

**MILFORD CENTRAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**



# MILFORD CENTRAL SCHOOL DISTRICT

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## Independent Auditors' Report

To the Board of Education  
Milford Central School District  
Milford, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milford Central School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Milford 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements (see table of contents). 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 Milford Central School District's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information schedules (see table of contents) have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 on our consideration of the Milford Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Milford Central School District's internal control over financial reporting and compliance.



October 15, 2020  
Norwich, New York

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## **Management's Discussion and Analysis**

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# MILFORD CENTRAL SCHOOL DISTRICT

## Management's Discussion and Analysis For the year ended June 30, 2020

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The following is a discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2020. The section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government wide and fund based financial statements. The results of the current year are discussed in comparison with 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 immediately follow this section.

### 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 the District:

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

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

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

**MILFORD CENTRAL SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the year ended June 30, 2020**

**Major Features of the District-Wide and Fund Financial Statements**

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

**District-Wide Statements**

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

## MILFORD CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis For the year ended June 30, 2020

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The two district wide statements report the District's net position and how it has changed. Net position - the difference between the District's assets, deferred outflows of resources, 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 nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

#### **Fund Financial Statements**

The fund financial statements provide more detailed information about the 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:

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

The District has two kinds of funds:

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 (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long term focus of the district wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
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.

**MILFORD CENTRAL SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the year ended June 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Condensed Statement of Net Position**

	<b>Governmental Activities and total District</b>			
	<b>2019</b>	<b>2020</b>	<b>Increase (Decrease)</b>	<b>Percentage Change</b>
Current and Other Assets.....	\$ 3,965	\$ 7,714	\$ 3,750	94.6%
Capital Assets.....	10,562	10,803	241	2.3%
	14,526	18,517	3,991	27.5%
Deferred Outflows of Resources.....	3,211	11,938	8,727	271.8%
	17,737	30,455	12,718	71.7%
Long-term Liabilities.....	28,935	41,360	12,425	42.9%
Other Liabilities.....	425	419	(5)	-1.3%
	29,360	41,779	12,419	42.3%
Deferred Inflows of Resources.....	1,427	2,704	1,277	89.5%
	30,787	44,483	13,696	44.5%
<b>Net Position</b>				
Net investment in Capital Assets.....	9,829	9,829	1	0.0%
Restricted.....	1,936	2,016	80	4.1%
Unrestricted.....	(24,815)	(25,873)	(1,059)	4.3%
	<u>\$ (13,050)</u>	<u>\$ (14,028)</u>	<u>\$ (978)</u>	7.5%

**Analysis of Net Position**

Overall net position is a negative \$13 million this declined \$2 million from the previous year. Changes in Governmental Accounting Standards require the District to recognise their proportional share of the state pension plans, the changes in net position are contingent on the plan activity and key plan assumptions which are beyond the control of the District but are shared proportionately by the State and Local Governments. Also Governmental Accounting Standards requires the district to recognise their entire obligation for Other Post Employment Benefits. These benefits are employment contract obligations of the district for retiree health insurance benefits. The actuarially calculated amount totals over \$26 million an increase of \$2 million from the previous year. Also the District restated Capital Assets historical cost based on an appraisal, this decreased the value by \$491 thousand.

**MILFORD CENTRAL SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the year ended June 30, 2020**

**Condensed Changes in Net Position from Operating Results**

	<b>Governmental Activities and total District</b>			
	<b>2019</b>	<b>2020</b>	<b>Increase (Decrease)</b>	<b>Percentage Change</b>
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for Services.....	\$ 93	\$ 88	\$ (5)	-5.7%
Operating Grants and Contributions.....	672	612	(60)	-8.9%
Capital Grants and Contributions.....	14	16	2	17.8%
<b>General Revenues</b>				
Property Taxes.....	4,208	4,312	104	2.5%
State Formula Aid.....	5,564	5,728	165	3.0%
Interest Earnings.....	9	8	(0)	
Other.....	272	303	31	11.3%
Total Revenue.....	<u>10,830</u>	<u>11,067</u>	<u>237</u>	2.2%
<b>Expenses</b>				
General Support.....	1,940	1,892	48	2.5%
Instruction.....	9,078	8,912	166	1.8%
Pupil Transportation.....	766	747	19	2.4%
Community Services.....	15	1	15	
Debt Service - Interest.....	68	55	13	19.2%
Cost of Sales - Food.....	425	438	(13)	-3.1%
Total Expenses.....	<u>12,292</u>	<u>12,045</u>	<u>247</u>	2.0%
Change in Net Position.....	<u>\$ (1,462)</u>	<u>\$ (978)</u>	<u>\$ 484</u>	

**Analysis of Changes in Net Position**

Revenues are consistent with the prior year, declining just slightly. General revenues from property taxes increased helping offset loss of some grant revenues

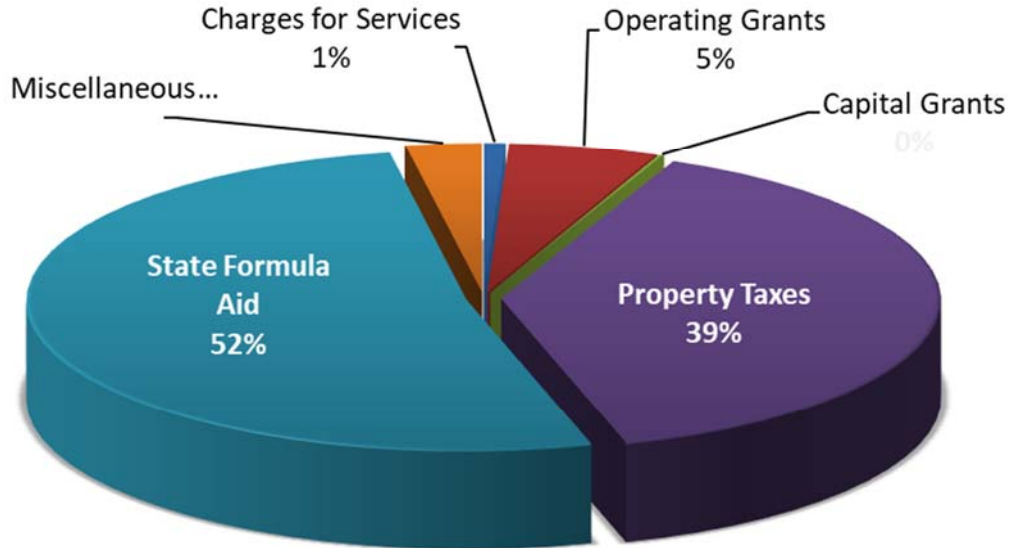
Expenses increased for instructional about 11% related to wages and wage costs. Changes in the reporting standards for pension and other post employment benefits effect these amounts.

MILFORD CENTRAL SCHOOL DISTRICT

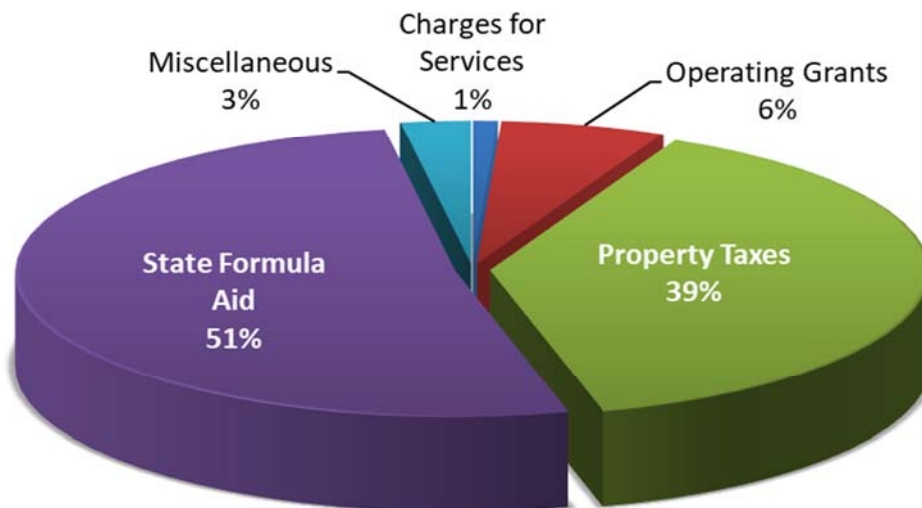
Management's Discussion and Analysis  
For the year ended June 30, 2020

A graphic display of the distribution of revenues for the two years is as follows:

**Sources of Revenue for Fiscal Year 2020**



**Sources of Revenue for Fiscal Year 2019**

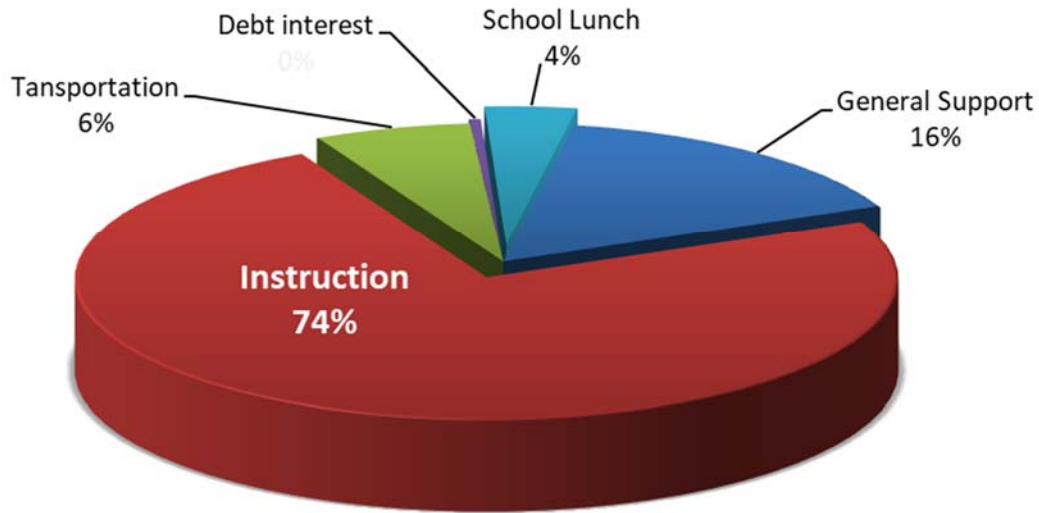


MILFORD CENTRAL SCHOOL DISTRICT

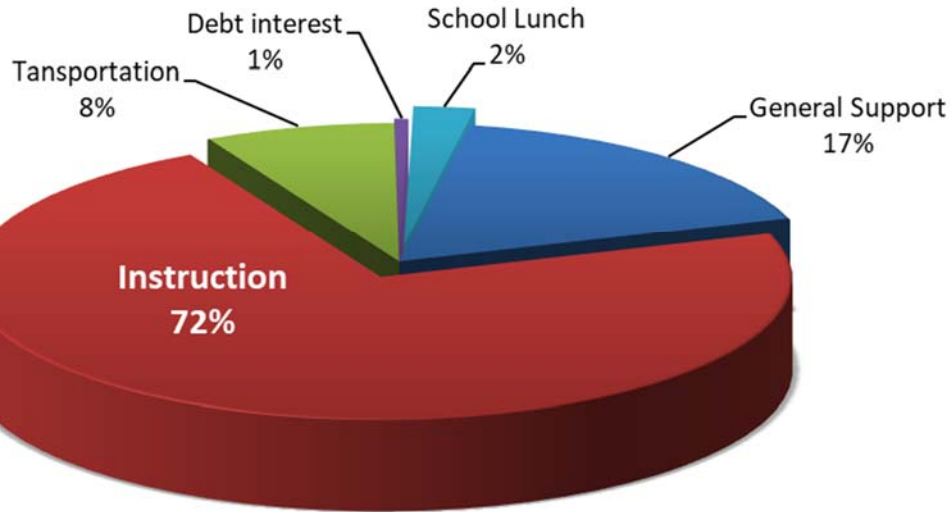
Management's Discussion and Analysis  
For the year ended June 30, 2020

A graphic display of the distribution of expenses for the two years is as follows:

**Expenses for Fiscal Year 2020**



**Expenses for Fiscal Year 2019**



## **MILFORD CENTRAL SCHOOL DISTRICT**

### **Management's Discussion and Analysis For the year ended June 30, 2020**

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#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

During the spring of 2020, the COVID19 pandemic began, and the economy of the world came to a halt in a matter of days. An event of this magnitude could never have been planned for. However, the diligent planning of the administrative team and Board of Education over many years have put the Milford Central School District in the best financial position to weather what will likely be a multi-year downturn.

Our well-funded reserves, including a repair reserve, employee benefit reserve, and tax certiorari reserve will protect the district during the difficult years ahead. These funds will not only protect the District from unforeseen expenses, newly adopted legislation will also allow the District to borrow against these funds to protect cash flow and minimize any additional borrowing costs.

Additionally, cash preservation efforts in the spring of 2020 resulted in excess fund balance (above the 4% allowed by law) which the district will now draw down over three years to offset the projected 20% cuts in State Aid for the 2020-2021 school year as well projected flat State Aid for the following two years.

The District has continued to benefit from its participation in the Catskill Area Schools Benefit Plan (CASEBP) with health insurance cost per plan remaining the same as the previous year.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's General Fund adopted budget for the year 2019-2020 was \$10,638,586, a slight increase in the amount of 0.64% over the previous budget. The adopted budget for 2020-2021 is \$10,735,511, a slight increase over last year in the amount of 0.91%.

In preparing the budget for the 2020-2021 school year, some changes in process that were instituted in the couple years prior were continued, to include the following:

The calculation of salaries (for non-instructional staff) continued to be adjusted to ensure that our employees are earning a fair wage in relation to the annual increases in minimum wage.

The 2020-2021 General Fund budget continues to include the purchase of a school bus as a line item.

In an effort to remove barriers created by poverty, the District has decided to continue to provide all student supplies and has eliminated fees for the use of musical instruments for the 2020-2021 school year.



MILFORD CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis  
For the year ended June 30, 2020

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's capital assets include: land and improvements, buildings and improvements, furniture, equipment, buses and vehicles. Depreciation expense is taken over the estimated useful life of these assets. The following schedule is the net value of these assets, which includes additions, deletions and depreciation.

**Capital Assets (Net of Depreciation) (in thousands)**

	<b>Governmental Activities and total School District</b>	
	<b>2019</b>	<b>2020</b>
Land improvements.....	\$ 105	\$ 93
Buildings.....	9,453	9,090
Vehicles.....	329	475
Furniture and equipment.....	207	200
Construction in progress.....	468	945
	<u>\$ 10,562</u>	<u>\$ 10,803</u>

**Debt Administration**

Total long-term debt includes serial bonds, installment loans, and contractual obligations to employees. The obligations to the employees include compensated absences such as unused vacation and sick days that may be paid out to the employee on their retirement and the actuarially calculated value of post-retirement health insurance any other post-employment benefits. The constitutional debt limit allows the District to have outstanding debt equal to or less than 10 percent of the full value on the most recent tax roll.

**Outstanding Long-Term Debt (in thousands)**

	<b>Governmental Activities and total School District</b>		
	<b>2019</b>	<b>2020</b>	<b>Change</b>
General Obligation Bonds.....	\$ 1,575	\$ 1,295	-17.8%
Compensated absences.....	350	336	-4.0%
Other Post Employment Benefits.....	26,698	35,069	31.4%
	<u>\$ 28,623</u>	<u>\$ 36,700</u>	<u>28.2%</u>

## **MILFORD CENTRAL SCHOOL DISTRICT**

### **Management's Discussion and Analysis For the year ended June 30, 2020**

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#### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

In June 2020 the voters of the Milford Central School District approved a budget of \$10,735,511 for the 2020-2021 school year, an expenditure increase of only 0.91.%.

The COVID19 pandemic will have long-lasting effects on the national and state economy as well as the district's financial outlook. The District is well-positioned to mitigate the negative impact of State Aid losses for the current year; however, these mitigation efforts are not infinite. All budget lines have been reduced to the extent practicable, and further reductions in State Aid or unexpected costs will most likely result in the reduction of staff.

Because of the District's nearly 55% reliance on State Aid, the District will be faced with ongoing reductions in staffing to be able to reach a balanced budget for at least the next 2-3 years. This will be true even with the use of additional fund balance and creative cost saving measures.

The Board of Education and the Administration have strived to be fiscally responsible to the community while sustaining a quality instructional program for students. The current economic climate will test all of the planning that has been done to date, and our district's ability to continue to provide a quality education will be dependent on the community, staff, administration, and Board working together to rethink what is possible under the current fiscal restraints.

#### **REQUESTS FOR INFORMATION**

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

Business Office  
Milford Central School District  
42 West Main Street  
Milford, New York 13339

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## **Basic Financial Statements**

**MILFORD CENTRAL SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2020**

**ASSETS**

Cash	
Unrestricted.....	\$ 1,631,549
Restricted.....	5,015,028
Receivables	
Accounts receivable.....	729
State and federal aid receivable.....	336,495
Due from other governments.....	237,301
Inventories.....	16,582
Net pension assets, proportionate share.....	476,572
Capital assets, net.....	10,802,797
	<u>\$ 18,517,053</u>

**DEFERRED OUTFLOW OF RESOURCES**

Retiree benefit payments.....	\$ 9,641,679
Pensions.....	2,296,300
	<u>\$ 11,937,979</u>

**LIABILITIES**

Payables	
Accounts payable.....	\$ 46,504
Accrued expenses.....	344,088
Due To	
Other Governments.....	216
Teachers' Retirement System.....	25,870
Bond interest and matured bonds.....	2,665
Short-Term Notes Payable	
Bond Anticipation Note.....	3,471,000
Long-term liabilities	
Due and payable within one year	
Bonds payable.....	265,000
Due and payable after one year	
Bonds payable.....	1,030,000
Compensated absences payable.....	336,370
Other postemployment benefits payable.....	35,068,668
Net pension liability, proportionate share.....	1,188,605
	<u>\$ 41,778,986</u>

**DEFERRED INFLOW OF RESOURCES**

Retiree benefit payments.....	\$ 1,984,240
Pensions.....	720,097
	<u>\$ 2,704,337</u>

**NET POSITION**

Investment in capital assets, net of related debt.....	\$ 9,829,348
Restricted.....	2,294,989
Unrestricted (deficit).....	(26,152,628)
	<u>\$ (14,028,291)</u>

**MILFORD CENTRAL SCHOOL DISTRICT**

**Statement of Net Activities and Changes in Net Position  
For the year ended June 30, 2020**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Capital Grants	
<b>FUNCTIONS/PROGRAMS</b>					
General support.....	\$ 1,891,605	\$ -	\$ 1,639	\$ -	\$ (1,889,966)
Instruction.....	8,912,185	50,997	419,461	15,876	(8,425,851)
Pupil transportation.....	747,358	-	-	-	(747,358)
Community.....	785	-	-	-	(785)
Debt service interest.....	54,656	-	-	-	(54,656)
Foodservice.....	438,263	36,583	190,887	-	(210,793)
	<u>\$ 12,044,852</u>	<u>\$ 87,580</u>	<u>\$ 611,987</u>	<u>\$ 15,876</u>	<u>\$ (11,329,409)</u>
<b>GENERAL REVENUES</b>					
Real property taxes.....					\$ 3,711,460
Other tax items.....					600,343
Use of money and property.....					8,415
Sale of property and compensation for loss.....					15,943
Miscellaneous.....					258,292
State sources.....					5,728,385
Federal sources.....					28,216
					<u>\$ 10,351,054</u>
Change in Net Position.....					(978,355)
Total Net Position - Beginning of year.....					(13,049,936)
Total Net Position - End of year.....					<u>\$ (14,028,291)</u>

**MILFORD CENTRAL SCHOOL DISTRICT**

**Balance Sheet – Governmental Funds  
June 30, 2020**

	<b>General</b>	<b>Special Aid</b>	<b>School Lunch</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash						
Unrestricted.....	\$ 1,546,379	\$ 10,204	\$ 29,435	\$ 41,565	\$ 3,843,211	\$ 5,470,794
Restricted.....	1,175,783	-	-	-	-	1,175,783
Receivables						
Accounts receivable.....	614	-	116	-	-	730
Due from other funds.....	168,326	-	-	12,160	-	180,486
State and federal aid receivable.....	123,275	154,673	42,671	-	15,876	336,495
Due from other governments.....	237,301	-	-	-	-	237,301
Inventories.....	-	-	16,582	-	-	16,582
	<u>\$ 3,251,678</u>	<u>\$ 164,877</u>	<u>\$ 88,804</u>	<u>\$ 53,725</u>	<u>\$ 3,859,087</u>	<u>\$ 7,418,171</u>
<b>LIABILITIES</b>						
Payables						
Accounts payable.....	\$ 2,816	\$ -	\$ 5,190	\$ -	\$ 38,500	\$ 46,506
Accrued liabilities.....	344,088	-	-	-	-	344,088
Due to:						
Due to other funds.....	-	152,450	-	-	28,036	180,486
Due to other governments.....	-	-	216	-	-	216
Due to Teachers' Retirement System.....	25,870	-	-	-	-	25,870
Short-Term Notes Payable						
Bond Anticipation Note.....	-	-	-	-	3,471,000	3,471,000
	<u>372,774</u>	<u>152,450</u>	<u>5,406</u>	<u>-</u>	<u>3,537,536</u>	<u>4,068,166</u>
<b>FUND BALANCES</b>						
Nonspendable.....	-	-	16,582	-	-	16,582
Restricted						
Unemployment insurance.....	36,368	-	-	-	-	36,368
Retirement contributions.....	359,353	-	-	-	-	359,353
Insurance.....	33,039	-	-	-	-	33,039
Tax certiorari.....	219,857	-	-	-	-	219,857
Employee benefit and accrued liability.....	336,370	-	-	-	-	336,370
Repair.....	177,569	-	-	-	-	177,569
Debt.....	-	-	-	53,725	-	53,725
Assigned						
Appropriated.....	599,046	-	66,816	-	-	665,862
Encumbrances.....	62,286	12,427	-	-	321,551	396,264
Unassigned.....	1,055,016	-	-	-	-	1,055,016
	<u>2,878,904</u>	<u>12,427</u>	<u>83,398</u>	<u>53,725</u>	<u>321,551</u>	<u>3,350,005</u>
	<u>\$ 3,251,678</u>	<u>\$ 164,877</u>	<u>\$ 88,804</u>	<u>\$ 53,725</u>	<u>\$ 3,859,087</u>	<u>\$ 7,418,171</u>

**MILFORD CENTRAL SCHOOL DISTRICT**

**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
For the year ended June 30, 2020**

	<b>General</b>	<b>Special Aid</b>	<b>School Lunch</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Real property taxes.....	\$ 3,711,460	\$ -	\$ -	\$ -	\$ -	\$ 3,711,460
Other tax items.....	600,343	-	-	-	-	600,343
Charges for services.....	52,636	-	-	-	-	52,636
Use of money and property.....	8,208	-	12	195	-	8,415
Sale of property and compensation for loss.....	15,943	-	-	-	-	15,943
Miscellaneous.....	246,154	-	-	-	-	246,154
Local sources.....	-	4,008	-	-	-	4,008
State sources.....	5,724,839	77,690	3,546	-	15,876	5,821,951
Medicaid reimbursement.....	28,216	-	-	-	-	28,216
Federal sources.....	-	337,764	190,887	-	-	528,651
Sales - school lunch.....	-	-	36,583	-	-	36,583
	<u>\$ 10,387,799</u>	<u>\$ 419,462</u>	<u>\$ 231,028</u>	<u>\$ 195</u>	<u>\$ 15,876</u>	<u>\$ 11,054,360</u>
<b>EXPENDITURES</b>						
General support.....	\$ 1,300,047	\$ -	\$ 119,263	\$ -	\$ -	\$ 1,419,310
Instruction.....	4,639,665	382,307	-	-	-	5,021,972
Pupil transportation.....	346,698	12,197	-	-	-	358,895
Community service.....	785	2,315	-	-	-	3,100
Employee benefits.....	2,840,433	28,706	29,518	-	-	2,898,657
Debt service						
Principal.....	280,000	-	-	-	-	280,000
Interest.....	54,220	-	-	-	-	54,220
Cost of sales.....	-	-	80,403	-	-	80,403
Capital outlay.....	178,429	-	-	-	633,380	811,809
	<u>\$ 9,640,277</u>	<u>\$ 425,525</u>	<u>\$ 229,184</u>	<u>\$ -</u>	<u>\$ 633,380</u>	<u>\$ 10,928,366</u>
Excess (Deficiency) fo Revenues over Expenditures.....	<u>747,522</u>	<u>(6,063)</u>	<u>1,844</u>	<u>195</u>	<u>(617,504)</u>	<u>125,994</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Premium on obligations.....	\$ -	\$ -	\$ -	\$ 12,138	\$ -	\$ 12,138
Operating transfers in.....	8,045	7,560	-	39,058	144,000	198,663
Operating transfers (out).....	(151,560)	-	-	-	(47,103)	(198,663)
	<u>\$ (143,515)</u>	<u>\$ 7,560</u>	<u>\$ -</u>	<u>\$ 51,196</u>	<u>\$ 96,897</u>	<u>\$ 12,138</u>
Net Change in Fund Balances.....	604,007	1,497	1,844	51,391	(520,607)	138,132
Fund Balances - Beginning of year.....	2,274,897	10,930	81,554	2,334	842,158	3,211,873
Fund Balances - End of year.....	<u>\$ 2,878,904</u>	<u>\$ 12,427</u>	<u>\$ 83,398</u>	<u>\$ 53,725</u>	<u>\$ 321,551</u>	<u>\$ 3,350,005</u>

MILFORD CENTRAL SCHOOL DISTRICT

Reconciliation of Governmental Funds Balance Sheet  
To the Statement of Net Position

June 30, 2020

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

Total fund balances - governmental funds..... \$ 3,350,005

Capital assets are used in governmental activities are not financial resources and, therefore,  
are not reported in governmental funds

Net capital assets recorded in statement of net position..... 10,802,797

Proportionate share of long-term asset and liability associated with participation in state  
retirement systems are not current financial resources or obligations and are not reported in  
governmental funds:

Net pension asset.....	476,572
Net pension liability.....	(1,188,605)
Deferred outflows.....	2,296,300
Deferred inflows.....	(720,097)

Other Post Employment Benefit obligations paid for the benefit of retired employees as part of  
their employment contracts are not current financial obligations therefore not reported in  
governmental funds:

Other Post Employment Benefits.....	(35,068,668)
Deferred outflows.....	9,641,679
Deferred inflows.....	(1,984,240)

Long-term liabilities are not due and payable in the current period and, therefore, are not  
reported in governmental funds:

Compensated Absences.....	(336,369)
Serial Bonds.....	(1,295,000)
Accrued Interest on Long Term Debt.....	(2,665)

Net Position of Governmental Activities..... \$ (14,028,291)



**MILFORD CENTRAL SCHOOL DISTRICT**

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

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**Amounts reported for governmental activities  
in the statement activities are different due to the following:**

Net Changes in Fund Balance - Total Governmental Funds.....	\$ 138,132
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown as assets in the statement of net position and depreciation is allocated over their useful lives.

Depreciation expense.....	(574,640)
Capital outlays.....	815,769

Changes in proportionate share of net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the government funds.

Teachers' retirement system.....	(227,538)
Employees' retirement system.....	(231,300)

Changes in Other Post Employment Benefits obligations paid for the benefit of retired employees as part of their employment contracts do not require the use of current financial resources and therefore are not reported as revenues or expenditures in the government funds.

Change in Other Post Employment Benefits Payable.....	(1,191,542)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceed proceeds.

Repayment of Bond Principal.....	280,000
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Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in Compensated Absences.....	13,200
Change in accrued Interest.....	(436)
Change in Net Position - Governmental Activities.....	<u>\$ (978,355)</u>

MILFORD CENTRAL SCHOOL DISTRICT

Statement of Fiduciary Net Position  
June 30, 2020

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	Private Purpose Trusts	Agency
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 9,165	\$ 111,122
	<u>\$ 9,165</u>	<u>\$ 111,122</u>
 <b>LIABILITIES</b>		
Other liabilities.....	\$ -	\$ 37,478
Extraclassroom activity balances.....	-	73,644
	<u>-</u>	<u>\$ 111,122</u>
 <b>NET POSITION</b>		
Reserved for scholarships.....	<u>\$ 9,165</u>	

Statement of Changes in Fiduciary Net Position  
For the year ended June 30, 2020

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	Private Purpose Trusts
<b>ADDITIONS</b>	
Investment earnings.....	\$ 19
Gifts and Contributions.....	-
	<u>19</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards.....	<u>1,395</u>
	<u>1,395</u>
Change in Net Position.....	(1,376)
Net Position - Beginning of year.....	<u>10,541</u>
Net Position - End of Year.....	<u>\$ 9,165</u>

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# MILFORD CENTRAL SCHOOL DISTRICT

## Notes to the Financial Statements

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### Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### A) Reporting Entity

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

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

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

#### 1) Extra Classroom Activity Funds

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

#### 2) Scholarship Funds

The Scholarship Funds of the District represent funds of donors. The Board of Education exercises general oversight of these funds. These funds are independent of the District with respect to its financial transactions. Separate audited fiduciary schedules of the Scholarship Funds are included with this report. The district accounts for assets held as an agent for various student organizations in a Trust fund.

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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#### B) Joint Venture

The District is one of several component school districts in the Otsego Northern Catskills Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

During the year, the District was billed \$1,390,983 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$524,102. Financial statements for BOCES are available from the BOCES administrative office at 2020 Jump Brook Road, Grand Gorge, New York 12434.

#### 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 the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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.

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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#### 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 funds:

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

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

*Capital Projects Funds:* These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

*Debt Service Fund:* This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

*Fiduciary Funds:* Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

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

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

#### D) Measurement focus and basis of accounting

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 120 days after the end of the fiscal year.

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

#### E) Property Taxes

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

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

#### F) Restricted resources

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

#### G) Interfund transactions

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

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

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

#### H) Estimates

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

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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I) Cash (and cash equivalents)/Investments

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

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

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

J) Receivable (or Accounts receivable)

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

K) Inventories and prepaid items

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

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

L) Other assets/restricted assets

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

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements these same costs are netted against bond proceeds and recognized in the period of issuance.

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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#### M) Capital assets

Capital assets are reported at actual cost for acquisitions subsequent to July 2016. For assets acquired prior to this date, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

<u>Classes of Capital Assets</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$5,000	Straight Line	20 - 50 Years
Furniture and Equipment	\$5,000	Straight Line	5 - 20 Years
Licensed Vehicles	\$5,000	Straight Line	8 - 10 Years

Capital assets that are not depreciated include land and construction in progress. Certain infrastructure capital assets are accounted for using the modified approach permitted for eligible assets under GASB 34. The modified approach requires that an asset management system be established which assures that an expenditure amount sufficient to preserve the assets in good condition for proper and efficient functioning is budgeted each year in lieu of depreciation. Accordingly, all expenditures made for those assets, other than additions and improvements that increase capacity or efficiency, are charged to expense in the period incurred instead of calculating depreciation. The school district is required to conduct a condition assessment of these assets at least once every three years.

#### N) Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability 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.



## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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O) Deferred revenues

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

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Many deferred revenues recorded in governmental funds are not recorded in the District-wide statements.

P) Vested employee benefits

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

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

District employees are granted *vacation* in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

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

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

Q) Other benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expense.

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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#### R) Short-term debt

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

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

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

#### S) Accrued liabilities and long-term obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

#### T) Equity classifications

##### *District-wide statements*

In the district-wide statements there are three classes of Net Position:

- 1) **Invested in Capital Assets, Net of Related Debt** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
- 2) **Restricted Net Position** – reports Net Position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- 3) **Unrestricted Net Position** – reports all other Net Position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

# MILFORD CENTRAL SCHOOL DISTRICT

## Notes to the Financial Statements

### *Fund statements:*

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

- 1) **Non-spendable** fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$9,565.
- 2) **Restricted fund balance** - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance.

Restricted fund balance includes the following:

General Fund:

Unemployment insurance.....	\$	36,368
Retirement contributions.....		359,353
Insurance.....		33,039
Tax certiorari.....		219,857
Employee benefit accrued liability.....		336,370
Repair.....		177,569

Debt Service Fund

Debt payments.....		53,725
	\$	<u>1,216,281</u>

The School District has established the following restricted fund balances:

- i. Employee Benefit Accrued Liability  
According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.
- ii. Retirement Contributions  
According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.
- iii. Unemployment Insurance  
According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.
- iv. Capital  
According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

v. Repairs

According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

vi. Insurance

According to General Municipal Law §6-n, must be 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 (for example, for unemployment compensation insurance). The 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.

- 3) **Committed fund balance** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2020.
- 4) **Assigned fund balance** - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund.

Assigned fund balance includes the following:

General Fund

Subsequent year's expenditures.....	\$	599,046
Encumbrances.....		62,286

Special Aid Fund

Encumbrances.....		12,427
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School Lunch Fund

Subsequent year's expenditures.....		66,816
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Capital Projects Fund

Encumbrances.....		321,551
	\$	<u>1,062,126</u>

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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- 5) **Unassigned fund balance** - Includes all other General Fund Net Position that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

#### Spending Prioritization:

Unless the determination to use restricted, committed or assigned fund balance is made by the District prior to spending amounts on an expenditure incurred, the spending prioritization policy of the District shall be followed.

In the case that expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available; the District considers unrestricted amounts to have been spent. In the case that expenditures are incurred for which committed, assigned, and unassigned fund balance is available; the District considers unassigned amounts to have been spent. The specific fund balance spending prioritization of the District is as follows:

1. Unassigned
2. Assigned
3. Committed
4. Restricted

#### U) New Accounting Standards

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

GASB issued Statement 83, Certain Asset Retirement Obligations, effective for the year ending June 30, 2020.

GASB has issued Statement 88, Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements, effective for the year ending June 30, 2020.

#### V) Future Changes in Accounting Standards

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

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

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

GASB has issued Statement 90, Accounting and Financial Reporting for Majority Equity Interest, effective for the year ending June 30, 2021.

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

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

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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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 balances of governmental funds vs. net position of governmental activities:**

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

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

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

**1) Long-term revenue differences:**

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

**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.

**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.

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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#### Note 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### A. Budgets

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

##### 1) General Fund

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are adopted at the program line item level.

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

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

##### 2) Capital Project

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

##### 3) Special Aid Funds

Budgets are established by grantors and used for individual program fund expenditures. The maximum program amount authorized is based upon the grantor contracts and agreements not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the program.

##### B. Encumbrances

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

MILFORD CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

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**Note 4 CASH (AND CASH EQUIVALENTS) – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS**

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

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized.....	\$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name.....	\$ 6,572,187

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$1,216,281 within the governmental funds and \$120,287 in the fiduciary funds.

**Note 5 DONOR RESTRICTED ENDOWMENTS**

The District administers endowment funds, which are restricted by the donor for the purposes of student scholarships. Donor-restricted endowments are \$9,165 and are reported at fair value. The amount of net appreciation on investments of donor-restricted endowments that is available for authorization for expenditure by the District is \$9,165. The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donors.



**MILFORD CENTRAL SCHOOL DISTRICT**

**Notes to the Financial Statements**

**Note 6 CAPITAL ASSETS**

General fixed assets are carried at estimated historical cost. The values of these assets, including any donated assets, are measured at the most recent cash or cash equivalent price of the asset as established by an independent appraiser. The most recent appraisal date was July 2016. Maintenance, repairs, and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Any costs related to the asset that are incurred after the appraisal date such as additions, improvements, or replacements are added to the value of the asset if they provide future service potential; otherwise, they are expended in the period of occurrence. Proceeds from dispositions of property are included in income.

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
<b>Capital assets that are not depreciated:</b>				
Construction in progress.....	\$ 310,620	633,379	-	\$ 943,999
Total nondepreciable historical cost.....	<u>310,620</u>	<u>633,379</u>	<u>-</u>	<u>\$ 943,999</u>
<b>Capital assets that are depreciated:</b>				
Land improvements.....	232,024	-	-	232,024
Buildings.....	17,814,667	-	-	17,814,667
Furniture and equipment.....	1,654,524	339,579	-	1,994,103
Total depreciable historical cost	<u>19,701,215</u>	<u>339,579</u>	<u>-</u>	<u>20,040,794</u>
Less: accumulated depreciation				
Land improvements.....	127,162	11,602	-	138,764
Buildings.....	8,361,168	363,618	-	8,724,786
Furniture and equipment.....	1,119,025	199,421	-	1,318,446
Total accumulated depreciation.....	<u>9,607,355</u>	<u>574,641</u>	<u>-</u>	<u>10,181,996</u>
Total depreciable and non-depreciable historical cost, net.....	<u>\$ 10,404,480</u>			<u>\$ 10,802,797</u>

The district does not have infrastructure assets as defined by GASB publications.

**Depreciation expense was charged to governmental functions as follows:**

Administrative services.....	\$ 93,345
Instruction.....	186,693
Foodservice.....	93,943
Pupil transportation.....	200,660
	<u>\$ 574,641</u>

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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#### **Note 7   SHORT-TERM DEBT**

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

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

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

On June 24, 2020 the District issued a Bond Anticipation Note for \$3,471,000 due on June 24, 2021. The stated interest rate is 1.5%, a bond premium was paid by the investors of \$12,138. The District accrued \$436 of interest expense for the year ended June 30, 2020.

**MILFORD CENTRAL SCHOOL DISTRICT**

**Notes to the Financial Statements**

**Note 8 LONG-TERM DEBT**

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

	<b>Beginning Balance</b>	<b>Addition/ Issued</b>	<b>Deletion/ Redeemed</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
<b>Bond Issue:</b>					
Serial Bond - 11/1/2006	\$ 465,000	-	150,000	\$ 315,000	\$ 155,000
Serial Bond - 6/22/2012	1,085,000	-	105,000	980,000	110,000
Serial Bond - 8/06/2015	25,000	-	25,000	-	-
Total bonds and notes payables	\$ 1,575,000	-	280,000	\$ 1,295,000	\$ 265,000
<b>Other Liabilities</b>					
Compensated absences	349,569	6,459	19,658	336,370	-
Other post employment benefits	26,698,107	8,717,516	346,955	35,068,668	-
Total	<u>\$ 28,622,676</u>	<u>8,723,975</u>	<u>646,613</u>	<u>\$ 36,700,038</u>	<u>\$ 265,000</u>

Compensated absences - represent the value of earned and unused portion of the liability for compensated absences.

Other post-employment benefits – represent actuarial valuations of an ongoing post-employment plans involving estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. (see Note 11)

# MILFORD CENTRAL SCHOOL DISTRICT

## Notes to the Financial Statements

The following is a summary of maturity of bond indebtedness:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2020
Serial Bond	11/1/2006	6/15/2022	4.03%	\$ 315,000
Serial Bond	6/22/2012	6/15/2028	3.20%	980,000
				<u>\$ 1,295,000</u>

Principal and interest payments due on bonds payable is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 265,000	\$ 45,058	\$ 310,058
2022	275,000	35,480	310,480
2023	115,000	25,550	140,550
2024	120,000	22,100	142,100
2025	125,000	18,200	143,200
Thereafter	395,000	27,825	422,825
Total	<u>\$ 1,295,000</u>	<u>\$ 174,213</u>	<u>\$ 1,469,213</u>

Interest paid on long term debt during the year was:

Interest paid.....	\$ 54,220
Less: interest accrued in the prior year.....	(2,229)
Add: interest accrued in current year.....	1,809
	<u>\$ 53,800</u>

### Note 9 INTERFUND BALANCES

	Receivable	Payable	Financing Source	Financing Use
General Fund.....	\$ 168,326	\$ -	\$ 8,045	\$ 151,560
School Food Service Fund.....	-	-	-	-
Special Aid Fund.....	-	152,450	7,560	-
Capital Projects Fund.....	-	28,036	144,000	47,103
Debt Service Fund.....	12,160	-	39,058	-
	<u>\$ 180,486</u>	<u>\$ 180,486</u>	<u>\$ 198,663</u>	<u>\$ 198,663</u>

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

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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#### Note 10 PENSION PLANS

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

1) *Provisions and administration:*

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

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

- 2) *Funding policies:* The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier 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.

# MILFORD CENTRAL SCHOOL DISTRICT

## Notes to the Financial Statements

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30, was:

Contributions	ERS	TRS
2020	\$ 166,569	\$ 325,171
2019	159,705	324,143
2018	153,420	373,389

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year. ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

### 3) Pension Liabilities, Pension Expense (Credit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	ERS	TRS
Actuarial valuation date.....	3/31/2020	6/30/2019
Net pension liability (asset).....	\$ 1,188,605	\$ (476,572)
District's portion of the Plan's total		
net pension liability (asset).....	0.0044886%	0.0183440%

For the year ended June 30, 2020, the District recognized its proportionate share of pension expense of \$403,510 for ERS and the actuarial value \$588,829 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:

	Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience.....	\$ 69,954	\$ 322,961	\$ -	\$ 35,439
Changes of assumptions.....	23,933	900,308	20,666	219,521
Net difference between projected and actual earnings on pension plan investments.....	609,337	-	-	382,186
Changes in proportion and differences between the District's contributions and proportionate share of contributions.....	17,774	26,862	24,226	38,059
District's contributions subsequent to the measurement date.....	-	-	-	-
	\$ 720,998	\$ 1,250,131	\$ 44,892	\$ 675,205

# MILFORD CENTRAL SCHOOL DISTRICT

## Notes to the Financial Statements

- 4) District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2021 for ERS and June 30, 2020 for TRS. 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 ended:		
2020	\$ 109,168	\$ 212,950
2021	169,410	11,023
2022	221,195	212,169
2023	176,333	137,724
2024	-	17,360
2022	-	(16,300)
Thereafter	-	-

### 5) Actuarial Assumptions

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

	ERS	TRS
Measurement date.....	3/31/2020	6/30/2019
Actuarial valuation date.....	4/1/2019	6/30/2018
Interest rate.....	6.8%	6.8%
Salary scale.....	4.2%	1.9 - 4.72%
Decrement tables.....	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
6) Inflation rate.....	2.5%	2.2%

For ERS, annuitant mortality rates are based on April 1, 2005 – March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

For ERS, the actuarial assumptions used in the April 1, 2011 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010. For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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

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

# MILFORD CENTRAL SCHOOL DISTRICT

## Notes to the Financial Statements

arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS	TRS
Measurement date	3/31/2020	6/30/2019
Asset Type:		
Domestic equities	4.1%	6.3%
International equities	6.2%	7.8%
Global equities	n/a	7.2%
Private equity	6.8%	9.9%
Real estate	5.0%	4.6%
Absolute return strategies	3.3%	n/a
Opportunistic portfolio	4.7%	n/a
Real assets	6.0%	n/a
Domestic fixed income	n/a	1.3%
Global fixed income	n/a	0.9%
Private debt	n/a	6.5%
Bonds and mortgages	0.8%	2.8%
High-yield bonds	n/a	3.6%
Cash equivalents	0.0%	0.3%
Inflation-indexed bonds	0.5%	n/a

### 7) Discount Rate

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

### 8) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and 8% 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 (6% for ERS and 6.5% for TRS) or 1-percentagepoint higher (8% for ERS and 8.5% 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 liability (asset)	\$ 2,181,426	\$ 1,188,605	\$ 274,213
	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
TRS			
Employer's proportionate share of the net pension liability (asset)	\$ 2,151,196	\$ (476,572)	\$ (2,680,972)



MILFORD CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

10) Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)		
	ERS	TRS	Total
Valuation date.....	4/1/2019	6/30/2019	
Employers' total pension liability (asset).....	\$ 194,596,261	\$ 119,879,474	\$ 314,475,735
System fiduciary net position.....	168,115,682	122,477,481	290,593,163
Employers' net pension liability (asset).....	\$ 26,480,579	\$ (2,598,007)	\$ 23,882,572
Ratio of plan net position to the			
Employers' total pension liability (asset)...	86.4%	102.2%	92.4%

11) Other items

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

Collective pension expense includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2020 is \$397,870 for ERS and \$586,705 for TRS.

**Note 11 POST-EMPLOYMENT BENEFITS**

The District provides post-employment coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

1) General Information about the OPEB Plan

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

**Benefits Provided** - The school district provides medical, dental and vision benefits to its retired employees and their spouses. Employees are eligible for these benefits upon retirement at age 55 or over with at least 10 years of service. The school district pays from 85% to 100% of the cost of individual coverage and 0% to 85% of the cost spouse or dependent coverage.

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

Inactive Members or Beneficiaries Currently Receiving Benefits	86
Inactive Employees Entitled to but not yet Receiving Benefits	-
Active Members	93
	<u>179</u>

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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#### 2) Total OPEB Liability

The District's total OPEB liability of \$35,068,668 was measured as of December 31, 2019 and was determined by an actuarial valuation as of July 1, 2019.

*Actuarial Assumptions and Other Inputs* – The actuarial assumptions used to value the post-retirement medical liabilities can be categorized into three groups: economic assumptions, healthcare assumptions, and demographic assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation applied to all periods included in the measurement.

*Economic Assumptions* The two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

Inflation	2.4%
Salary increases	Vary by pension retirement system membership TRS or ERS
Discount rate	3.51% prior measurement date 2.74% measurement date
Mortality Table	Based on same assumptions used for TRS and ERS
Health Care Cost Trends	5.4% for 2019 decreasing to an ultimate rate of 3.94% by 2075

Since the OPEB plan is not funded, the selection of the discount rate is consistent with the GASB 75 standards discounting unfunded liabilities based on a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The assumption is consistent with the Social Security administration's current best estimate of the ultimate long-term (75-year horizon) annual percentage increase in CPI, as published in the 2016 OASDI Trustees Report.

*Healthcare Assumptions Medical Cost Trends:* Medical costs have historically increased more rapidly than the rate of inflation. In estimating future retiree benefits, future increases in medical costs must be taken into consideration. The medical cost trend assumptions, based on the Society of Actuaries' Getzen Model, reflect the view that future increases will be constrained by the proportion of the nation's Gross Domestic Product (GDP) which is represented by the healthcare industry. Therefore, in the long run, the annual rate of increase will have to decrease.

Pre-Medicare	5.40% for 2019 decreasing to an ultimate rate of 3.94% by 2075
Medicare	5.40% for 2019 decreasing to an ultimate rate of 3.94% by 2075

Health care trend rates reflect both the current and long-term outlook for increases in health care costs. The short-term rates are based on recent industry surveys, plan experience and near-term expectations. The long-term trend rate is based on our general inflation assumption plus an adjustment to reflect expectations for long-term medical inflation.

*Demographic Assumptions:* The mortality rates used in this valuation were developed by the Office of the Actuary of the New York Teachers Retirement System (TRS) and the Office of the Actuary for the New York State Employees Retirement System (ERS), for the valuation of their respective pension liabilities.

**MILFORD CENTRAL SCHOOL DISTRICT**

**Notes to the Financial Statements**

3) Changes in the Total OPEB Liability

	6/30/2020
Total OPEB Liability at Beginning of Year.....	\$ 26,698,107
Changes for the year:	
Service Cost.....	390,032
Interest.....	468,292
Change in Benefit terms.....	-
Difference between expected and actual experience.....	(1,326,995)
Changes in assumptions or other inputs.....	9,186,187
Benefit payments.....	(346,955)
	<u>8,370,561</u>
Balance at the End of the year.....	<u>\$ 35,068,668</u>

*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 or 1 percentage point higher than the current 2.74% discount rate:

	Discount Rate		
	Baseline		
	1% Decrease	Rate 2.74%	1% Increase
Total OPEB Liability	\$ 29,412,603	\$ 35,068,668	\$ 42,351,331

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate of 5.4%:

	Healthcare Cost Trend Rates		
	Baseline		
	1% Decrease	Rate 5.4%	1% Increase
Total OPEB Liability	\$ 28,603,327	\$ 35,068,668	\$ 43,720,941

MILFORD CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

4) 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 \$1,191,542. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumption or other inputs.....	\$ 9,641,679	\$ (767,828)

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

	Amount
Year ending December 31, 2020.....	\$ 1,360,345
2021.....	1,360,345
2022.....	1,360,345
2023.....	1,360,345
2024.....	1,388,252
Thereafter.....	827,807
	<u>\$ 7,657,439</u>

**Note 12 RISK MANAGEMENT**

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

## MILFORD CENTRAL SCHOOL DISTRICT

### Notes to the Financial Statements

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#### **Note 13 CONTINGENCIES AND COMMITMENTS**

*Potential Grantor Liability:*

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

*Contingent Liability for Sick Leave:*

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness).

*Potential Liability to New York State:*

The District has receives state aid revenue sharing and grants, which are subject to audit by New York State Comptroller's Office. Such audits may result in adjustments to revenues. Based on prior audits, the district's administration believes any adjustments will be immaterial.

#### **Note 14 TAX ABATEMENTS**

The County of Otsego enters property tax abatement programs for the purpose of economic development. The School District property tax revenue was reduced \$11,986. The District received payment in Lieu of Tax (PILOT) payment totaling \$106,561.

The Town of Milford enter property tax abatement programs for the purpose of subsidized housing for low income individuals. The School District property tax revenue was reduced by \$9,100. The District received \$9,100 payment in Lieu of Tax (PILOT).

#### **Note 15 SUBSEQUENT EVENTS**

The District has evaluated subsequent events through the issuance date of the financial statements. None were considered material to the issued financial statements.



## **Required Supplementary Information**

**MILFORD CENTRAL SCHOOL DISTRICT**

**Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget (non-GAAP basis) and Actual – General Fund  
For the year ended June 30, 2020**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes.....	\$ 4,181,760	\$ 3,711,460	\$ 3,711,460	\$ -
Other tax items.....	87,392	557,692	600,343	42,651
Charges for services.....	9,700	9,700	52,636	42,936
Use of money and property.....	2,000	2,000	8,208	6,208
Sale of property and compensation for loss.....	-	-	15,943	15,943
Miscellaneous.....	126,944	127,067	246,154	119,087
	<u>4,407,796</u>	<u>4,407,919</u>	<u>4,634,744</u>	<u>226,825</u>
State Sources.....	5,591,754	5,591,754	5,724,839	133,085
Medicaid Reimbursement.....	15,000	15,000	28,216	13,216
Federal sources	-	-	-	-
Total Revenues.....	<u>10,014,550</u>	<u>10,014,673</u>	<u>10,387,799</u>	<u>373,126</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds.....	-	-	8,045	
Appropriated fund balances.....	<u>624,036</u>	<u>650,742</u>	<u>-</u>	
Total Revenues & Other Financing Sources.....	<u>\$ 10,638,586</u>	<u>\$ 10,665,415</u>	<u>\$ 10,395,844</u>	



**MILFORD CENTRAL SCHOOL DISTRICT**

**Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget (non-GAAP basis) and Actual – General Fund  
For the year ended June 30, 2020**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education.....	\$ 13,200	\$ 17,400	\$ 12,597	\$ 90	\$ 4,713
Central administration.....	194,452	198,309	193,697	-	4,612
Finance.....	282,027	279,050	267,299	5,192	6,559
Staff.....	81,457	105,326	90,767	-	14,559
Central services.....	646,024	654,900	554,879	840	99,181
Special items.....	188,773	188,773	180,808	-	7,965
	<u>1,405,933</u>	<u>1,443,758</u>	<u>1,300,047</u>	<u>6,122</u>	<u>137,589</u>
Instruction					
Instruction, administration, and improvement.....	149,731	151,055	143,043	21	7,991
Teaching - regular school.....	2,387,930	2,431,415	2,312,002	10,553	108,860
Programs for children with handicapping conditions.....	1,808,114	1,609,140	1,403,053	1,139	204,948
Teaching - special school.....	19,682	57,306	57,306	-	-
Instructional media.....	275,311	301,232	264,839	2,790	33,603
Pupil services.....	532,812	536,282	459,422	4,057	72,803
	<u>5,173,580</u>	<u>5,086,430</u>	<u>4,639,665</u>	<u>18,560</u>	<u>428,205</u>
Pupil Transportation.....	435,582	435,729	346,698	33	88,998
Community services.....	4,000	4,000	785	-	3,215
Employee Benefits.....	2,907,231	2,983,204	2,840,432	37,571	105,201
Debt Service.....	385,220	341,220	334,220	-	7,000
Capital outlay.....	197,040	197,074	178,429	-	18,645
Total Expenditures.....	<u>10,508,586</u>	<u>10,491,415</u>	<u>9,640,276</u>	<u>62,286</u>	<u>788,853</u>
<b>OTHER FINANCING USES</b>					
Transfers to other funds.....	130,000	174,000	151,560	-	22,440
Total Expenditures and Other Uses....	<u>\$ 10,638,586</u>	<u>\$ 10,665,415</u>	<u>\$ 9,791,836</u>	<u>\$ 62,286</u>	<u>\$ 811,293</u>
Net change in fund balances.....			604,008		
Fund balance - beginning.....			2,274,896		
Fund balance - ending.....			<u>\$ 2,878,904</u>		

**MILFORD CENTRAL SCHOOL DISTRICT**

**Schedule of Other Post-Employment Benefits  
For the year ended June 30, 2020**

**Schedule of Other Post Employment Benefits (OPEB) Liability**

Total OPEB Liability Beginning of Year.....	\$ 26,698,107
Changes in totl OPEB Liability:	
Service Cost.....	390,032
Interest.....	468,292
Changes in benefit terms.....	-
Differences between expected and actual experience.....	(1,326,995)
Changes in assumptions or other inputs.....	9,186,187
Benefit payments.....	(346,955)
Differences between expected and actual experience.....	-
Total OPEB Liability atEnd of Year (a).....	<u>\$ 35,068,668</u>
Plan Fiduciary Net Position.....	-
Contributions - employer.....	346,955
Net investment income.....	-
Benefit payments.....	<u>(346,955)</u>
Net change in fiduciary net position.....	-
Plan Fiduciary Net Position Beginning of Year.....	<u>-</u>
Plan Fiduciary Net Position End of Year (b).....	<u>-</u>
Sponsor's Net OPEB Liability End of Year (a)-(b).....	\$ 35,068,668
Plan Fiduciary Net Position as a percentage of the total OPEB Liability.....	0.0%
Covered Payroll.....	\$ 3,974,713
Net OPEB Liability as a percentage of Covered Payroll.....	882.3%

**Schedule of Employer OPEB Contributions**

Actuarially Determined Contribution.....	\$ 1,538,497
Contributions in relation to the Actuarially Determined Contributions.....	<u>346,955</u>
Contributions Deficiency (Excess).....	\$ 1,191,542
Covered Payroll.....	\$ 3,974,713
Contributions as a percentage of Covered Payroll.....	8.7%

**MILFORD CENTRAL SCHOOL DISTRICT**

**Schedule of Other Post-Employment Benefits  
For the year ended June 30, 2020**

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**Significant Methods and Assumptions used in Calculating the Actuarially Determined Contributions:**

**Actuarial Cost Method**

The Actuarial Cost Method used to determine the Total OPEB Liability and the Annual Required Contribution is the Entry Age Normal (EAN) method as prescribed by GASB No. 75. This method is in the family of future benefit cost methods, which requires an estimate of the projected benefit payable at retirement to determine costs and liabilities.

The Normal Cost (or Service Cost) is the annual allocation required for each participant from entry date to the assumed retirement date so that the accumulated allocation at retirement is equal to the liability for the projected benefit. The projected benefits are based on estimates of future years of service and projected health benefit costs. The normal cost is developed as a level percent of compensation as prescribed by GASB No. 75.

The Present Value of Future Benefits is equal to the value of the projected benefit payable at retirement discounted back to the participant's current age. Discounts include such items as interest and mortality. The present value of future normal cost allocations is equal to the discounted value of the normal costs allocated from the member's current age to retirement age.

The difference between the Present Value of Future Benefits and the present value of future normal cost allocations represents the Total OPEB Liability at the participant's current age.

The Total OPEB Liability for participants currently receiving payments is calculated as the actuarial present value of future benefits expected to be paid. No normal cost is allocated for these participants.

**Financial and Census Data**

The School District provided the participant data, financial information and plan descriptions used in this valuation. The actuary has checked the data for reasonableness, but has not independently audited the data. The actuary has no reason to believe the data is not complete and accurate, and knows of no further information that is essential to the preparation of the actuarial valuation.

**Plan Fiduciary Net Position**

Market value of assets as of the measurement date is zero because the plan is funded on a pay-as-you-go basis.

## MILFORD CENTRAL SCHOOL DISTRICT

### Schedule of Other Post-Employment Benefits For the year ended June 30, 2020

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#### Economic Assumptions

1. **Discount Rate:** An interest rate of 2.74% was used. The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.
2. **Inflation:** 2.4% per year.
3. **Salary increases** Vary by pension retirement system membership TRS or ERS.
4. **Health Care Cost Trend:** Medical costs have historically increased more rapidly than the rate of inflation. In estimating future retiree benefits, future increases in medical costs must be taken into consideration. The medical cost trend assumptions, based on the Society of Actuaries' Long-Run Medical Cost Trend Model, reflect the view that future increases will be constrained by the proportion of the nation's Gross Domestic Product (GDP) which is represented by the healthcare industry. Therefore, in the long run, the annual rate of increase will have to decrease.

The assumptions are summarized as follows:

- a) Pre- Medicare: 5.40% for 2019 decreasing to an ultimate rate of 3.94% by 2075
- b) Medicare: 5.40% for 2019 decreasing to an ultimate rate of 3.94% by 2075
- c)

#### Demographic Assumptions

1. **Census Collection Date:** The census used in this report represents the eligible population as of July 1, 2019. The valuation date is January 1, 2019 and measurement date are December 31, 2019.
2. **Mortality:** The mortality rates used in this valuation were developed by the Office of the Actuary of the New York Teachers Retirement System (TRS) and the Office of the Actuary for the New York State Employees Retirement System (ERS), for the valuation of their respective pension liabilities.
3. **Withdrawal Rates:** The valuation considers the fact that if an employee terminates his/her employment other than by retirement, then no benefit is provided. The withdrawal rates used in this valuation were developed by the Office of the Actuary of the New York Teachers Retirement System (TRS) and the Office of the Actuary for the New York State Employees Retirement System (ERS), for the valuation of their respective pension liabilities.:
4. **Retirement Rates:** Employees who meet the service requirement may typically retire from the District at age 55 or later. The valuation considers the fact that employees may elect to retire at different ages. The retirement rates used in this valuation were developed by the Office of the Actuary of TRS and the Office of the Actuary for ERS, for the valuation of their respective pension liabilities.
5. **Retiree Option Election Rates:** If retirees have a choice between multiple options, election rates for each option must be selected. The valuation assumes that all current retirees are, and future retirees will be, covered by either Plan O or Plan PPO-A according to their enrollment. Future retirees currently on Buyout are assumed to elect Plan O at retirement.
6. **Proportion Electing Spousal Coverage:** The valuation must consider the proportion of retiring employees who elect spousal coverage upon their retirement. The following proportions are assumed, based on current retiree experience: Male 65% and Female 40%.

## MILFORD CENTRAL SCHOOL DISTRICT

### Schedule of Other Post-Employment Benefits For the year ended June 30, 2020

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#### Healthcare Assumptions

##### 1. Per Capita Claim Costs:

- a) For the medical plans, we developed age-specific health care cost estimates using weighted average of premium rates effective on July 1, 2018, actuarially increased using aging factors and substitute enrollments that are assumed to represent the demographic make-up of the underlying health plans.

Annual per capita medical plan costs at representative ages for 2019 period ranged from \$15,600 to \$4,600. These costs are assumed to increase with health care trend rates in the future.

- b) For Medicare Part B premium reimbursements are assumed to be \$1,626 for all Medicare eligible participants and they are assumed to increase according to Medicare Part B trend rates.

##### 2. Patient Protection and Affordable Care Act (PPACA)

High Cost Plan Excise Tax ("Cadillac Tax"): Effective in 2020, there will be a 40% excise tax on per capita medical benefit costs in excess of certain thresholds, which (in 2019) are \$10,200 for single coverage and \$27,500 for family coverage for Medicare eligible retirees. Thresholds (in 2019) for retirees who are between 55 and 65 are \$11,850 and \$30,950 for single and family coverage respectively. After 2019, the thresholds are indexed by CPI (CPI + 1% in 2019 only). CPI is assumed to equal the inflation assumption.

**MILFORD CENTRAL SCHOOL DISTRICT**

**Schedule of District's Proportionate Share of Net Pension Liability (Asset)  
For the year ended June 30, 2020**

**NYSLRS PENSION PLAN**

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
District's proportion of the net pension liability (asset).....	0.0044886%	0.0044082%	0.0039869%	0.0041894%	0.0043768%	0.0043078%
District's proportionate share of the net pension liability (asset).....	\$ 1,188,605	\$ 312,335	\$ 128,674	\$ 393,650	\$ 702,498	\$ 145,528
District's covered-employee payroll.....	\$ 1,148,752	\$ 1,106,181	\$ 1,030,840	\$ 1,030,241	\$ 887,405	\$ 860,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll.....	103.47%	28.24%	12.48%	38.21%	79.16%	16.92%
Plan fiduciary net position as a percentage of total pension liability.....	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

**TRS PENSION PLAN**

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
District's proportion of the net pension liability (asset).....	0.018344%	0.018263%	0.018538%	0.017962%	0.018223%	0.017643%
District's proportionate share of the net pension liability (asset).....	\$ (476,572)	\$ (330,250)	\$ (140,908)	\$ 192,385	\$ (1,892,825)	\$ (1,965,324)
District's covered-employee payroll.....	\$ 3,178,516	\$ 3,061,870	\$ 2,937,683	\$ 2,771,776	\$ 3,018,135	\$ 3,099,612
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll.....	-14.99%	-10.79%	-4.80%	6.94%	-62.72%	-63.41%
Plan fiduciary net position as a percentage of total pension liability.....	102.20%	101.53%	100.66%	99.01%	110.46%	111.50%

**MILFORD CENTRAL SCHOOL DISTRICT**

**Schedule of District's Contributions to Pension Plans  
For the year ended June 30, 2020**

**NYSLRS PENSION PLAN**

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Contractually required contribution.....	\$ 166,569	\$ 159,704	\$ 153,420	\$ 155,035	\$ 186,650	\$ 189,649
Contributions in relation to the contractually required contribution.....	\$ 166,569	\$ 159,704	\$ 153,420	\$ 155,035	\$ 186,650	\$ 189,649
Contribution deficiency (excess).....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll.....	\$ 1,148,752	\$ 1,106,181	\$ 1,030,840	\$ 1,030,241	\$ 797,486	\$ 860,000
Contributions as a percentage of covered-employee payroll.....	14.50%	14.44%	14.88%	15.05%	23.40%	22.05%

**TRS PENSION PLAN**

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Contractually required contribution.....	\$ 586,705	\$ 254,676	\$ 344,296	\$ 367,538	\$ 279,865	\$ 423,500
Contributions in relation to the contractually required contribution.....	\$ 586,705	\$ 254,676	\$ 344,296	\$ 367,538	\$ 279,865	\$ 423,500
Contribution deficiency (excess).....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll.....	\$ 3,178,516	\$ 3,061,870	\$ 2,937,683	\$ 2,771,776	\$ 2,953,416	\$ 3,099,612
Contributions as a percentage of covered-employee payroll.....	18.46%	8.32%	11.72%	13.26%	9.48%	13.66%

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## **Supplementary Information**

**MILFORD CENTRAL SCHOOL DISTRICT**

**Schedule of Change from Original Budget to Revised Budget  
And Section 1318 of Real Property Tax Law Limit Calculation  
For the year ended June 30, 2019**

**Change from Adopted Budget to Revised Budget**

Adopted Budget.....	\$	10,638,586
Add: Prior year's encumbrances.....		26,706
Original budget.....		<u>10,665,292</u>
Budget revision:		
Gifts, Donations, and charges for services.....		123
		<u>10,665,415</u>
Final budget.....	\$	<u>10,665,415</u>
<i>Next year's budget is a voter approved budget of.....</i>	<i>\$</i>	<i><u>10,735,511</u></i>

**Section 1318 of Real Property Tax Law Limit Calculation**

Subsequent year voter-approved budget.....	\$	10,735,551
Maximum allowed percentage.....		4%
Limit of un expended surplus funds.....	\$	<u>429,422</u>
General fund balance		
Restricted.....	\$	1,162,556
Assigned.....		661,332
Unassigned.....		1,055,016
Total governmental - general fund balance.....	\$	<u>2,878,904</u>
Less:		
Restricted not subject to the law.....		(1,162,556)
Appropriated for subsequent year's budget in assign		(599,046)
Encumbrances included in assigned.....		(62,286)
		<u>(1,823,888)</u>
General fund balance subject to limit.....	\$	<u>1,055,016</u>
Calculated Actual percentage.....		<u>9.827%</u>
Dollar amount of overage.....	\$	<u>625,594</u>

The portion of general 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. Restricted fund balance is not subject to the law.

**MILFORD CENTRAL SCHOOL DISTRICT**

**Schedule of Capital Project Expenditures and Methods of Financing  
For the year ended June 30, 2020**

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Door Hardware .....	\$ 100,000	100,000	-	96,035	96,035	\$ 3,965
Smart Schools Project.....	144,800	144,800	-	15,876	15,876	128,924
Building Project 2019.....	4,690,000	4,690,000	205,120	521,469	726,589	3,963,411
Other Projects.....	-	-	-	-	-	-
	<u>\$ 4,934,800</u>	<u>4,934,800</u>	<u>205,120</u>	<u>633,380</u>	<u>838,500</u>	<u>\$ 4,096,300</u>

PROJECT TITLE	Methods of Financing				Fund Balance 6/30/2020
	Proceeds of Obligations	State Aid	Local Sources	Total	
Door Hardware .....	\$ -	-	100,000	100,000	\$ 3,965
Smart Schools Project.....	-	15,876	-	15,876	-
Building Project 2019.....	-	-	1,044,000	1,044,000	317,411
Other Projects.....	-	-	175	175	175
	<u>\$ -</u>	<u>15,876</u>	<u>1,144,175</u>	<u>1,160,051</u>	<u>\$ 321,551</u>

**MILFORD CENTRAL SCHOOL DISTRICT**  
**Invested in Capital Assets, Net of Related Debt**  
**June 30, 2020**

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Capital assets, net.....	10,802,797
Add:	
Cash in capital fund.....	3,843,211
State aid receivable.....	15,876
Deduct:	
Accounts payable.....	(38,500)
Due to other funds.....	(28,036)
Bond Anticipation Note payable.....	(3,471,000)
Serial Bonds payable.....	<u>(1,295,000)</u>
Investment in capital assets, net of related debt.....	<u><u>\$ 9,829,348</u></u>

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## **Governmental Auditing Standards Reports**

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

To the Board of Education  
Milford Central School District  
Milford, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milford Central School District, New York State as of and for the year ended June 30, 2020, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 15, 2020.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Milford 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 Milford Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Milford Central School District's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Milford 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

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an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Cwynar, & Company*

October 15, 2020  
Norwich, New York

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### **Extra Classroom Activity Funds**



# Cwynar & Company

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A Professional Limited Liability Company

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## Independent Auditors' Report

Board of Education  
Extra Classroom Activity Funds of  
Milford Central School District

We have audited the accompanying financial statements of the Extra Classroom Activity Funds of Milford Central School District (a New York State School District), which comprise the statement of assets, liabilities, and fund equity—cash basis as of June 30, 2020 and the related statement of cash receipts and disbursements—cash basis for the year then ended, and the related note to the 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 the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion 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. 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 opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund equity of the Extra Classroom Activity Funds of Milford Central School District as of June 30, 2019, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note 1.

### Basis of Accounting

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



Norwich, New York  
October 15, 2020

MILFORD CENTRAL SCHOOL DISTRICT

Extra Classroom Activity Funds  
Statement of Assets, Liabilities, and Fund Equity – Cash Basis  
June 30, 2020

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**ASSETS**

Cash in checking.....	\$	73,644
		<u>73,644</u>

**LIABILITIES AND FUND BALANCE**

Fund balance.....		73,644
	\$	<u>73,644</u>

**MILFORD CENTRAL SCHOOL DISTRICT**

**Extra Classroom Activity Funds  
Statement of Cash Receipts and Disbursements  
For the year ended June 30, 2020**

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<b>Activity</b>	<b>Fund Balance</b>			<b>Fund Balance</b>
	<b>June 30, 2019</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2020</b>
Art Club	\$ 2,581	163	276	\$ 2,468
Athletic Club	115	9,866	4,632	5,349
Class of 2020	4,681	11,347	15,882	146
Class of 2021	5,736	15,372	7,019	14,089
Class of 2022	2,516	3,202	1,461	4,257
Class of 2023	-	3,939	1,885	2,054
Class of 2024	350	2,393	176	2,567
Class of 2025	-	210	-	210
Cheerleaders' Club	610	1,090	1,509	191
CIA Club	5,430	1,897	876	6,451
Environmental Club	390	1	-	391
FT 3-4	358	1	-	359
Guidance Club	3,330	8,037	7,317	4,050
Intermediate Club	352	1	-	353
Library Media Club	5,999	1,266	1,388	5,877
Milford Pride	67	-	-	67
Music Association	6,267	8,993	8,919	6,341
Readers' Club	-	4,903	4,790	113
Sales Tax Holding Account	878	1,598	2,241	235
Safety patrol	880	10,898	5,935	5,843
Ski Club	95	6,416	6,414	97
Spanish Club	1,600	2	412	1,190
Student Government	24	991	112	903
Yearbook Club	11,129	5,522	6,608	10,043
	<u>\$ 53,388</u>	<u>98,108</u>	<u>77,852</u>	<u>\$ 73,644</u>

**MILFORD CENTRAL SCHOOL DISTRICT**

**Extra Classroom Activity Funds  
Note to the Financial Statement**

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**Note 1 ACCOUNTING POLICY**

The transactions of the Extra Classroom Activity Funds are not considered part of the reporting entity of the Milford Central School District. Consequently, such transactions are not included in the financial statements of the School District.

The accounts of the Extra Classroom Activity Fund of the Milford Central School District are maintained on a cash basis, and the statement of cash receipts, disbursements and transfers reflects only cash received, disbursed, and transferred between funds. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statement.