

**BETHLEHEM CENTRAL SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2019**

BETHLEHEM CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Bethlehem Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bethlehem Central School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Bethlehem Central School District, as of June 30, 2019, 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 on pages A1 - A10, budgetary comparison information on pages C1 and C2, schedule of changes in total OPEB liability on page C3, schedules of proportionate share of net pension liability (asset) on page C4 and schedules of District contributions on page C5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 the District's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY
October 1, 2019

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

The Bethlehem Central School District (the District) presents the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

The 2018-19 fiscal year maintained the strength of the District's overall financial position. The General Fund yielded an operating surplus of \$3.4 million; however, upon making the community-approved transfer of \$4.9 million from the capital reserve into the capital project fund, the net deficit was \$1.6 million. Revenues were about \$1.4 million above budget, in part due to State and Federal aid surpassing projections by about \$470,000, interest income about \$400,000 above budget, and the sale of an elementary school for close to \$200,000. The school tax levy increased by \$1,543,000, from a 2.40% levy increase, which was below the Maximum Allowable Tax Levy of 3.95%.

Operating expenditures were about \$1.8 million below budget, before accounting for the \$4.9 million transfer. The positive variance on expenditures was largely due to staff attrition that enabled either new hires to be brought on at lower salaries, or where student needs allowed it, the District left a number of aide positions unfilled. The total savings on salaries and associated fringe benefits was \$1.2 million. Additionally, the costs for special education placements in private facilities or in BOCES' programs were about \$.5 million below budget.

To improve long-term financial stability, the District also created another capital reserve, to be used for a subsequent capital project (still to be identified). Additionally, with legislative approval to authorize a TRS Reserve as a component of the previously authorized Retirement Contribution Reserve, the District opted to fund this with \$625,000, to better protect tax payers from future increases in pension costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts: Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information, other supplementary information and the single audit section. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as instruction and transportation were financed in the short-term as well as what remains for future spending.
- Fiduciary fund 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.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

Figure A-1 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 Management’s Discussion and Analysis highlights the structure and contents of each of the statements.

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

	<u>District-wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as regular and special education, transportation and building maintenance	Instances in which the District administers resources on behalf of someone else, such as student activities monies and employee benefit plan balances
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

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.

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:

- **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.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

- Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as employee benefit plan balances and 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Figure A-2

Net Position

	<u>Governmental Activities and Total School District</u>		
	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Current and Other Assets	\$ 31,104,081	\$ 29,488,999	\$ 1,615,082
Capital Assets, Net	<u>133,120,965</u>	<u>132,242,406</u>	<u>878,559</u>
Total Assets	164,225,046	161,731,405	2,493,641
Deferred Outflows of Resources	<u>43,756,949</u>	<u>25,624,023</u>	<u>18,132,926</u>
Total Assets and Deferred Outflows of Resources	<u>207,981,995</u>	<u>187,355,428</u>	<u>20,626,567</u>
Current Liabilities	20,242,293	19,052,162	1,190,131
Long-term Liabilities	45,310,127	51,193,127	(5,883,000)
Other Postemployment Benefits Obligation	<u>244,259,059</u>	<u>212,335,934</u>	<u>31,923,125</u>
Total Liabilities	309,811,479	282,581,223	27,230,256
Deferred Inflows of Resources	<u>14,219,029</u>	<u>18,771,434</u>	<u>(4,552,405)</u>
Total Liabilities and Deferred Inflows of Resources	<u>324,030,508</u>	<u>301,352,657</u>	<u>22,677,851</u>
Net Position			
Net Investment in Capital Assets	83,428,042	73,005,787	10,422,255
Restricted	16,326,013	20,611,503	(4,285,490)
Unrestricted	<u>(215,802,568)</u>	<u>(207,614,519)</u>	<u>(8,188,049)</u>
Total Net Position	<u>\$ (116,048,513)</u>	<u>\$ (113,997,229)</u>	<u>\$ (2,051,284)</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

Figure A-3

Changes in Net Position from Operating Results

	<u>Governmental Activities and Total School District</u>		
	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Revenues			
Program Revenues (netted in expenses, below)			
Charges for Services	\$ 1,586,154	\$ 1,609,208	\$ (23,054)
Operating Grants	<u>1,948,512</u>	<u>2,167,694</u>	<u>(219,182)</u>
	<u>\$ 3,534,666</u>	<u>\$ 3,776,902</u>	<u>\$ (242,236)</u>
General Revenues:			
Real Property Taxes	\$ 60,788,930	\$ 59,132,342	\$ 1,656,588
Other Tax Items	8,282,753	8,358,941	(76,188)
State Aid	28,238,318	28,277,450	(39,132)
Other Revenues	1,864,624	1,404,406	460,218
Loss on Sale of Property	<u>(186,685)</u>	<u>-</u>	<u>(186,685)</u>
Total General Revenues	<u>98,987,940</u>	<u>97,173,139</u>	<u>1,814,801</u>
Expenses			
General Support	10,804,160	10,266,614	537,546
Instruction	77,927,093	76,787,610	1,139,483
Pupil Transportation	10,452,245	10,460,544	(8,299)
Debt Service - Interest	1,770,020	2,064,318	(294,298)
Other	<u>85,706</u>	<u>98,499</u>	<u>(12,793)</u>
Total Expenses	<u>101,039,224</u>	<u>99,677,585</u>	<u>1,361,639</u>
Increase (Decrease) in Net Position	<u>\$ (2,051,284)</u>	<u>\$ (2,504,446)</u>	<u>\$ 453,162</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

Figure A-4 – Sources of Revenue for Fiscal Year 2019

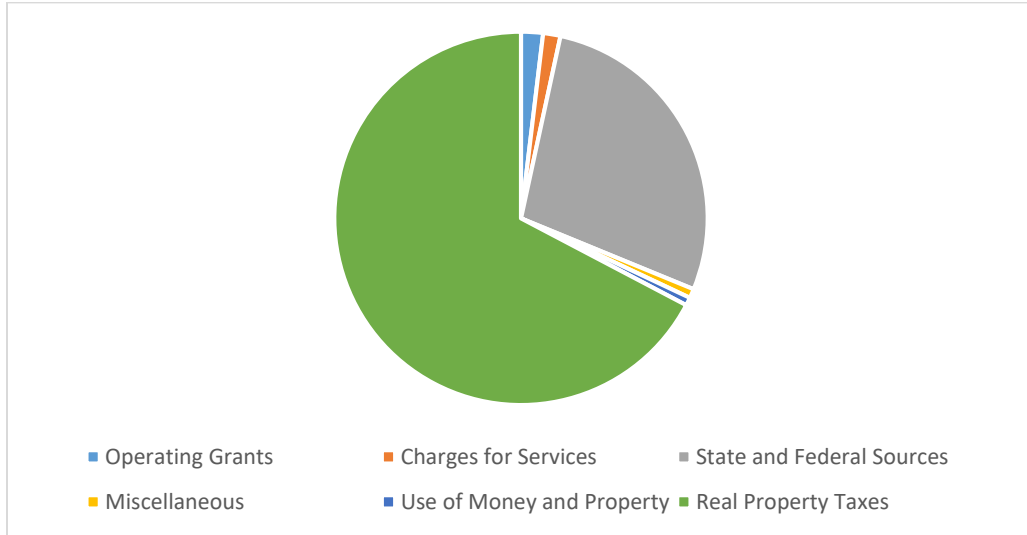
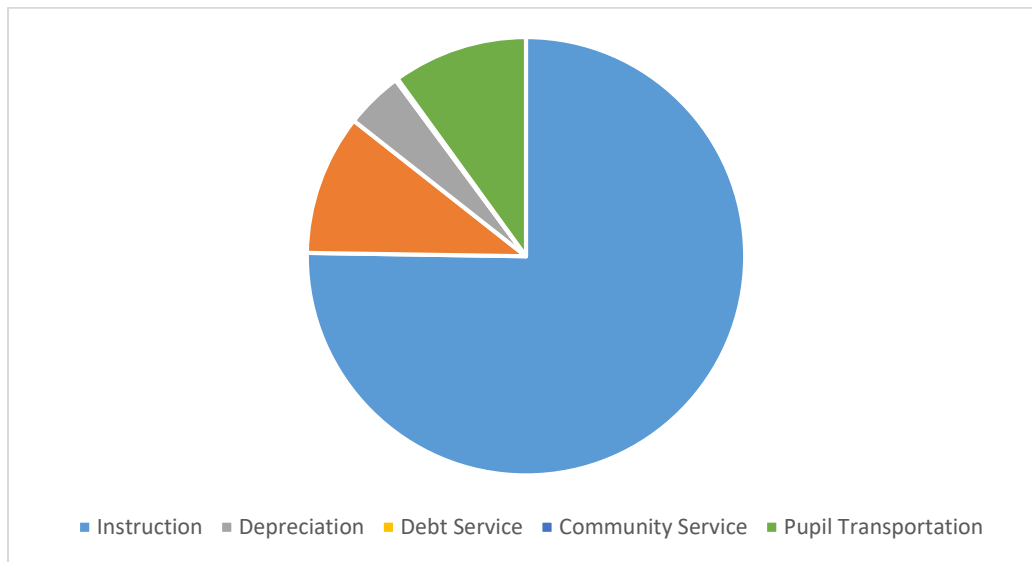


Figure A-5 – Expenses for Fiscal Year 2019



**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

Financial Analysis of the District's Funds

Total Governmental Funds

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total Assets and Deferred Outflows	\$ <u>27,972,412</u>	\$ <u>30,482,122</u>
Total Liabilities and Deferred Inflows	\$ <u>11,845,187</u>	\$ <u>13,275,919</u>
Fund Equity		
Nonspendable	23,598	19,506
Restricted	16,326,013	20,611,503
Assigned	374,491	162,736
Unassigned (Deficit)	<u>(596,877)</u>	<u>(3,587,542)</u>
Total Fund Equity (Deficit)	<u>\$ 16,127,225</u>	<u>\$ 17,206,203</u>

The following is a summary of the fund balances (accumulated deficits) for the years ended June 30, 2019 and June 30, 2018 by individual fund:

	<u>Fund Equity (Deficit) 2019</u>	<u>Fund Equity (Deficit) 2018</u>	<u>Increase (Decrease)</u>
General	\$ 18,057,469	\$ 19,687,581	\$ (1,630,112)
School Lunch	76,526	37,202	39,324
Special Aid	-	-	-
Capital Projects	(4,618,287)	(5,447,103)	828,816
Debt Service	<u>2,611,517</u>	<u>2,928,523</u>	<u>(317,006)</u>
Totals	<u>\$ 16,127,225</u>	<u>\$ 17,206,203</u>	<u>\$ (1,078,978)</u>

The following is a summary of General Fund revenues for the years ended June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Taxes and Other Tax Items	\$ 69,071,683	\$ 67,491,283	\$ 1,580,400
Use of Money and Property	675,892	429,054	246,838
State and Federal Sources	28,547,476	27,949,676	597,800
Other	<u>1,577,176</u>	<u>1,325,894</u>	<u>251,282</u>
Totals	<u>\$ 99,872,227</u>	<u>\$ 97,195,907</u>	<u>\$ 2,676,320</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

The following is a summary of General Fund expenditures for the years ended June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
General Support	\$ 7,726,654	\$ 7,347,532	\$ 379,122
Instruction	47,417,872	46,955,677	462,195
Pupil Transportation	5,838,909	5,888,156	(49,247)
Community Service	61,600	61,288	312
Employee Benefits	23,187,095	22,301,894	885,201
Debt Service	11,936,091	11,657,689	278,402
Capital Outlay	<u>260,762</u>	<u>621,730</u>	<u>(360,968)</u>
Totals	<u>\$ 96,428,983</u>	<u>\$ 94,833,966</u>	<u>\$ 1,595,017</u>

The overall 1.68% increase in expenditures was in line with the budget-to-budget increase of 1.72%. The positive variance on expenditures was largely due to staff attrition that enabled either new hires to be brought in at lower salaries, and the District was able to leave a number of aide positions unfilled. This was possible due to positive results from providing additional supports to younger students, reducing the need for services to older students. The total savings on salaries and associated fringe benefits was \$1.2 million. Additionally, the costs for special education placements in private facilities or in BOCES' programs were about \$.5 million below budget.

The difference between the General Fund's original budget and final amended budget was \$5,126,040 comprised of \$74,966 for gifts, donations and other revenues and \$151,074 for carry over encumbrances. There were sufficient revenues and fund equity available to cover the budget amendments, including the amendment to fund the \$4,900,000 transfer from the General Fund Capital Reserve into the capital project fund.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the District had invested \$133 million, net of accumulated depreciation, in school buildings, buses and other vehicles and equipment.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Land	\$ 246,072	\$ 246,072
Construction in Progress	5,840,535	1,744,550
Buildings and Improvements	121,330,670	124,775,729
Furniture and Equipment	1,013,361	947,233
Bus Fleet/Vehicles	<u>4,690,327</u>	<u>4,528,822</u>
Total	<u>\$ 133,120,965</u>	<u>\$ 132,242,406</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

Obligations

The District had long-term debt including serial bonds and an energy performance contract outstanding as of June 30, 2019 and 2018 as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Serial Bonds	\$ 41,225,000	\$ 49,760,000
Energy Performance contract	<u>3,923,532</u>	<u>4,173,910</u>
Total	<u>\$ 45,148,532</u>	<u>\$ 53,933,910</u>

The District's current bond rating is stated as Aa3 by Moody's.

The District currently has \$32 million of authorized, but unissued, debt for building improvement projects currently underway.

Section 104.00 of the Local Finance Law limits the amount of general obligation debt that a school district may issue to 10 percent of its total assessed valuation. The outstanding general obligations of the District were well below the current debt limit of \$312 million for the District.

Notes to the Financial Statements

The notes provide additional information that is essential to achieving a full understanding of the data provided in the district-wide and fund financial statements.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information (supplementary schedules).

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future. The District has planned for and implemented capital construction and improvements to meet the future needs for the community. One challenge facing the District is the ongoing dependence on state funding, coupled with the limitations on growth in the tax levy. Changes in the State's economy or other changes at the state level that impact the manner in which state aid is paid could have an impact on the finances of the District.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

Requests for Information

This financial report is designed to provide district residents, taxpayers, parents, students, investors and creditors with a general overview of the District's finances, and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Bethlehem Central School District
Business Office
700 Delaware Avenue
Delmar, New York 12054
Or visit our website at <http://bethlehemschools.org>

BETHLEHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS

Cash - unrestricted	\$ 8,033,404
Cash - restricted	16,941,080
State and federal aid receivable	2,171,371
Due from other governments	195,615
Other receivables, net	124,116
Inventories	23,598
Prepays	29,000
Capital assets, net	133,120,965
Net pension asset - proportionate share	3,585,897
Total Assets	164,225,046

DEFERRED OUTFLOWS OF RESOURCES

Other postemployment benefits	21,867,883
Pensions	21,889,066
Total Deferred Outflows of Resources	43,756,949

LIABILITIES

Accounts payable	1,702,254
Retainage payable	164,255
Due to other governments	226,641
Accrued liabilities	893,778
Refundable advances	61,327
Due to Teachers' Retirement System	3,614,485
Due to Employees' Retirement System	597,348
Bond anticipation notes	3,891,000
Long-term liabilities - due and payable within one year	
Bonds payable	8,835,000
Capital lease payable	256,205
Long-term liabilities - due and payable after one year	
Bonds payable	32,390,000
Capital lease payable	3,667,327
Compensated absences payable	3,081,000
Workers compensation	1,350,000
Other postemployment benefits payable	244,259,059
Premium on bonds	1,272,501
Net pension liability - proportionate share	3,549,299
Total Liabilities	309,811,479

DEFERRED INFLOWS OF RESOURCES

Other postemployment benefits	8,467,224
Pensions	5,751,805
Total Deferred Inflows of Resources	14,219,029

NET POSITION

Net Investment in Capital Assets	83,428,042
Restricted	16,326,013
Unrestricted	(215,802,568)
Total Net Position	\$ (116,048,513)

See accompanying notes to financial statements.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS AND PROGRAMS					
General support	\$ 7,831,133	\$ 2,973,027	\$ -	\$ -	\$ (10,804,160)
Instruction	49,231,909	30,662,851	451,161	1,516,506	(77,927,093)
Pupil transportation	6,008,190	4,613,336	-	169,281	(10,452,245)
Community services	61,600	40,320	-	-	(101,920)
Employee benefits	34,063,175	(34,063,175)	-	-	-
Debt service - interest	1,770,020	-	-	-	(1,770,020)
Food service	1,183,693	197,811	1,134,993	262,725	16,214
Depreciation	4,424,170	(4,424,170)	-	-	-
	<u>\$ 104,573,890</u>	<u>\$ -</u>	<u>\$ 1,586,154</u>	<u>\$ 1,948,512</u>	<u>(101,039,224)</u>
GENERAL REVENUES					
Real property taxes					60,788,930
Other tax items					8,282,753
Use of money and property					715,114
Sale of property and compensation for loss					253,330
State sources					28,238,318
Medicaid reimbursement					175,170
Miscellaneous					721,010
Loss on sale of property					(186,685)
					<u>98,987,940</u>
Change in Net Position					(2,051,284)
Total Net Position - Beginning of Year					<u>(113,997,229)</u>
Total Net Position - End of Year					\$ <u>(116,048,513)</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash - unrestricted	\$ 7,897,028	\$ 33,743	\$ 102,633	\$ -	\$ -	\$ 8,033,404
Cash - restricted	13,710,453	-	-	619,110	2,611,517	16,941,080
State and federal receivable	1,707,913	443,898	19,560	-	-	2,171,371
Due from other governments	195,615	-	-	-	-	195,615
Due from other funds	447,024	-	7,204	-	-	454,228
Other receivables, net	123,912	-	204	-	-	124,116
Inventories	-	-	23,598	-	-	23,598
Prepays	-	29,000	-	-	-	29,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>24,081,945</u>	\$ <u>506,641</u>	\$ <u>153,199</u>	\$ <u>619,110</u>	\$ <u>2,611,517</u>	\$ <u>27,972,412</u>
LIABILITIES						
Accounts payable	\$ 321,443	\$ 33,971	\$ 572	\$ 1,346,268	\$ -	\$ 1,702,254
Accrued liabilities	366,021	9,455	14,576	-	-	390,052
Bond anticipation notes	-	-	-	3,891,000	-	3,891,000
Due to other funds	7,204	446,895	-	129	-	454,228
Due to other governments	210,123	16,320	198	-	-	226,641
Due to Teachers' Retirement System	3,614,485	-	-	-	-	3,614,485
Due to Employees' Retirement System	597,348	-	-	-	-	597,348
Refundable advances	-	-	61,327	-	-	61,327
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ <u>5,116,624</u>	\$ <u>506,641</u>	\$ <u>76,673</u>	\$ <u>5,237,397</u>	\$ -	\$ <u>10,937,335</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>907,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>907,852</u>
FUND BALANCES (DEFICIT)						
Non-spendable	-	-	23,598	-	-	23,598
Restricted	13,710,453	-	4,043	-	2,611,517	16,326,013
Assigned	325,606	-	48,885	-	-	374,491
Unassigned	4,021,410	-	-	(4,618,287)	-	(596,877)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	\$ <u>18,057,469</u>	\$ <u>-</u>	\$ <u>76,526</u>	\$ <u>(4,618,287)</u>	\$ <u>2,611,517</u>	\$ <u>16,127,225</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>24,081,945</u>	\$ <u>506,641</u>	\$ <u>153,199</u>	\$ <u>619,110</u>	\$ <u>2,611,517</u>	\$ <u>27,972,412</u>

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

Total governmental fund balances per above	\$ 16,127,225
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	133,120,965
Retainages Payable is not due and payable in the current period and, therefore, not reported in the funds	(164,255)
Revenues deferred in the governmental funds are recognized in the statement of net position	907,852
Accrued interest is not reported in governmental funds	(503,726)
Long-term liabilities are not reported in the governmental funds because they are not due and payable in the current period:	
Bonds and capital leases	(45,148,532)
Compensated absences	(3,081,000)
Workers compensation	(1,350,000)
Other postemployment benefits	(244,259,059)
Net pension liability, ERS	(3,549,299)
Net pension asset, TRS	3,585,897
Net deferred (inflows)/outflows related to net pension asset/liability adjustments	16,137,261
Net deferred (inflows)/outflows related to net OPEB liability adjustments	13,400,659
Deferred bond premium is recorded as revenue in the fund financial statements, but is amortized over the life of the bond under full accrual accounting	(1,272,501)
Net Position of Governmental Activities	\$ <u>(116,048,513)</u>

BETHLEHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES						
Real property taxes	\$ 60,788,930	\$ -	\$ -	\$ -	\$ -	\$ 60,788,930
Other tax items	8,282,753	-	-	-	-	8,282,753
Charges for services	451,597	-	-	-	-	451,597
Use of money and property	675,892	-	-	-	39,222	715,114
Sale of property and compensation for loss	451,330	-	-	-	-	451,330
Miscellaneous	674,249	-	-	39,500	-	713,749
State sources	28,372,306	510,147	10,728	-	-	28,893,181
Medicaid reimbursement	175,170	-	-	-	-	175,170
Federal sources	-	1,175,640	251,997	-	-	1,427,637
Sales - food service	-	-	1,134,993	-	-	1,134,993
	<u>99,872,227</u>	<u>1,685,787</u>	<u>1,397,718</u>	<u>39,500</u>	<u>39,222</u>	<u>103,034,454</u>
Total Revenues						
EXPENDITURES						
General support	7,726,654	-	-	-	-	7,726,654
Instruction	47,417,872	1,608,037	-	-	-	49,025,909
Pupil transportation	5,838,909	169,281	-	-	-	6,008,190
Community services	61,600	-	-	-	-	61,600
Employee benefits	23,187,095	265,751	197,811	-	-	23,650,657
Debt Service						
Principal	9,892,378	-	-	-	-	9,892,378
Interest	2,043,713	-	-	-	-	2,043,713
Cost of sales	-	-	1,183,693	-	-	1,183,693
Capital outlay	260,762	-	6,034	5,360,842	-	5,627,638
	<u>96,428,983</u>	<u>2,043,069</u>	<u>1,387,538</u>	<u>5,360,842</u>	<u>-</u>	<u>105,220,432</u>
Total Expenditures						
Excess (Deficiency) of Revenues Over Expenditures	3,443,244	(357,282)	10,180	(5,321,342)	39,222	(2,185,978)
OTHER FINANCING SOURCES AND (USES)						
BANS redeemed from appropriations	-	-	-	1,107,000	-	1,107,000
Interfund transfers in	356,228	357,282	29,144	5,043,158	-	5,785,812
Interfund transfers (out)	(5,429,584)	-	-	-	(356,228)	(5,785,812)
	<u>(5,073,356)</u>	<u>357,282</u>	<u>29,144</u>	<u>6,150,158</u>	<u>(356,228)</u>	<u>1,107,000</u>
Total Other Financing Sources and (Uses)						
Net Change in Fund Balances	(1,630,112)	-	39,324	828,816	(317,006)	(1,078,978)
Fund Balances - Beginning of Year	19,687,581	-	37,202	(5,447,103)	2,928,523	17,206,203
Fund Balances - End of Year	<u>\$ 18,057,469</u>	<u>\$ -</u>	<u>\$ 76,526</u>	<u>\$ (4,618,287)</u>	<u>\$ 2,611,517</u>	<u>\$ 16,127,225</u>

BETHLEHEM 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, 2019

Net changes in fund balances - total governmental funds		\$ (1,078,978)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.</p>		
	Capital outlays	5,687,414
	Depreciation expense	<u>(4,424,170)</u>
		1,263,244
<p>In the Statement of Activities, the loss on the disposal assets is reported as decrease in financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the asset disposed.</p>		
		(384,685)
<p>Retainage cost does not meet the criteria to be recorded as expenditures in the governmental funds.</p>		
		(164,255)
<p>Redemptions of bond anticipation notes are a revenue in the governmental funds, but not in the Statement of Activities.</p>		
		(1,107,000)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period.</p>		
		9,892,378
<p>Amortization of bond premium is an adjustment to interest expense in the Statement of Activities.</p>		
		222,208
<p>In the Statement of Activities, the actual and projected long term expenditures for postemployment benefits are reported, whereas, in the governmental funds only the actual expenditures are recorded for postemployment benefits.</p>		
		(9,333,783)
<p>(Increases) decreases in accrued compensated absences 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 governmental funds.</p>		
		(206,000)
<p>(Increases) decreases in workers compensation 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 governmental funds.</p>		
		(1,350,000)
<p>(Increases) decreases 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 governmental funds.</p>		
		271,265
<p>Certain revenues deferred in the governmental funds are recognized in the Statement of Activities.</p>		
		(127,163)
<p>Accrued interest expense does not require the use of current resources and is, therefore, not reported as an expenditure in the governmental funds.</p>		
		<u>51,485</u>
Change in net position of governmental activities		<u>\$ (2,051,284)</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Cash		
Unrestricted	\$ -	\$ 136,512
Restricted	<u>1,000</u>	<u>648,756</u>
 Total Assets	 \$ <u><u>1,000</u></u>	 \$ <u><u>785,268</u></u>
 LIABILITIES		
Other liabilities	\$ -	\$ 560,798
Extraclassroom activity balances	<u>-</u>	<u>224,470</u>
 Total Liabilities	 <u>-</u>	 \$ <u><u>785,268</u></u>
 NET POSITION		
Restricted for scholarships	\$ <u><u>1,000</u></u>	

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Private Purpose Trusts</u>
ADDITIONS	
Gifts and contributions	\$ <u>2,000</u>
 Total Additions	 <u>2,000</u>
 DEDUCTIONS	
Scholarships and awards	<u>1,000</u>
 Change in Net Position	 1,000
 Net Position - Beginning of year	 <u>-</u>
 Net Position - End of year	 \$ <u><u>1,000</u></u>

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

The Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions, and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office, located at 700 Delaware Ave, Delmar, NY.

B. Joint Venture

The District is a component district of the Capital Region 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.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

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

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

During the year ended June 30, 2019, Bethlehem Central School District was billed \$4,468,729 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,682,506. Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation

District-wide statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column, if any, reflects capital-specific grants.

The Statement of Net Position presents the financial position of the District at fiscal year-end. 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Funds 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 governmental fund statements present all governmental funds, each displayed in a separate column.

The District reports the following governmental funds:

I. 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 Aid Fund

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

School Lunch Fund

This fund is used to account for transactions of the District's lunch and breakfast programs.

Capital Projects Fund

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

Debt Service Fund

This fund accounts for the accumulation of resources for the future payment of principal and interest on long-term general obligations debt of governmental activities.

II. Fiduciary Funds

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee and 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:

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

II. Fiduciary Funds

a. 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.

b. Agency Funds

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

E. Refundable Advances

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

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Property Taxes

Real property taxes were levied by the Board of Education August 8, 2018. Taxes are collected during the period September 1 through October 31.

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

G. Budgetary Procedures and Budgetary Accounting

I. Budgets

The District administration prepares a proposed budget for the General Fund which is approved by the Board of Education.

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. The following supplemental appropriations occurred during the year:

From Additional Revenues:

Expenses associated with supplies	\$ 19,359
Expenses associated with capital outlay	6,825
Expenses associated with athletic program restorations	8,123
Expenses associated with contractual obligations	<u>40,659</u>

From Appropriated Reserves:

Capital Reserve	<u>4,900,000</u>
Total Supplemental Appropriations	<u>\$ 74,966</u>

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Budgetary Procedures and Budgetary Accounting

I. Budgets

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

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

The District is not required to formally adopt annual budgets for its special revenue funds. Accordingly, although the School Lunch Fund does have a management approved budget and each special aid fund project follows an approved project budget, no statement of budget and actual revenues and expenditures is presented for the special revenue funds.

II. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund equity 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.

H. Cash and Investments

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 and 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 school districts. Investments, if any, are stated at fair value. There were no investments at June 30, 2019.

I. Accounts Receivable

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

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. Inventories and Prepaid Items

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

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

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures if fund balance is available to reserve.

K. Inter-fund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with inter-fund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These inter-fund 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 inter-fund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all inter-fund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

Refer to Note 2.A.II. for a detailed disclosure, by individual fund, of inter-fund receivables, payables, expenditures and revenues activity.

L. Equity Classifications

Net Position Flow Assumption:

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

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

Fund Balance Flow Assumption:

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

Order and Use of Fund Balance:

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

District-wide statements:

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

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

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

Unrestricted net position - reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Fund Statements:

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

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$23,598.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance. (See definition of encumbrances below). The School Lunch Fund has encumbrances of \$4,043. The District has established the following restricted fund balances:

Mandatory Reserve for Debt Service

According to General Municipal Law §6-1, this mandatory reserve is used to restrict the use of proceeds from the cash sale of a capital asset. The restricted funds are to be used only for the retirement of any outstanding obligations that were issued to finance the asset sold.

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due to 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.

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.

Tax Certiorari

According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings.

Workers' Compensation

The District is self-insured for workers' compensation on a cost-reimbursement basis. According to General Municipal Law §6-j, this must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program.

Capital Reserve, 2015

This reserve was authorized by the voters May 19, 2015, and established under Education Law §3651(1). It is used to set aside funds for the purpose of paying the cost of future building projects. The authorization limits the funding of the reserve to \$10,000,000 and the reserve's authorization expires June 30, 2025.

Capital Reserve, 2019

This reserve was authorized by the voters May 21, 2019, and established under Education Law §3651(1). It is used to set aside funds for the purpose of paying the cost of future building projects. The authorization limits the funding of the reserve to \$10,000,000 and the reserve's authorization expires June 30, 2029.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Restricted fund equity includes the following:

General Fund:	
Mandatory Reserve for Debt Service	\$ 285,453
Employee Benefit Accrued Liability Reserve	1,400,000
Reserve for State and Local Retirement Contributions	2,450,000
Reserve for Teachers Retirement Contributions	625,000
Reserve for Tax Certiorari	500,000
Workers' Compensation Reserve	1,350,000
Capital Reserve, 2015	5,100,000
Capital Reserve, 2019	<u>2,000,000</u>
Total General Fund	13,710,453
School Lunch Fund - Encumbrances	4,043
Debt Service Fund	<u>2,611,517</u>
Total Restricted Funds	<u>\$ 16,326,013</u>

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund equity as of June 30, 2019.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget as well as encumbrances not classified as restricted as the end of the fiscal year. Assigned fund balance in the School Lunch Fund is \$48,885. All encumbrances of the General Fund are classified as Assigned Fund Equity in the General Fund. Encumbrances reported in the General Fund amounted to \$325,606. The remaining fund equity in the other funds is also reported as assigned.

Purpose of Encumbrances, General Fund:

General Support	\$ 260,030
Instruction	<u>65,576</u>
	<u>\$ 325,606</u>

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

Unassigned - Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. Deficit fund equity in governmental funds is classified as unassigned.

Fund statements:

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. The District did not exceed the 4% limitation at June 30, 2019.

M. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Second is the District's contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

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

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life In Years</u>
Site improvements	\$25,000	SL	20
Buildings and improvements	\$50,000	SL	20-50
Vehicles	\$5,000	SL	8
Furniture & equipment	\$5,000	SL	5-20

O. Short-Term Debt

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

P. 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 full, in a timely manner, from current financial resources. Claims and judgments, other postemployment benefits payable, 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.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

The differences result primarily from the economic focus of the District-wide Statements, 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 long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

- b. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of five broad categories. The differences represent:

Long-Term Revenue and Expense Differences

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

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 an asset on the Statement of Net Position and depreciation expense on those items as recorded in the Statement of Activities.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension Differences

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

OPEB Differences

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

R. Use of Estimates

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

S. Vested Employee Benefits

Compensated absences consist of unpaid accumulated annual vacation time and 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 specified time periods.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. Vested Employee Benefits

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

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

In the fund 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.

T. Implementation of New Accounting Standards

The District has adopted and implemented all applicable current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*

U. Future Changes in Accounting Standards

GASB Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020

GASB Statement No. 87, *Leases*, effective for the year ending June 30, 2021

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2020

GASB Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2022

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

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2019 all deposits were fully insured and collateralized by the District's agent in the District's name.

Restricted Cash

General:

Restricted cash at June 30, 2019 consists of:

Mandatory Reserve for Debt Service	\$ 285,453
Employee Benefit Accrued Liability Reserve	1,400,000
Reserve for Retirement Contributions	3,075,000
Reserve for Tax Certiorari	500,000
Workers' Compensation Reserve	1,350,000
Capital Reserves	<u>7,100,000</u>
Total Restricted	<u>\$ 13,710,453</u>

Debt Service:

Restricted cash of \$2,611,517 at June 30, 2019 is restricted for the repayment of debt.

Fiduciary:

Restricted cash of \$649,756 at June 30, 2019 consists of \$224,470 restricted for Extraclassroom Activity Funds, \$424,286 restricted for employee benefit plans and \$1,000 restricted for scholarships.

II. Inter-fund Transactions

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

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

A. Assets

II. Inter-fund Transactions

Inter-fund balances at June 30, 2019 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 447,024	\$ 7,204	\$ 356,228	\$ 5,429,584
Special Aid Fund	-	446,895	357,282	-
School Lunch Fund	7,204	-	29,144	-
Debt Service Fund	-	-	-	356,228
Capital Projects Fund	-	129	5,043,158	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 454,228</u>	<u>\$ 454,228</u>	<u>\$ 5,785,812</u>	<u>\$ 5,785,812</u>

III. Capital Assets

	<u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2019</u>
Governmental Activities				
Capital assets that are not depreciated:				
Land	\$ 246,072	\$ -	\$ -	\$ 246,072
Construction in process	<u>1,744,550</u>	<u>4,095,985</u>	<u>-</u>	<u>5,840,535</u>
Total nondepreciable historical cost	<u>1,990,622</u>	<u>4,095,985</u>	<u>-</u>	<u>6,086,607</u>
Capital assets that are depreciated:				
Buildings and improvements	164,938,200	143,158	1,039,713	164,041,645
Vehicles	12,251,597	1,233,477	891,772	12,593,302
Furniture and equipment	<u>3,668,182</u>	<u>214,794</u>	<u>-</u>	<u>3,882,976</u>
Total depreciable historical cost	<u>180,857,979</u>	<u>1,591,429</u>	<u>1,931,485</u>	<u>180,517,923</u>
Less accumulated depreciation:				
Buildings and improvements	40,162,471	3,203,532	655,028	42,710,975
Vehicles	7,722,775	1,071,972	891,772	7,902,975
Furniture and equipment	<u>2,720,949</u>	<u>148,666</u>	<u>-</u>	<u>2,869,615</u>
Total accumulated depreciation	<u>50,606,195</u>	<u>4,424,170</u>	<u>1,546,800</u>	<u>53,483,565</u>
Total Capital Assets, Net	<u>\$ 132,242,406</u>	<u>\$ 1,263,244</u>	<u>\$ 384,685</u>	<u>\$ 133,120,965</u>

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Capital Assets

Depreciation was charged to governmental functions as follows:

General Support	\$ 133,860
Instruction	3,225,093
Transportation	<u>1,065,217</u>
Total Depreciation Expense	<u>\$ 4,424,170</u>

B. Liabilities

I. Pension Plans

General Information

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

Plan Description

Teachers' Retirement System

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

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Plan Descriptions

Employees' Retirement System

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The 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. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244 or found at www.osc.state.ny.us/retire/publications/index.php

Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3% to 3.5% of their salary for the 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. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Contributions

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

	<u>ERS</u>	<u>TRS</u>
2018-19	\$ 2,217,768	\$ 3,453,848
2017-18	2,244,547	3,168,114
2016-17	2,193,332	3,691,368

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

Pension Liabilities

At June 30, 2019, 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, 2019 for ERS and June 30, 2018 for TRS. The total net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2018	June 30, 2017
Net pension asset/(liability)	\$(3,549,299)	\$3,585,897
District's portion of the Plan's total net pension asset/(liability)	0.0500938%	0.198306%

Pension Expense

For the year ended June 30, 2019, the District recognized its proportionate share of pension expense of \$2,324,668 for ERS and \$2,779,483 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Deferred Outflows and Inflows of Resources Related to Pensions

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experiences	\$ 698,931	\$ 2,679,712	\$ 238,258	\$ 485,400
Changes of assumptions	892,149	12,535,063	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	910,946	3,980,619
Changes in proportion and differences between contributions and proportionate share of contributions	619,059	252,319	78,576	58,006
Contributions subsequent to the measurement date	<u>597,348</u>	<u>3,614,485</u>	<u>-</u>	<u>-</u>
Total	<u>\$2,807,487</u>	<u>\$19,081,579</u>	<u>\$1,227,780</u>	<u>\$4,524,025</u>

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, 2020 for ERS and June 30, 2019 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:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2019	\$ -	\$ 3,620,533
2020	960,842	2,466,565
2021	(542,604)	283,623
2022	43,246	2,458,117
2023	520,875	1,684,051
Thereafter	-	430,180

Actuarial Assumptions

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

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest Rate	7.0%	7.25%
Salary Scale	4.2%	1.9% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.25%
Projected Cost of Living Adjustments	1.3% annually	1.5% annually

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

ERS

	<u>Target allocation 2019</u>	<u>Long-term expected real rate of return* 2019</u>
Asset Class:		
Domestic equities	36%	4.55%
International equities	14	6.35
Private equities	10	7.50
Real estate	10	5.55
Absolute return strategies (1)	2	3.75
Opportunistic portfolio	3	5.68
Real assets	3	5.29
Bonds and mortgages	17	1.31
Cash	1	(0.25)
Inflation-indexed bonds	<u>4</u>	1.25
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.5%.

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

For TRS, 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.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

TRS

	<u>Target allocation 2018</u>	<u>Long-term expected real rate of return* 2018</u>
Asset Class:		
Domestic equities	33%	5.8 %
International equities	16	7.3
Global equities	4	6.7
Real estate equities	11	4.9
Private equities	8	8.9
Domestic fixed income securities	16	1.3
Global fixed income securities	2	0.9
Private debt	1	6.8
Real estate debt	7	2.8
High-yield fixed income securities	1	3.5
Short-term	<u>1</u>	0.3
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.3%.

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 7.0% for ERS and 7.25% 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 determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.00% for ERS and 7.25% 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 (6.00% for ERS and 6.25% for TRS) or 1-percentage-point higher (8.00% for ERS and 8.25% for TRS) than the current rate:

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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

<u>ERS</u>	1% Decrease <u>(6.00%)</u>	Current Assumption <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (15,518,100)	\$(3,549,299)	\$ 6,505,344
<u>TRS</u>	1% Decrease <u>(6.25%)</u>	Current Assumption <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (24,635,699)	\$ 3,585,897	\$ 27,227,752

Changes of Assumptions

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

Collective Pension Expense

Collective pension expenses include 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, 2019 is \$2,596,920 for ERS and \$2,809,271 for TRS.

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$597,348.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a State aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$3,614,485.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Short-Term Debt

Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of the General Long-Term Debt Account Group when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance-sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

Interest paid	\$ 47,600
Less interest accrued in the prior year	(45,220)
Plus interest accrued in the current year	<u>103,436</u>
Total Expense	<u><u>\$ 105,816</u></u>

The following is a summary of changes in short-term debt for the year ended June 30, 2019:

Balance, July 1, 2018	\$ 3,808,000
Increases	3,891,000
Decreases	<u>3,808,000</u>
Balance, June 30, 2019	<u><u>\$ 3,891,000</u></u>

Long-Term Debt

Serial Bonds and Capital Leases

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the District's expenditures for long-term debt interest included \$1,901,959 for serial bonds and \$94,154 for an installment obligation.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Long-Term Debt

Interest on long-term debt was comprised of:

Interest paid	\$ 1,996,113
Less interest accrued in the prior year	(509,991)
Plus interest accrued in the current year	400,290
Less amortization of bond premium	<u>(222,208)</u>
Total Expense	<u>\$ 1,664,204</u>

Changes

The changes in indebtedness during the year ended June 30, 2019 are summarized as follows:

	<u>Balance</u> <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2019</u>
Serial Bonds	\$ 49,760,000	\$ -	\$ 8,535,000	\$ 41,225,000
Unamortized premiums	<u>1,494,709</u>	<u>-</u>	<u>222,208</u>	<u>1,272,501</u>
Bonds	51,254,709	-	8,757,208	42,497,501
Capital Lease (EPC)	4,173,910	-	250,378	3,923,532
Compensated Absences	2,875,000	206,000	-	3,081,000
Other Postemployment Benefits	212,335,934	31,923,125	-	244,259,059
Net Pension Liabilities	<u>1,674,886</u>	<u>1,874,413</u>	<u>-</u>	<u>3,549,299</u>
Total	<u>\$ 272,314,439</u>	<u>\$ 34,003,538</u>	<u>\$ 9,007,586</u>	<u>\$ 297,310,391</u>

The above liabilities are liquidated by the general fund.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$25,080,000 of bonds outstanding are considered defeased.

Capital Lease

On June 30, 2016, the District entered into an Energy Performance Contract which is accounted for as a capital lease. The leased assets and related obligations are accounted for in Capital Assets and Long-Term Debt, respectively. The following is a schedule of future minimum lease payments under this capital lease, together with the net present value of the minimum lease payments as of June 30, 2019:

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Capital Lease

<u>Year</u>	<u>Total</u>
2020	\$ 344,531
2021	344,531
2022	344,531
2023	344,531
2024	344,531
Thereafter	<u>2,842,388</u>
Minimum capital lease payments	4,565,043
Less: amount representing interest	<u>(641,511)</u>
Present value of minimum lease payments	<u>\$ 3,923,532</u>

Maturity

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2019</u>
<u>Serial Bonds</u>				
Construction	2010	2030	2.375-3.75%	\$ 2,060,000
Advanced refunding	2012	2021	4%	5,145,000
Advanced refunding	2012	2021	3-4%	2,645,000
Advanced refunding	2012	2022	4%	4,555,000
Advanced refunding	2015	2035	2.5-5%	12,050,000
Construction	2016	2030	2-5%	<u>14,770,000</u>
Total serial bonds				<u>\$ 41,225,000</u>
<u>Capital Lease</u>				
Energy performance contract	2016	2033	2.303%	<u>\$ 3,923,532</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

The following is a summary of maturing debt service requirements for general obligation bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>	<u>Total</u>
2020	\$ 8,835,000	\$ 1,529,344	\$ 205,318	\$ 10,569,662
2021	9,215,000	1,142,481	188,220	10,545,701
2022	5,410,000	767,469	170,913	6,348,382
2023	1,920,000	567,019	153,398	264,047
2024	1,835,000	478,350	135,605	2,448,955
2025-2029	9,600,000	1,318,090	398,265	11,316,355
2030-2034	3,900,000	297,294	20,782	4,218,076
2035	<u>510,000</u>	<u>7,650</u>	<u>-</u>	<u>517,650</u>
Total	<u>\$ 41,225,000</u>	<u>\$ 6,107,697</u>	<u>\$ 1,272,501</u>	<u>\$ 48,605,198</u>

In addition to the outstanding debt listed above, the District had authorized, but unissued, bonds in an amount not to exceed \$32,165,551 to be used for facilities improvements.

III. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 10% of the full valuation of taxable real estate within the District. At June 30, 2019, the District has exhausted 15.69% of its constitutional debt limit.

IV. Deferred Inflows of Resources

Deferred inflows of resources on the Balance Sheet – Governmental Funds arise when a potential revenue does not match both the measurable and available criteria for recognition in the current period. The District has established a sixty-day availability period.

3. COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

General Information

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

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

3. COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

Workers' Compensation Insurance

The District is self-insured for workers' compensation costs, electing to pay 100% of claims incurred and related medical and administrative costs. The District has contracted with Glacier Bay LLC for third party administration. The Workers' Compensation Reserve, \$1,350,000 at June 30, 2019, is maintained for the purpose of funding future claims. Claims and claims adjustment expenses are summarized below for the past two years:

	<u>2019</u>	<u>2018</u>
Unpaid claims and claim adjustment expenses, beginning of year	\$ 1,295,676	\$ 1,035,368
Incurred claims and claim adjustment expenses:		
Provision for incurred claims expenditures for events of the current year	148,200	220,118
Increase (decrease) in provision for incurred events of the prior years	<u>(134,034)</u>	<u>310,471</u>
Total incurred claims and claim adjustment expenses	1,309,842	1,565,957
Payments made for claims and claim adjustment expenses during the year	<u>(413,073)</u>	<u>(270,281)</u>
Total unpaid claims and claim adjustment expenses, end of year	<u>\$ 896,769</u>	<u>\$ 1,295,676</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

3. COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

Health Insurance

The District is a member of the Capital Area Schools Health Insurance Consortium (the “Consortium”), which is a trust formed under New York State Law on May 1, 1994. The Consortium is considered a public entity risk pool which is defined as a cooperative group of governmental entities joining together to finance an exposure, liability or risk, and is tax-exempt under Section 501(c)(9) of the Internal Revenue Code. The Consortium is governed by a trust agreement and a board of trustees who execute the provisions of the Trust, as set forth in the agreement. The Consortium has contracted with Amsure Associates for third party administration.

The Consortium was formed to allow its member school districts to obtain health insurance and prescription drug benefits at lower cost through a pooled purchasing arrangement. The Consortium procures group insurance contracts with insurance carriers for medical, prescription drug and dental benefits, in which the Consortium is not liable for any medical, prescription drug or dental claims. However, the Consortium also maintains a self-insured prescription drug plan for which the individual Consortium members are liable for any claims in excess of the balances maintained by the Consortium. As of June 30, 2019, the District’s prescription drug plan account balance maintained by the Consortium is approximately \$2.579 million. The Consortium also maintains an account balance for the District of approximately \$1.754 million to fund supplemental premium payments that may be required under the retrospective funding arrangement in place for one of the insurance contracts.

The District has chosen to establish a self-funded prescription drug benefit program for all eligible employees. The pharmacy benefit manager, Blue Shield of Northeastern New York, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the General Fund of the District. At year-end, the District has a liability of \$0. With electronic claims submissions, all incurred claims are reported within two weeks, and have been included within the fiscal year’s claims, effectively representing reported and unreported claims which were incurred on or before year-end, but which were not paid by the District as of that date. Claims activity is summarized below for the past two fiscal years:

	<u>2018-19</u>	<u>2017-18</u>
Claims and Administration Fees	\$6,229,662	\$5,676,566
Claim Payments	(6,229,662)	(5,676,566)
Estimated Incurred but not reported as of June 30	-	-
Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>

B. Collective Bargaining Units

Bethlehem Central School District employees are represented by collective bargaining agents. Those agents which represent them and the dates of expiration of their agreements are as follows:

Bethlehem Central Teachers Association	June 30, 2020
Bethlehem Central United Employees Association	June 30, 2023
Bethlehem Central Principals Association	June 30, 2023

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

3. COMMITMENTS AND CONTINGENCIES

C. Other Items

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

4. POSTEMPLOYMENT BENEFITS OBLIGATION

Plan Description

The District's defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit OPEB plan (the 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's Board, subject to applicable collective bargaining and employment agreements, and Board of Education policy. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

Funding Policy

The obligations of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 8 to 15 years of service to qualify for other postemployment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2019 approximately \$4,800,963 was paid on behalf of 504 retirees.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. POSTEMPLOYMENT BENEFITS OBLIGATION

Benefits Provided

The District provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses. The benefit terms are dependent on which contract each employee falls under. Retirees and their spouses receive benefits for the lifetime of the retired employee. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	504
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	<u>724</u>
Total plan members	<u>1,228</u>

Net OPEB Liability

The District's total OPEB liability of \$244,259,059 was measured as of June 30, 2019; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability at June 30, 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	2.9% - 10% - Varied by years of service and retirement system
Discount Rate	3.51% (based on the Bond Buyer General Obligation 20-year Municipal Bond Index)
Healthcare cost trend rates	5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2075
Part B Reimbursement	None

Mortality rates were based on PUB-2010 Headcount-Weighted Table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2018.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. POSTEMPLOYMENT BENEFITS OBLIGATION

Changes in the Net OPEB Liability

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

Balance as of June 30, 2018	\$ 212,335,934
Changes for the year:	
Service Cost	6,195,169
Interest	8,365,137
Change in benefit terms	(2,096,330)
Difference between expected and actual experience	(731,754)
Changes of assumptions or other inputs	24,991,866
Benefit payments	<u>(4,800,963)</u>
Net changes	<u>31,923,125</u>
Balance as of June 30, 2019	<u>\$ 244,259,059</u>

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

	1% Decrease (<u>2.51%</u>)	Discount Rate (<u>3.51%</u>)	1% Increase (<u>4.51%</u>)
Total OPEB Liability	\$310,407,997	\$244,259,059	\$216,965,199

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.50% decreasing to 2.84%) or 1 percentage point higher (6.50% decreasing to 4.84%) than the current healthcare cost trend rate:

	1% Decrease (4.50% decreasing to <u>2.84%</u>)	Healthcare Cost Trend Rate (5.50% decreasing to <u>3.84%</u>)	1% Increase (6.50% decreasing to <u>4.84%</u>)
Total OPEB Liability	\$209,012,010	\$244,259,059	\$323,170,376

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. POSTEMPLOYMENT BENEFITS OBLIGATION

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$14,134,746. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 640,285
Changes of assumptions	21,867,883	7,826,939
Contributions subsequent to the measurement period	-	-
Total	\$ 21,867,883	\$ 8,467,224

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

Year ending June 30,	
2020	\$1,670,770
2021	1,670,770
2022	1,670,770
2023	1,670,770
2024	1,670,770
Thereafter	5,046,809

5. TAX ABATEMENTS

The Town of Bethlehem enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced \$130,891. The District received Payment in Lieu of Taxes (PILOT) payments totaling \$3,298,814.

6. DEFICIT FUND EQUITY

The Capital Projects Fund had a deficit of \$4,618,287. This amount will be reduced as financing is paid off or permanent financing is obtained.

7. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 1, 2019, which is the date these financial statements were issued. All subsequent events requiring recognition or disclosure as of June 30, 2019, have been incorporated into these financial statements.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Adopted Budget</u>	<u>Prior Year Encumbrances</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES						
Local Sources						
Real property taxes	\$ 65,810,000	\$ -	\$ 65,810,000	\$ 60,864,615	\$ 60,788,930	\$ (75,685)
Other tax items	3,325,000	-	3,325,000	8,270,385	8,282,753	12,368
Charges for services	351,500	-	351,500	351,500	451,597	100,097
Use of money and property	241,500	-	241,500	241,500	675,892	434,392
Sale of property and compensation for loss	62,500	-	62,500	100,059	451,330	351,271
Miscellaneous	561,000	-	561,000	598,407	674,249	75,842
Total Local Sources	70,351,500	-	70,351,500	70,426,466	71,324,751	898,285
State sources	27,902,500	-	27,902,500	27,902,500	28,372,306	469,806
Medicaid reimbursement	180,000	-	180,000	180,000	175,170	(4,830)
OTHER FINANCING SOURCES						
Operating Transfers In	356,000	-	356,000	356,000	356,228	228
Total Revenues and Other Sources	98,790,000	-	98,790,000	98,864,966	100,228,455	1,363,489
APPROPRIATED FUND BALANCE						
Prior year's encumbrances	-	151,074	151,074	151,074		
Appropriated reserve	-	-	-	4,900,000		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 98,790,000	\$ 151,074	\$ 98,941,074	\$ 103,916,040		

BETHLEHEM CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Adopted Budget	Prior Year Encumbrances	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance With Actual and Encumbrances
EXPENDITURES							
General Support							
Board of education	\$ 52,500	\$ -	\$ 52,500	\$ 53,100	\$ 50,527	\$ -	\$ 2,573
Central administration	270,765	-	270,765	269,761	263,006	-	6,755
Finance	711,235	-	711,235	715,757	691,108	370	24,279
Staff	814,341	-	814,341	818,509	756,497	-	62,012
Central services	5,303,711	83,497	5,387,208	5,547,266	5,086,665	259,660	200,941
Special items	704,059	-	704,059	1,072,059	1,071,959	-	100
Total General Support	7,856,611	83,497	7,940,108	8,476,452	7,919,762	260,030	296,660
Instruction							
Administration and improvement	3,862,678	12,275	3,874,953	3,821,595	3,770,039	14,112	37,444
Teaching - regular school	24,685,301	5,460	24,690,761	24,844,866	24,614,851	6,157	223,858
Programs for students with disabilities	11,053,363	-	11,053,363	10,580,377	10,159,601	-	420,776
Occupational education	982,547	-	982,547	986,642	979,913	5,751	978
Teaching - special schools	186,330	-	186,330	194,330	167,456	-	26,874
Instructional media	3,339,213	42,468	3,381,681	3,485,388	3,297,810	39,087	148,491
Pupil services	4,599,485	7,374	4,606,859	4,619,822	4,495,856	469	123,497
Total Instruction	48,708,917	67,577	48,776,494	48,533,020	47,485,526	65,576	981,918
Pupil Transportation	6,207,633	-	6,207,633	6,172,633	5,838,909	-	333,724
Community Services	64,568	-	64,568	64,568	61,600	-	2,968
Employee Benefits	23,507,180	-	23,507,180	23,303,534	23,187,095	-	116,439
Debt Service							
Principal	9,892,378	-	9,892,378	9,892,378	9,892,378	-	-
Interest	2,043,713	-	2,043,713	2,043,718	2,043,713	-	5
Total Debt Service	11,936,091	-	11,936,091	11,936,096	11,936,091	-	5
Total Expenditures	98,281,000	151,074	98,432,074	98,486,303	96,428,983	325,606	1,731,714
OTHER FINANCING USES							
Operating Transfers Out	509,000	-	509,000	5,429,737	5,429,584	-	153
Total Expenditures and Other Uses	\$ 98,790,000	\$ 151,074	\$ 98,941,074	\$ 103,916,040	\$ 101,858,567	\$ 325,606	\$ 1,731,867
Net Change in Fund Balance					\$ (1,630,112)		
Fund Balance - Beginning of Year					19,687,581		
Fund Balance - End of Year					<u>18,057,469</u>		

**BETHLEHEM CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	Fiscal Year Ending *	
	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Measurement date	6/30/2019	6/30/2018
Service cost at end of year	\$ 6,195,169	\$ 6,458,575
Interest	8,365,137	7,516,564
Changes in benefit terms	(2,096,330)	-
Difference between expected and actual experience in the measurement of the total OPEB liability	(731,754)	-
Changes in assumptions and other inputs	24,991,866	(10,550,427)
Benefit payments	<u>(4,800,963)</u>	<u>(2,097,317)</u>
Net Change in Total OPEB Liability	31,923,125	1,327,395
Total OPEB Liability - beginning	<u>212,335,934</u>	<u>211,008,539</u>
Total OPEB Liability - ending	<u><u>\$ 244,259,059</u></u>	<u><u>\$ 212,335,934</u></u>
Covered-employee payroll	\$ 41,021,071	\$ 44,827,947
Total OPEB Liability as a percentage of covered-employee payroll	595.44%	473.67%

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

BETHLEHEM CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2019
Last 10 Fiscal Years

	Employees' Retirement System				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0500938%	0.0518951%	0.0492385%	0.0492035%	0.0491334%
District's proportionate share of the net pension liability	\$ 3,549,299	\$ 1,674,886	\$ 4,626,556	\$ 7,897,294	\$ 1,659,847
District's covered payroll	\$ 16,003,093	\$ 15,544,511	\$ 14,850,244	\$ 14,129,297	\$ 13,438,468
District's proportionate share of the net pension liability as a percentage of its covered payroll	22%	11%	31%	56%	12%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.71%	97.90%

	Teachers' Retirement System				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.198306%	0.202106%	0.201328%	0.200866%	0.201861%
District's proportionate share of the net pension liability (asset)	\$ (3,585,897)	\$ (1,536,208)	\$ 2,156,307	\$ (20,863,576)	\$ (22,486,051)
District's covered payroll	\$ 32,301,838	\$ 32,027,182	\$ 31,066,941	\$ 30,172,800	\$ 29,818,005
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-11%	-5%	7%	-69%	-75%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	100.66%	99.01%	110.46%	111.48%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019
Last 10 Fiscal Years**

Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,217,768	\$ 2,244,547	\$ 2,193,332	\$ 2,360,540	\$ 2,558,354
Contributions in relation to the contractually required contribution	<u>2,217,768</u>	<u>2,244,547</u>	<u>2,193,332</u>	<u>2,360,540</u>	<u>2,558,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 16,003,093	\$ 15,544,511	\$ 14,850,244	\$ 14,129,297	\$ 13,438,468
Contributions as a percentage of covered payroll	13.86%	14.44%	14.77%	16.71%	19.04%

Teachers' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,453,848	\$ 3,168,114	\$ 3,691,368	\$ 4,083,988	\$ 5,230,838
Contributions in relation to the contractually required contribution	<u>3,453,848</u>	<u>3,168,114</u>	<u>3,691,368</u>	<u>4,083,988</u>	<u>5,230,838</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 32,301,838	\$ 32,027,182	\$ 31,066,941	\$ 30,172,800	\$ 29,818,005
Contributions as a percentage of covered payroll	10.69%	9.89%	11.88%	13.54%	17.54%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
 AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 98,790,000
Additions:		
Prior year's encumbrances		<u>151,074</u>
Original Budget		98,941,074
Budget revisions		<u>4,974,966</u>
Final Budget		<u><u>\$ 103,916,040</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20 voter-approved expenditure budget		\$ <u>100,829,000</u>
Maximum allowed (4% of 2019-20 budget)		<u><u>\$ 4,033,160</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 325,606	
Unassigned fund balance		<u>4,021,410</u>
Total Unrestricted Fund Balance		\$ 4,347,016
Less:		
Encumbrances (included in assigned fund equity)	<u>325,606</u>	
Total adjustments		<u>325,606</u>
General Fund Fund Balance subject to Section 1318 of Real Property Tax Law:		<u><u>\$ 4,021,410</u></u>
Actual percentage		<u><u>3.99%</u></u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING RESOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019**

PROJECT TITLE	SED PROJECT #	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2019	
				Prior Years	Current Year	Total		State Sources	Local Sources	Financed Sources	Total		
2016 Capital Project													
Eagle Elementary	0026005	\$ 692,411	\$ 692,411	\$ 30,341	\$ 225,062	\$ 255,403	\$ 437,008	\$ -	\$ 39,500	\$ -	\$ 39,500	\$ (215,903)	
Elsmere Elementary	0008019	2,618,642	2,618,642	134,814	184,918	319,732	2,298,910	-	-	-	-	(319,732)	
Glenmont Elementary	0002015	1,368,704	1,368,704	71,179	112,720	183,899	1,184,805	-	-	-	-	(183,899)	
Hamagrael Elementary	0003018	195,340	195,340	10,168	86,504	96,672	98,668	-	-	-	-	(96,672)	
Slingerlands Elementary	0009014	1,275,893	1,275,893	66,259	146,796	213,055	1,062,838	-	-	-	-	(213,055)	
Middle School	0005024	2,820,905	2,820,905	146,622	208,407	355,029	2,465,876	-	-	-	-	(355,029)	
High School	0006034	20,737,539	20,737,539	1,057,024	2,427,712	3,484,736	17,252,803	-	4,900,000	-	4,900,000	1,415,264	
Operations & Maintenance	3012008	84,955	84,955	4,428	14,032	18,460	66,495	-	-	-	-	(18,460)	
Bus Garage	5010011	975,385	975,385	46,742	374,537	421,279	554,106	-	-	-	-	(421,279)	
Toilet/storage building at HS field	7051001	335,498	335,498	17,385	21,493	38,878	296,620	-	-	-	-	(38,878)	
HS varsity baseball dugout 1st base	7054001	34,400	34,400	1,805	19,312	21,117	13,283	-	-	-	-	(21,117)	
HS varsity baseball dugout 3rd base	7055001	34,403	34,403	1,805	19,312	21,117	13,286	-	-	-	-	(21,117)	
HS press box new	7056001	949,243	949,243	49,366	182,850	232,216	717,027	-	-	-	-	(232,216)	
HS press box demo	7023002	9,821	9,821	492	242	734	9,087	-	-	-	-	(734)	
HS masonry shed	2018001	16,206	16,206	820	7,306	8,126	8,080	-	-	-	-	(8,126)	
HS concession stand	7028002	16,206	16,206	820	5,006	5,826	10,380	-	-	-	-	(5,826)	
Total 2016 Capital Project		32,165,551	32,165,551	1,640,070	4,036,209	5,676,279	26,489,272	-	4,939,500	-	4,939,500	(736,779)	
Bus Garage Compressor	5010012	100,000	143,158	-	143,158	143,158	-	-	143,158	-	143,158	-	
School Bus Purchases		6,104,000	6,086,000	4,895,610	1,181,475	6,077,085	8,915	-	2,195,577	-	2,195,577	(3,881,508)	
Totals		\$ 38,369,551	\$ 38,394,709	\$ 6,535,680	\$ 5,360,842	\$ 11,896,522	\$ 26,498,187	\$ -	\$ 7,278,235	\$ -	\$ 7,278,235	\$ (4,618,287)	

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2019**

Capital Assets, Net	\$ <u>133,120,965</u>
Add:	
Restricted Cash	<u>619,110</u>
Deduct:	
Bond anticipation notes	3,891,000
Short-term portion of bonds payable	8,835,000
Long-term portion of bonds payable	32,390,000
Premium on bonds	1,272,501
Capital leases	<u>3,923,532</u>
	<u>50,312,033</u>
Net Investment in Capital Assets	\$ <u><u>83,428,042</u></u>

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

To the President and Members of the Board of Education of
Bethlehem Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Bethlehem Central School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

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

Purpose of this Report

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

Marvin and Company, P.C.

Latham, NY

October 1, 2019

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

To the President and Members of the Board of Education of
Bethlehem Central School District

Report on Compliance for Each Major Federal Program

We have audited the Bethlehem Central School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Bethlehem Central School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-002 and 2019-003 that we consider to be significant deficiencies.

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

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

Marvin and Company, P.C.

Latham, NY
October 1, 2019

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Passed Through To Subrecipient</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Education</u>				
Passed Through New York State Education Department:				
Special Education Cluster				
Special Education - Grants to States	84.027	0032-19-0017	-	\$ 937,658
Special Education Preschool Grants	84.173	0033-19-0017	-	<u>25,874</u>
Total Special Education Cluster				<u>963,532</u>
Title I Grants to Local Educational Agencies	84.010	0021-19-0015	-	111,593
Title I Grants to Local Educational Agencies	84.010	0021-18-0015	-	2,013
Improving Teacher Quality State Grants	84.367	0147-19-0015	-	64,895
Improving Teacher Quality State Grants	84.367	0147-18-0015	-	13,288
Migrant Education - State Grant Program	84.365	0293-19-0015	-	8,726
Migrant Education - State Grant Program	84.365	0293-18-0015	-	5,533
Migrant Education - State Grant Program	84.938C	0080-18-0015	-	<u>5,632</u>
Total U.S. Department of Education				<u>1,175,212</u>
<u>U.S. Department of Agriculture</u>				
Passed Through New York State Education Department:				
Child Nutrition Cluster				
National School Lunch Program	10.555	Not Applicable	-	185,205
School Breakfast Program	10.553	Not Applicable	-	13,264
Food Distribution	10.555	Not Applicable	-	<u>53,528</u>
Total Child Nutrition Cluster				<u>251,997</u>
<u>National Science Foundation</u>				
Passed Through The Research Foundation for the State University of New York:				
DIP: Connecting Idea Threads Across Communities for Sustained Knowledge - 2019	47.070	Not Applicable	-	<u>428</u>
Total National Science Foundation				<u>428</u>
Total Expenditures of Federal Awards				<u>\$ 1,427,637</u>

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of federal award programs administered by the Bethlehem Central School District (the District), which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the District financial statements. Federal awards that are included in the Schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies.

The information presented in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This Schedule only presents a selected portion of the operations of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The federal expenditures are recognized under the Uniform Guidance.

3. SCOPE OF AUDIT

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

4. NON-CASH ASSISTANCE

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2019, the District received food commodities totaling \$53,528

5. INDIRECT COST RATE

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

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District's policy is not to charge federal award programs with indirect costs.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title 1
10.553 & 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X yes no

Section II: Financial Statement Findings

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

Material Weakness

2019-001 Prepaid Expenditures in the Federal Fund

Criteria: Under modified accrual accounting expenditures are recorded in the year the goods or services are received.

Condition: During our testing of expenditures charged to this fund we noted an expenditure for a software license with a start date of 7/1/19 was included as an expenditure for the fiscal year ended 6/30/19.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II: Financial Statement Findings

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

Material Weakness

2019-001 Prepaid Expenditures in the Federal Fund (Continued)

Context: A sample of expenditures charged to each fund were selected for testing. Due to the size of this expenditure within this fund this expenditure was specifically selected to be reviewed and tested.

Effect: The expenditures, revenue and accounts receivable for the Federal Program were overstated by \$29,000, while prepaid expenditures were understated by \$29,000. There was no net income or loss impact.

Cause: The District's focus was on the program year versus the fiscal year for this program eligible expenditure. Therefore, the District did not record a year-end closing journal entry for the payment based upon the effective date for a July 1, 2019 licensing agreement.

Recommendation: We recommend that expenditures within the federal fund be recorded on the fiscal year end of the District and not the fiscal year of the grant.

Views of the Responsible Officials and Planned Corrective Actions: The District will review the cutoff dates in the future and record the appropriate accounting entry.

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

Significant Deficiencies

2019-002 Administrative Prerogative

Information on Federal Program: National School Lunch Programs and School Breakfast Program CFDA No. 10.553 and CFDA No. 10.555.

Criteria: According to the 2018-19 NYSED Free and Reduced Price Income Eligibility and Policy Information, in certain circumstances when households fail to apply for free or reduced price meals, the nutritional needs of students who are obviously at an economic disadvantage may be addressed by local officials. Using administrative prerogative, local officials may complete an application for a student known to be eligible if the household had applied. To exercise this option properly, an application must be completed on behalf of the student, based on the best family size and income information available. The source of this information must be noted on the application. Documented prior efforts must be made by the District to obtain a completed application from the parent or guardian. This option must be used judiciously and only after repeated efforts to obtain applications from families have been unsuccessful.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

Significant Deficiencies

2019-002 Administrative Prerogative (continued)

Condition: During our testing we noted one application for free meals was completed by the building Principal under administrative prerogative. However, income information, and attempts to obtain income information for the family for which the application was completed was not documented. Therefore, we were unable to determine if the free meals provided were appropriate.

Questioned Costs: We were unable to determine an amount based on missing income information on the application.

Context: A sample of 41 students receiving free or reduced price meals was selected for testing. Upon further review those 41 students represented the entire population of families receiving free or reduced price meals through submission of applications to the District. Any other students receiving free or reduced price meals were automatically eligible and directly certified through the county. Our sample therefore represented the complete population of applicants.

Effect: We are unable to confirm if the determination of free meals was appropriate.

Cause: Policies and procedures were not adhered to in regards to documentation of family income as documentation was not maintained to support decision.

Perspective Information: Based on testing of the complete population there was only one application completed under administrative prerogative.

Repeat Finding: No

Recommendation: We recommend that the policies and procedures in place in regards to administrative prerogative be documented and attached to the eligibility application, and include the total household members, income information, manor and attempts made with the family to obtain this information. We recommend that the District put a procedure in place to document and review applications completed under Administrative Prerogative.

Views of Responsible Officials and Planned Corrective Actions: The District will document all attempts to communicate with families and to assist them with applying for free or reduced priced meals at schools. If administrative prerogative is to be used, we will, to the best of our ability, determine the household size and income for the student(s) for which we are attempting to utilize administrative prerogative.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

Significant Deficiencies

2019-003 Eligibility

Information on Federal Program: National School Lunch Programs and School Breakfast Program CFDA No. 10.553 and CFDA No. 10.555.

Criteria: A child's eligibility for free or reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Local educational agencies (LEAs), institutions, and sponsors determine eligibility by comparing the data reported by the child's household to published income eligibility guidelines. In addition to publishing income eligibility information in the Federal Register, the Food and Nutrition Service agency of the United State Department of Agriculture (FNS) makes it available on the FNS website at <http://www.fns.usda.gov/schoolmeals/income-eligibility-guidelines>. Children from households with incomes at or below 130 percent of the Federal poverty level are eligible to receive meals or milk free under the School Nutrition Programs. Children from households with incomes above 130 percent but at or below 185 percent of Federal poverty level are eligible to receive reduced price meals. Persons from households with incomes exceeding 185 percent of the poverty level pay the full price (7 CFR section 245.2, 245.3, and 245.6; section 9(b)(1) of the NSLA (42 USC 1758 (b)(1)); sections 3(a)(6) and 4(e) of the CNA (42 USC 1772 (a)(6) and 1773(e))).

Condition: During our testing we noted one application for free meals was calculated incorrectly. The District determined the household was eligible to receive free meals, however, based on the income eligibility guidelines, the household was eligible for reduced price meals.

Questioned Costs: The District received an estimated \$133 in federal and state revenue that had the household been properly classified as reduced price they would not have been eligible to receive. In addition, the District lost approximately \$135 in general sale of meals revenue in the school lunch fund as the students in this household were not charged the reduced price meal fee. This estimate assumed all 3 students received free lunches for all 180 days of the school year.

Context: A sample of 41 students receiving free or reduced price meals was selected for testing. Upon further review those 41 students represented the entire population of families receiving free or reduced price meals through submission of applications to the District. Any other students receiving free or reduced price meals were automatically eligible and directly certified through the county. Our sample therefore represented the complete population of applicants.

Effect: The District received more in state and federal funding than they were eligible for.

Cause: The District's school lunch software automatically calculates the eligibility of each household based on the data input into the software. The number of household members was incorrectly input into the software causing the incorrect determination of eligibility for that household. While there is a review of the application received, there is no review of the input into the software and the individual who reviews the application is the same individual who inputs the information into the software.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

Significant Deficiencies

2019-003 Eligibility (continued)

Perspective Information: Based on testing of the complete population there was only one application that was incorrectly calculated out of the population.

Repeat Finding: No

Recommendation: We recommend that the District implement a procedure to compare the free and reduced price applications to the input of the information into the software to ensure they are in agreement. This review should be documented and performed by someone without responsibility for eligibility determination under this program.

Views of Responsible Officials and Planned Corrective Actions: The food service director will perform the verification of the data submitted on free and reduced priced program applications.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

Finding 2018-001 IDEA 611

Condition: During our testing of payroll expenditures charged to this program it was noted that a teacher that was being charged to this grant and the time and effort reports (payroll certifications) being signed by this individual acknowledging and noting that their salaries are being allocated to the Federal Program could not be located.

Current Status

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