying regulations pertaining to each program. The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for the applicable program and periods. The amounts reported in these Federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Note 2 - Non-monetary Federal Program

The accompanying **Pine Valley Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2020, the District reported in the Schedule of Federal Awards \$18,850 of donated commodities at fair market value received and disbursed.

Note 3 - Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance in the current year.

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule SS4C

Page 41

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Grant Period	Program or Award Amount	Revenue	Expenditures
US Department of Education:						
Passed through NYS						
Department of Education:						
Title I	84.010A	0021-19-0340	2019	\$ 25,970	\$ 25,970	\$ 25,970
Title I	84.010A	0021-20-0340	2020	338,603	215,395	215,395
IDEA, Part B Section 611 **	84.027A	0032-20-0101	2020	181,005	173,208	173,208
IDEA, Part B Section 619 **	84.173A	0033-20-0101	2020	4,750	4,741	4,741
Title II, Part A	84.367A	0147-19-0340	2019	527	527	527
Title II, Part A	84.367A	0147-20-0340	2020	51,017	30,958	30,958
Title IV	84.424	0204-20-0340	2020	19,250	3,500	3,500
Title V	84.358B	0006-19-0340	2019	9,736	1,125	1,125
US Department of Agriculture:						
Passed through NYS						
Department of Education;						
National School Lunch Program ***	10.555	N/A	2020	94,309	94,309	94,309
Seamless Summer Option (Lunch) - COVID19 ***	10.555	N/A	2020	137,295	137,295	137,295
National School Breakfast Program ***	10.553	N/A	2020	42,362	42,362	42,362
Seamless Summer Option (Breakfast) - COVID19 ***	10.553	N/A	2020	86,299	86,299	86,299
Passed through NYS						
Office of General Services;						
National School Lunch Program						
Noncash assistance (Donated Commodities) ***	10.555	N/A	2020	18,850	18,850	18,850
Total expenditures and revenue					\$ 834,539	\$ 834,539

** Constitutes a cluster of Federal programs named Special Education Cluster with total revenue and expenditures of \$ 177,949

*** Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures of \$ 379,115

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2020

Schedule SS5

Page 42

Capital Assets	\$ 29,918,288
Less:	
Serial Bonds	(11,191,306)
Plus:	
Net cash to be used for capital assets	<u>881,922</u>
Net investment in capital assets	<u><u>\$ 19,608,904</u></u>

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30 2018 THROUGH JUNE 30 2020

Schedule SS6

Page 43

As of the measurement date of March 31,	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 199,139	\$ 159,084	\$ 141,395
Interest	139,201	101,200	104,285
Change of benefit terms	(8,157)	(24,828)	-
Differences between expected and actual experience	(1,095,994)	1,093,546	(93,047)
Changes in assumptions or other inputs	596,764	32,668	50,151
Benefit payments	(158,528)	(161,477)	(134,621)
Net change in total OPEB liability	(327,575)	1,200,193	68,163
Total OPEB liability - beginning	4,005,917	2,805,724	129,962
Prior period adjustment	-	-	2,607,559
Total OPEB liability - ending	<u>\$ 3,678,342</u>	<u>\$ 4,005,917</u>	<u>\$ 2,805,684</u>
 Plan fiduciary net position			
Contributions - employer	\$ 158,528	\$ 161,477	\$ 134,621
Net investment income	-	-	-
Benefit payments	(158,528)	(161,477)	(134,621)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's net OPEB liability	<u>\$ 3,678,342</u>	<u>\$ 4,005,917</u>	<u>\$ 2,805,684</u>
 Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%
 Covered-employee payroll	\$ 4,958,066	\$ 4,796,890	\$ 4,940,797
District's net OPEB liability as a percentage of covered-employee payroll	74.19%	83.51%	56.79%

Notes to Schedule:

Benefit Changes: District's contribution rate for single coverage decreased from 83.5% to 83% at retirement.
District's contribution rate for 2-person coverage for base plans POS & PPO decreased from 83.5% to 83% at retirement.

Changes in assumptions: Discount rate changes - 3.44% to 2.48% effective June 30, 2020
Salary scale changes from 3.36% to 3.22% effective June 30, 2020
Updated mortality rates and the mortality projection scale to MP-2019, fully generational
Updated healthcare cost trend rates to rates effective June 30, 2020

See accompanying independent auditor's report.

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB
FOR THE YEARS ENDED JUNE 30 2018 THROUGH JUNE 30 2020

Schedule SS7

Page 44

For the year ended June 30,	2020	2019	2018
Actuarially determined contributions	\$ 158,528	\$ 161,477	\$ 134,621
Contributions in relation to the actuarially determined contribution	(158,528)	(161,477)	(134,621)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,958,066	\$ 4,796,890	\$ 4,940,797
Contributions as a percentage of District's covered-employee payroll	3.20%	3.37%	2.72%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of July 1, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	Discount rate of - 3.44% as of June 30, 2019 and 2.48% as of June 30, 2020
Inflation	2.22% per year
Healthcare cost trend rates	2020 - 5.2%. Rates expected to decrease each year thereafter with an ultimate rate of 4.18% after 2070.
Salary increases	3.22% per year
Mortality	Scale MP-2019, fully generational
Retiree Cost Sharing	District pays 83% for single and 83% for family - based on years of service
Participants	130 Active and 52 Retirees

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2020

Schedule SS8

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New York State Teachers' Retirement System

For the year ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 371,640	\$ 450,747	\$ 370,687	\$ 454,906	\$ 529,325	\$ 743,232	\$ 739,403	\$ 558,804
Contributions in relation to the contractually required contribution	(371,640)	(450,747)	(370,687)	(454,906)	(529,325)	(743,232)	(739,403)	(558,804)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,194,582	\$ 4,244,322	\$ 3,782,520	\$ 3,881,451	\$ 3,991,893	\$ 4,239,772	\$ 4,550,172	\$ 4,719,628
Contributions as a percentage of District's covered-employee payroll	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

New York State Local Employees' Retirement System

For the year ended March 31,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 284,391	\$ 295,646	\$ 316,614	\$ 323,160	\$ 357,217	\$ 420,117	\$ 382,843	\$ 457,279
Contributions in relation to the contractually required contribution	(284,391)	(295,646)	(316,614)	(323,160)	(357,217)	(420,117)	(382,843)	(457,279)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,062,100	\$ 2,000,929	\$ 2,220,300	\$ 2,172,612	\$ 2,093,280	\$ 2,046,187	\$ 2,056,147	\$ 2,223,941
Contributions as a percentage of District's covered-employee payroll	13.79%	14.78%	14.26%	14.87%	17.06%	20.53%	18.62%	20.56%

See accompanying independent auditor's report.

PINE VALLEY CENTRAL SCHOOL DISTRICT**Schedule SS9****SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY) – NYSTRS AND PROPORTIONATE SHARE OF
NET PENSION LIABILITY - NYSLERS****FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2020****Page 46*****New York State Teachers' Retirement System - Net Pension Asset (Liability)***

As of the measurement date of June 30,	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension asset (liability)	n/a	0.025380%	0.023226%	0.024482%	0.025869%	0.028225%	0.030804%	0.031177%
District's proportionate share of the net pension asset (liability)	n/a	\$ 659,387	\$ 419,990	\$ 186,083	\$ (277,071)	\$ 2,931,674	\$ 3,431,331	\$ 205,221
District's covered-employee payroll	n/a	\$ 4,244,322	\$ 3,782,520	\$ 3,881,451	\$ 3,991,893	\$ 4,239,772	\$ 4,550,172	\$ 4,719,628
District's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	n/a	15.54%	11.10%	4.79%	-6.94%	69.15%	75.41%	4.35%
Plan fiduciary net position as a percentage of the total pension liability	n/a	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

New York State Local Employees' Retirement System - Net Pension (Liability)

As of the measurement date of March 31,	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension (liability)	0.0065094%	0.0067217%	0.0073792%	0.0076891%	0.0075291%	0.0081560%	n/a	n/a
District's proportionate share of the net pension (liability)	\$ (1,723,728)	\$ (476,253)	\$ (238,158)	\$ (722,484)	\$ (1,208,434)	\$ (275,530)	\$ (368,559)	n/a
District's covered-employee payroll	\$ 2,062,100	\$ 2,000,929	\$ 2,220,300	\$ 2,172,612	\$ 2,093,280	\$ 2,046,187	\$ 2,056,147	\$ 2,223,941
District's proportionate share of the net pension (liability) as a percentage of its covered employee payroll	-83.59%	-23.80%	-10.73%	-33.25%	-57.73%	-13.47%	-17.92%	n/a
Plan fiduciary net position as a percentage of the total pension (liability)	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%	n/a	n/a

See accompanying independent auditor's report.



**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
Pine Valley Central School District
South Dayton, New York**

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of *Pine Valley Central School District* as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise *Pine Valley Central School District's* basic financial statements and have issued our report thereon dated September 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered *Pine Valley Central School District's* internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *Pine Valley Central School District's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Pine Valley Central School District's* internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item II.A.2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Pine Valley Central School District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item II.B.2020-002.

Pine Valley Central School District's Responses to Findings

Pine Valley Central School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. *Pine Valley Central School District's* responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not provided 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
September 17, 2020**



**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
Pine Valley Central School District
South Dayton, New York**

Report on Compliance for Each Major Federal Program

We have audited *Pine Valley Central School District's* compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of *Pine Valley Central School District's* major federal programs for the year ended June 30, 2020. *Pine Valley Central School District's* major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (continued)

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

Purpose of Report

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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 17, 2020**

PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

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Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion(s) issued or whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified?	<u> x </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> x </u> yes	<u> </u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported

Type of auditor's opinion issued on compliance for major programs:

Unmodified

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

<u> </u> yes	<u> x </u> no
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Federal Program Title	Federal CFDA Number	Amount
Total expenditures of Federal Awards		<u>\$ 834,539</u>
Identification of Major Programs Tested:		
National School Lunch Program ***	10.555	94,309
Seamless Summer Option (Lunch) - COVID19 ***	10.555	137,295
National School Breakfast Program ***	10.553	42,362
Seamless Summer Option (Breakfast) - COVID19 ***	10.553	86,299
Noncash assistance (Donated Commodities) ***	10.555	<u>18,850</u>
Total major programs tested		<u>\$ 379,115</u>
% of Federal programs tested		<u>45%</u>

*** Constitutes a cluster of Federal programs

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

Auditee qualified as low risk?	<u> </u> yes	<u> x </u> no
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**PINE VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2020-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended June 30, 2020

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording retirement accruals, accrued expenses and converting to the full accrual method for government-wide financial statement purposes. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District.

Cause and Effect: AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming to GAAP.

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

District's Response: The District has received, reviewed and approved all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further the District believes it has a thorough understanding of these financial statements and the ability to make informed judgments based on these financial statements.

B. COMPLIANCE AND OTHER MATTERS

2020-002 Unassigned Fund Balance

Year ended June 30, 2020

Conditions and criteria: *Pine Valley Central School District's* unassigned fund balance as of June 30, 2020 amounted to \$2,791,638. This amount constitutes approximately 17.71% of the 2020-2021 school budget.

Cause and Effect: The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

Auditor's Recommendation: *Pine Valley Central School District* should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance.

District's Response: *Pine Valley Central School District* realizes that its unassigned fund balance as of June 30, 2020 was in excess of the NYS mandated 4% level. The District has and will continue to closely monitor fund balance in the future and will review all options with regards to reservation and designation of fund balance.

III. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2020

There were no findings related to compliance during the year ended June 30, 2020.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2020

There were no findings related to internal control over compliance during the year ended June 30, 2020.

I. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2019-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements (Significant deficiency)

Year ended June 30, 2019

Summary of Prior Year Finding: Adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District. AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

Current Status: Similar finding related to internal control over financial reporting is being reported on during the year ended June 30, 2020 as item II.A.2020-001.

B. COMPLIANCE AND OTHER MATTERS

2019-002 Unassigned Fund Balance

Year Ended June 30, 2019

Summary of Prior Year Finding: *Pine Valley Central School District's* unassigned fund balance as of June 30, 2019 amounted to approximately \$1,437,000. This amount constitutes approximately 8.4% of the 2019-2020 school budget. The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

Current Status: Similar finding related to compliance and other matters is being reported on during the year ended June 30, 2020 as item II.B.2020-002.

II. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS

Total Federal expenditures did not exceed \$750,000 and therefore the District was not subjected to a single audit in accordance with the Uniform Guidance during the year ended June 30, 2019.