

**BETHLEHEM CENTRAL SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2020**

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 14, 2020, 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 14, 2020

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2020**

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, 2020. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

The 2019-20 fiscal year maintained the strength of the District's overall financial position, which was of significant importance as the District braces for longer-term economic pressures in light of the on-going COVID-19 pandemic. The District closed to in person instruction on March 16, 2020, and remained closed through the end of the school year. Although faculty taught lessons remotely, other support staff reported on a limited basis to fulfill essential tasks. The District provided meals for families in need throughout the closure. There were no extracurricular activities and no transportation services in this time period, contributing to a year end surplus in the General Fund of close to \$5.1m, primarily due to unexpended appropriations.

Revenues were \$292,000 more than budgeted, largely due to recognition of a Premium on BANs of \$203,000. The school tax levy increased by \$1,335,000, from a 2.03% levy increase, which was below the Maximum Allowable Tax Levy of 3.65%.

Operating expenditures were about \$5.1 million below budget, boosted by District efforts to limit expenditures to essential items only. The positive variance on expenditures was largely due to a combination of staff attrition and leaving positions unfilled when possible, and lack of extracurricular activities from March through June. Transportation costs were about \$1.0 million below budget, and savings on salaries and associated fringe benefits for other program areas was \$2.6 million. Additionally, the costs for special education placements in private facilities or in BOCES' programs, coupled with other COVID-related service disruptions, were about \$1.5 million below budget.

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, 2020**

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, 2020**

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, 2020**

- 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

	Governmental Activities and Total School District		
	2020	2019	Increase (Decrease)
Current and Other Assets	\$ 46,174,618	\$ 31,104,081	\$ 15,070,537
Capital Assets, Net	151,291,183	133,120,965	18,170,218
Total Assets	197,465,801	164,225,046	33,240,755
Deferred Outflows of Resources	105,193,707	43,756,949	61,436,758
Total Assets and Deferred Outflows of Resources	<u>302,659,508</u>	<u>207,981,995</u>	<u>94,677,513</u>
Current Liabilities	49,265,298	20,242,293	29,023,005
Long-term Liabilities	45,464,519	45,310,127	154,392
Other Postemployment Benefits Obligation	328,541,154	244,259,059	84,282,095
Total Liabilities	423,270,971	309,811,479	113,459,492
Deferred Inflows of Resources	14,116,346	14,219,029	(102,683)
Total Liabilities and Deferred Inflows of Resources	<u>437,387,317</u>	<u>324,030,508</u>	<u>113,356,809</u>
Net Position			
Net Investment in Capital Assets	92,346,476	83,428,042	8,918,434
Restricted	18,603,544	16,326,013	2,277,531
Unrestricted	<u>(245,677,829)</u>	<u>(215,802,568)</u>	<u>(29,875,261)</u>
Total Net Position	<u>\$ (134,727,809)</u>	<u>\$ (116,048,513)</u>	<u>\$ (18,679,296)</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2020**

Figure A-3

Changes in Net Position from Operating Results

	<u>Governmental Activities and Total School District</u>		
	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Revenues			
Program Revenues (netted in expenses, below)			
Charges for Services	\$ 1,051,272	\$ 1,586,154	\$ (534,882)
Operating Grants	2,153,155	1,948,512	204,643
Capital Grants	957,258	-	957,258
	<u>\$ 4,161,685</u>	<u>\$ 3,534,666</u>	<u>\$ 627,019</u>
General Revenues:			
Real Property Taxes	\$ 62,901,083	\$ 60,788,930	\$ 2,112,153
Other Tax Items	7,673,842	8,282,753	(608,911)
State Aid	28,525,488	28,238,318	287,170
Other Revenues	1,372,382	1,864,624	(492,242)
Loss on Sale of Property	-	(186,685)	186,685
Total General Revenues	<u>100,472,795</u>	<u>98,987,940</u>	<u>1,298,170</u>
Expenses			
General Support	12,131,314	10,804,160	1,327,154
Instruction	94,601,974	77,927,093	16,674,881
Pupil Transportation	11,358,103	10,452,245	905,858
Debt Service - Interest	1,793,718	1,770,020	23,698
Capital Outlay	(957,258)	-	(957,258)
Other	427,449	85,706	341,743
Total Expenses	<u>119,355,300</u>	<u>101,039,224</u>	<u>18,316,076</u>
Other Financing Sources (Uses)			
Premium on BAN	203,209	-	203,209
Total Other Financing Sources	<u>203,209</u>	<u>-</u>	<u>203,209</u>
Increase (Decrease) in Net Position	<u>\$ (18,679,296)</u>	<u>\$ (2,051,284)</u>	<u>\$ (17,017,906)</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2020**

Figure A-4 – Sources of Revenue for Fiscal Year 2020

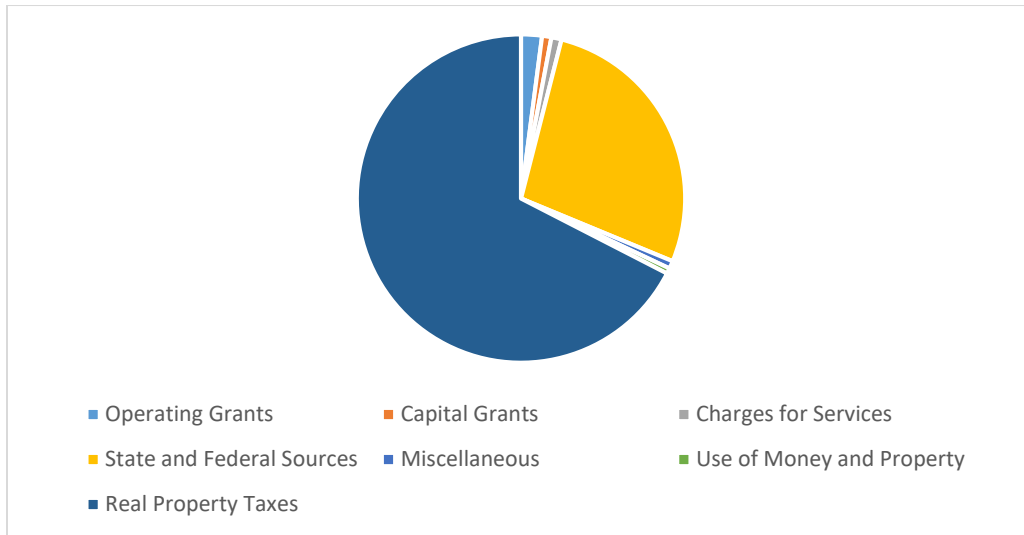
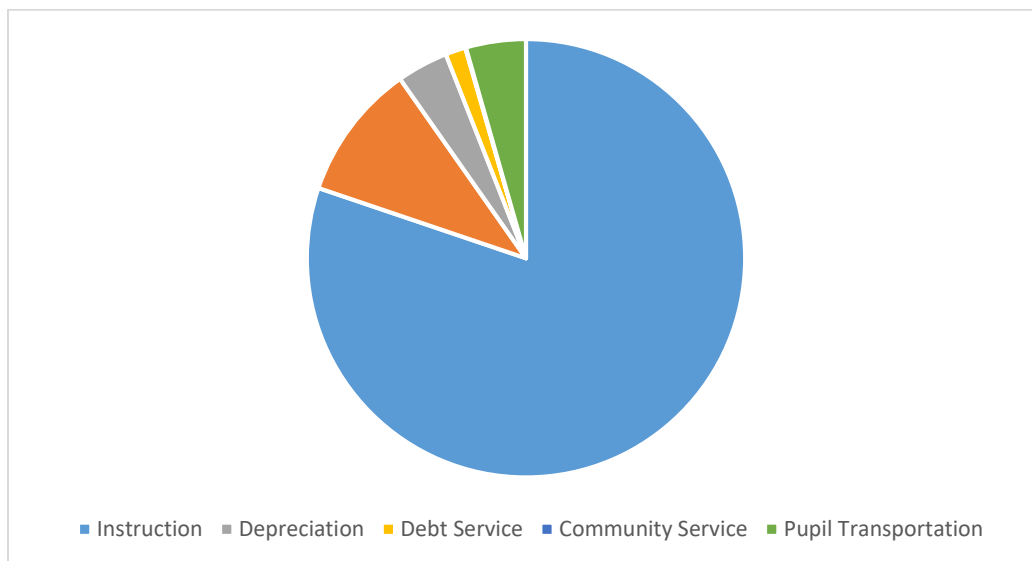


Figure A-5 – Expenses for Fiscal Year 2020



**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2020**

Financial Analysis of the District's Funds

Total Governmental Funds

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Total Assets and Deferred Outflows	\$ 42,001,056	\$ 27,972,412
Total Liabilities and Deferred Inflows	\$ 40,387,354	\$ 11,845,187
Fund Equity		
Nonspendable	77,577	23,598
Restricted	18,603,544	16,326,013
Assigned	3,139,814	374,491
Unassigned (Deficit)	<u>(20,207,213)</u>	<u>(596,877)</u>
Total Fund Equity (Deficit)	<u>\$ 1,613,702</u>	<u>\$ 16,127,225</u>

The following is a summary of the fund balances (accumulated deficits) for the years ended June 30, 2020 and June 30, 2019 by individual fund:

	<u>Fund Equity (Deficit) 2020</u>	<u>Fund Equity (Deficit) 2019</u>	<u>Increase (Decrease)</u>
General	\$ 23,206,521	\$ 18,057,469	\$ 5,149,052
School Lunch	101,235	76,526	24,709
Special Aid	-	-	-
Capital Projects	(23,979,541)	(4,618,287)	(19,361,254)
Debt Service	<u>2,285,487</u>	<u>2,611,517</u>	<u>(326,030)</u>
Totals	<u>\$ 1,613,702</u>	<u>\$ 16,127,225</u>	<u>\$ (14,513,523)</u>

The following is a summary of General Fund revenues for the years ended June 30, 2020 and 2019:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
Taxes and Other Tax Items	\$ 70,574,925	\$ 69,071,683	\$ 1,503,242
Use of Money and Property	547,748	675,892	(128,144)
State and Federal Sources	28,382,582	28,547,476	(164,894)
Other	<u>1,100,810</u>	<u>1,577,176</u>	<u>(476,366)</u>
Totals	<u>\$ 100,606,065</u>	<u>\$ 99,872,227</u>	<u>\$ 733,838</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2020**

The following is a summary of General Fund expenditures for the years ended June 30, 2020 and 2019:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
General Support	\$ 7,400,997	\$ 7,726,654	\$ (325,657)
Instruction	47,291,494	47,417,872	(126,378)
Pupil Transportation	5,177,206	5,838,909	(661,703)
Community Service	63,735	61,600	2,135
Employee Benefits	22,708,279	23,187,095	(478,816)
Debt Service	12,461,627	11,936,091	525,536
Capital Outlay	<u>221,214</u>	<u>260,762</u>	<u>(39,548)</u>
Totals	<u>\$ 95,324,552</u>	<u>\$ 96,428,983</u>	<u>\$ (1,104,431)</u>

The overall 1.15% decrease in expenditures was driven by the COVID-19 impacts which shifted instructional services to a remote-only platform. In the absence of in-person instruction and the cessation of all extracurricular activities, coupled with striving to conserve resources for an anticipated reduction in state aid in 2020-21, overall spending was lower in 2019-20 than the prior year.

The difference between the General Fund's original budget and final amended budget was \$364,813 comprised of \$39,207 for gifts, donations and other revenues and \$325,606 for carry over encumbrances. There were sufficient revenues and fund equity available to cover the budget amendments.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the District had invested \$151 million, net of accumulated depreciation, in school buildings, buses and other vehicles and equipment.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Land	\$ 246,072	\$ 246,072
Construction in Progress	26,200,273	5,840,535
Buildings and Improvements	118,134,368	121,330,670
Machinery and Equipment	1,986,655	1,013,361
Bus Fleet/Vehicles	<u>4,723,815</u>	<u>4,690,327</u>
Total	<u>\$ 151,291,183</u>	<u>\$ 133,120,965</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2020**

Obligations

The District had long-term debt including serial bonds and an energy performance contract outstanding as of June 30, 2020 and 2019 as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Serial Bonds	\$ 32,220,000	\$ 41,225,000
Energy Performance contract	<u>3,667,327</u>	<u>3,923,532</u>
Total	<u>\$ 35,887,327</u>	<u>\$ 53,933,910</u>

The District’s current bond rating is stated as AA by Standard & Poor’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 \$315 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. The District anticipated a potential \$3.0 million reduction in state aid during the 2020-21 school year, and offset the estimated reduction through appropriation of General Fund fund balance. The State is advising that ultimate levels of aid reductions are dependent on the extent of federal aid received, and has cautioned that aid reductions could be larger than anticipated.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2020**

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, 2020

ASSETS

Cash - unrestricted	\$ 10,223,263
Cash - restricted	27,794,262
State and federal aid receivable	2,600,845
Due from other governments	7,899
Due from Trust & Agency Fund	316,102
Other receivables, net	105,952
Inventories	45,922
Prepays	31,635
Capital assets, net	151,291,183
Net pension asset - proportionate share	5,048,738
Total Assets	<u>197,465,801</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on refunding	81,490
Other postemployment benefits	79,598,856
Pensions	25,513,361
Total Deferred Outflows of Resources	<u>105,193,707</u>

LIABILITIES

Accounts payable	2,366,764
Retainage payable	1,033,875
Due to other governments	731,330
Accrued liabilities	589,456
Refundable advances	96,102
Due to Teachers' Retirement System	3,083,479
Due to Employees' Retirement System	577,703
Bond anticipation notes	31,018,551
Premium on bond anticipation note payable	305,870
Long-term liabilities - due and payable within one year	
Bonds payable	9,200,000
Capital lease payable	262,168
Long-term liabilities - due and payable after one year	
Bonds payable	23,020,000
Capital lease payable	3,405,159
Compensated absences payable	3,406,000
Workers compensation	1,150,000
Other postemployment benefits payable	328,541,154
Premium on bonds	1,318,673
Net pension liability - proportionate share	13,164,687
Total Liabilities	<u>423,270,971</u>

DEFERRED INFLOWS OF RESOURCES

Other postemployment benefits	7,014,011
Pensions	7,102,335
Total Deferred Inflows of Resources	<u>14,116,346</u>

NET POSITION

Net Investment in Capital Assets	92,346,476
Restricted	18,603,544
Unrestricted	<u>(245,677,829)</u>
Total Net Position	<u>\$ (134,727,809)</u>

See accompanying notes to financial statements.

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**BETHLEHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

		Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses			Charges for Services	Operating Grants	Capital Grants	
FUNCTIONS AND PROGRAMS						
General support	\$ 7,400,997	\$ 4,730,317	\$ -	\$ -	\$ -	\$ (12,131,314)
Instruction	49,360,026	47,307,602	342,962	1,722,692	-	(94,601,974)
Pupil transportation	5,329,289	6,180,897	-	152,083	-	(11,358,103)
Community services	63,735	69,530	-	-	-	(133,265)
Employee benefits	53,915,375	(53,915,375)	-	-	-	-
Debt service - interest	1,793,718	-	-	-	-	(1,793,718)
Capital outlay	-	-	-	-	957,258	957,258
Food service	1,097,717	183,157	708,310	278,380	-	(294,184)
Depreciation	4,556,128	(4,556,128)	-	-	-	-
Total Functions and Programs	<u>\$ 123,516,985</u>	<u>\$ -</u>	<u>\$ 1,051,272</u>	<u>\$ 2,153,155</u>	<u>\$ 957,258</u>	<u>(119,355,300)</u>
GENERAL REVENUES						
Real property taxes						62,901,083
Other tax items						7,673,842
Use of money and property						573,029
Sale of property and compensation for loss						150,540
State sources						28,525,488
Medicaid reimbursement						85,847
Miscellaneous						562,966
Total General Revenues						<u>100,472,795</u>
OTHER FINANCING SOURCES (USES)						
Premium on BAN						203,209
Total Other Financing Sources						<u>203,209</u>
Change in Net Position						(18,679,296)
Total Net Position - Beginning of Year						<u>(116,048,513)</u>
Total Net Position - End of Year						<u>\$ (134,727,809)</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	Special Aid Fund	School Lunch Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS						
Cash - unrestricted	\$ 10,136,239	\$ 47,447	\$ 39,577	\$ -	\$ -	\$ 10,223,263
Cash - restricted	16,310,421	-	-	9,198,354	2,285,487	27,794,262
State and federal receivable	1,615,833	793,174	29,966	11,605	-	2,450,578
Due from other governments	7,899	-	-	-	-	7,899
Due from other funds	925,201	-	100,242	-	-	1,025,443
Due from Trust & Agency	316,102	-	-	-	-	316,102
Other receivables, net	105,914	-	38	-	-	105,952
Inventories	-	-	45,922	-	-	45,922
Prepays	-	31,635	-	-	-	31,635
	<u>29,417,609</u>	<u>872,256</u>	<u>215,745</u>	<u>9,209,959</u>	<u>2,285,487</u>	<u>42,001,056</u>
LIABILITIES						
Accounts payable	\$ 273,995	\$ 16,390	\$ 5,020	\$ 2,071,359	\$ -	\$ 2,366,764
Accrued liabilities	216,306	11,733	12,077	-	-	240,116
Bond anticipation notes	-	-	-	31,018,551	-	31,018,551
Due to other funds	100,242	825,611	-	99,590	-	1,025,443
Due to other governments	711,497	18,522	1,311	-	-	731,330
Due to Teachers' Retirement System	3,083,479	-	-	-	-	3,083,479
Due to Employees' Retirement System	577,703	-	-	-	-	577,703
Refundable advances	-	-	96,102	-	-	96,102
	<u>4,963,222</u>	<u>872,256</u>	<u>114,510</u>	<u>33,189,500</u>	<u>-</u>	<u>39,139,488</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,247,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,247,866</u>
FUND BALANCES (DEFICIT)						
Non-spendable	-	31,635	45,922	-	-	77,557
Restricted	16,310,421	-	7,636	-	2,285,487	18,603,544
Assigned - appropriated	3,000,000	-	-	-	-	3,000,000
Assigned - unappropriated	92,137	-	47,677	-	-	139,814
Unassigned	3,803,963	(31,635)	-	(23,979,541)	-	(20,207,213)
	<u>23,206,521</u>	<u>-</u>	<u>101,235</u>	<u>(23,979,541)</u>	<u>2,285,487</u>	<u>1,613,702</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 29,417,609</u>	<u>\$ 872,256</u>	<u>\$ 215,745</u>	<u>\$ 9,209,959</u>	<u>\$ 2,285,487</u>	<u>\$ 42,001,056</u>

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

Total governmental fund balances per above	\$ 1,613,702
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	151,291,183
Retainages Payable is not due and payable in the current period and, therefore, not reported in the funds	(1,033,875)
Revenues deferred in the governmental funds are recognized in the statement of net position	1,247,866
Receivables not available in the current period and, therefore, not reported in the funds	150,267
Accrued interest is not reported in governmental funds	(349,340)
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	(35,887,327)
Compensated absences	(3,406,000)
Workers compensation	(1,150,000)
Other postemployment benefits	(328,541,154)
Net pension liability, ERS	(13,164,687)
Net pension asset, TRS	5,048,738
Net deferred (inflows)/outflows related to net pension asset/liability adjustments	18,411,026
Net deferred (inflows)/outflows related to net OPEB liability adjustments	72,584,845
Deferred premium on bond anticipation note	(305,870)
Deferred loss on refunding is recorded as an expense in the fund financial statements, but is amortized over the life of the bond under full accrual accounting	81,490
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	(1,318,673)
Net Position of Governmental Activities	<u>\$ (134,727,809)</u>

BETHLEHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<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	\$ 62,901,083	\$ -	\$ -	\$ -	\$ -	\$ 62,901,083
Other tax items	7,673,842	-	-	-	-	7,673,842
Charges for services	382,499	-	-	-	-	382,499
Use of money and property	547,748	-	-	-	25,281	573,029
Sale of property and compensation for loss	150,540	-	-	-	-	150,540
Miscellaneous	567,771	-	-	-	-	567,771
State sources	28,296,735	616,460	10,487	957,258	-	29,880,940
Medicaid reimbursement	85,847	-	-	-	-	85,847
Federal sources	-	1,258,315	267,893	-	-	1,526,208
Sales - food service	-	-	708,310	-	-	708,310
	<u>100,606,065</u>	<u>1,874,775</u>	<u>986,690</u>	<u>957,258</u>	<u>25,281</u>	<u>104,450,069</u>
Total Revenues						
EXPENDITURES						
General support	7,400,997	-	-	-	-	7,400,997
Instruction	47,291,494	1,743,532	-	-	-	49,035,026
Pupil transportation	5,177,206	152,083	-	-	-	5,329,289
Community services	63,735	-	-	-	-	63,735
Employee benefits	22,708,279	247,248	183,157	-	-	23,138,684
Debt Service						
Principal	10,308,205	-	-	-	-	10,308,205
Interest	2,153,422	-	-	-	-	2,153,422
Cost of sales	-	-	1,097,717	-	-	1,097,717
Capital outlay	221,214	-	-	21,635,512	-	21,856,726
	<u>95,324,552</u>	<u>2,142,863</u>	<u>1,280,874</u>	<u>21,635,512</u>	<u>-</u>	<u>120,383,801</u>
Total Expenditures						
Excess (Deficiency) of Revenues Over Expenditures	<u>5,281,513</u>	<u>(268,088)</u>	<u>(294,184)</u>	<u>(20,678,254)</u>	<u>25,281</u>	<u>(15,933,732)</u>
OTHER FINANCING SOURCES AND (USES)						
BANs redeemed from appropriations	-	-	-	1,217,000	-	1,217,000
Premium on BAN	203,209	-	-	-	-	203,209
Premium on Obligation	-	-	-	-	251,490	251,490
Proceeds of Refunding	-	-	-	-	1,610,000	1,610,000
Payments to Escrow Agent - Refunding	-	-	-	-	(1,861,490)	(1,861,490)
Interfund transfers in	351,311	268,088	318,893	100,000	-	1,038,292
Interfund transfers (out)	(686,981)	-	-	-	(351,311)	(1,038,292)
	<u>(132,461)</u>	<u>268,088</u>	<u>318,893</u>	<u>1,317,000</u>	<u>(351,311)</u>	<u>1,420,209</u>
Total Other Financing Sources and (Uses)						
Net Change in Fund Balances	5,149,052	-	24,709	(19,361,254)	(326,030)	(14,513,523)
Fund Balances - Beginning of Year	18,057,469	-	76,526	(4,618,287)	2,611,517	16,127,225
Fund Balances - End of Year	<u>\$ 23,206,521</u>	<u>\$ -</u>	<u>\$ 101,235</u>	<u>\$ (23,979,541)</u>	<u>\$ 2,285,487</u>	<u>\$ 1,613,702</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, 2020

Net changes in fund balances - total governmental funds	\$	(14,513,523)
<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 (excluding retainage)	21,856,726
	Depreciation expense	<u>(4,556,128)</u>
		17,300,598
<p>Redemptions of bond anticipation notes are a revenue in the governmental funds, but not in the Statement of Activities.</p>		
		(1,217,000)
<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>		
		10,308,205
<p>Amortization of bond premium is an adjustment to interest expense in the Statement of Activities.</p>		
		205,318
<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>		
		(25,097,909)
<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>		
		(325,000)
<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>		
		200,000
<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>		
		(5,878,782)
<p>Certain revenues deferred in the governmental funds are recognized in the Statement of Activities.</p>		
		34,144
<p>Certain receivables not available in the current period but are recognized in the Statement of Activities.</p>		
		150,267
<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>154,386</u>
Change in net position of governmental activities	\$	<u><u>(18,679,296)</u></u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Cash		
Unrestricted	\$ -	\$ 450,634
Restricted	<u>-</u>	<u>767,079</u>
Total Assets	\$ <u><u>-</u></u>	\$ <u><u>1,217,713</u></u>
 LIABILITIES		
Other liabilities	\$ -	\$ 665,211
Due to General Fund	-	316,102
Extraclassroom activity balances	<u>-</u>	<u>236,400</u>
Total Liabilities	<u>-</u>	\$ <u><u>1,217,713</u></u>
 NET POSITION		
Restricted for scholarships	\$ <u><u>-</u></u>	

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

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

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 ("the Board") 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, 2020

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, 2020, Bethlehem Central School District was billed \$3,806,749 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,597,600. 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, 2020

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, 2020

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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Property Taxes

Real property taxes were levied by the Board of Education August 7, 2019. 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 the following April.

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	\$ 19,212
Expenses associated with capital outlay	6,825
Expenses associated with athletic program restorations	10,170
Expenses associated with contractual obligations	<u>3,000</u>
Total Supplemental Appropriations	<u>\$ 39,207</u>

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020.

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, 2020

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, 2020

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 \$45,922.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 \$7,636. 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. The Board may adopt a sub-fund for contributions to the Teachers Retirement System of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salary during the preceding fiscal year. The sub-fund is separately administered but must comply with existing General Municipal Law §6-r.

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.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

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.

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	\$ 190,421
Employee Benefit Accrued Liability Reserve	1,400,000
Reserve for State and Local Retirement Contributions	2,700,000
Reserve for Teachers Retirement Contributions	1,270,000
Reserve for Tax Certiorari	500,000
Workers' Compensation Reserve	1,150,000
Capital Reserve, 2015	5,100,000
Capital Reserve, 2019	<u>4,000,000</u>
Total General Fund	16,310,421
School Lunch Fund - Encumbrances	7,636
Debt Service Fund	<u>2,285,487</u>
Total Restricted Funds	<u>\$ 18,603,544</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, 2020.

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 \$47,677. All encumbrances of the General Fund are classified as Assigned Fund Equity in the General Fund. Encumbrances reported in the General Fund amounted to \$92,137. The remaining fund equity in the other funds is also reported as assigned.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

Purpose of Encumbrances, General Fund:

General Support	\$ 50,635
Instruction	41,475
Community Services	<u>27</u>
	<u>\$ 92,137</u>

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, 2020.

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 four items that qualify for reporting in this category. First is the deferred loss on refunding reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Third is the District's contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The fourth 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.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Deferred Outflows and Inflows of Resources

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.

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, 2020

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, 2020

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, 2020

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, 2020.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*

U. Future Changes in Accounting Standards

GASB Statement No. 84, *Fiduciary Activities*, 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, 2021

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending June 30, 2021

GASB Statement No. 87, *Leases*, effective for the year ending June 30, 2022

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2022

GASB Statement No. 92, *Omnibus 2020*, effective for the year ending June 30, 2022

GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for the year ending June 30, 2022.

GASB Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023

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

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

2. DETAIL NOTES ON ALL FUNDS

U. Future Changes in Accounting Standards

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023.

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.

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, 2020 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, 2020 consists of:

Mandatory Reserve for Debt Service	\$ 190,421
Employee Benefit Accrued Liability Reserve	1,400,000
Reserve for Retirement Contributions	3,970,000
Reserve for Tax Certiorari	500,000
Workers' Compensation Reserve	1,150,000
Capital Reserves	<u>9,100,000</u>
Total Restricted	<u>\$ 16,310,421</u>

Debt Service:

Restricted cash of \$2,285,487 at June 30, 2020 is restricted for the repayment of debt.

Capital Projects Fund:

Restricted cash of \$9,198,354 is restricted for voter approved projects.

Fiduciary:

Restricted cash of \$767,079 at June 30, 2020 consists of \$236,400 restricted for Extraclassroom Activity Funds and \$530,679 restricted for employee benefit plans.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

2. DETAIL NOTES ON ALL FUNDS

A. Assets

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.

Inter-fund balances at June 30, 2020 are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 1,241,303	\$ 100,242	\$ 351,311	\$ 686,981
Special Aid Fund	-	825,611	268,088	-
School Lunch Fund	100,242	-	318,893	-
Debt Service Fund	-	-		351,311
Capital Projects Fund	-	99,590	100,000	-
Trust & Agency Fund	-	316,102	-	-
Total	\$ 1,341,545	\$ 1,341,545	\$ 1,038,292	\$ 1,038,292

III. Capital Assets

	7/1/2019	additions	deletions	6/30/2020
Governmental Activities				
Capital assets that are not depreciated:				
Land	246,072	-	-	246,072
Construction in process	5,840,535	20,359,738	-	26,200,273
Total nondepreciable historical cost	6,086,607	20,359,738	-	26,446,345
Capital assets that are depreciated:				
Buildings and improvements	164,041,645	-	9,668,292	154,373,353
Vehicles	12,603,434	1,153,588	921,688	12,835,334
Machinery and equipment	3,872,844	1,213,020	1,946,095	3,139,769
Total depreciable historical cost	180,517,923	2,366,608	12,536,075	170,348,456
Less accumulated depreciation:				
Buildings and improvements	42,710,975	3,196,302	9,668,292	36,238,985
Vehicles	7,904,928	1,128,279	921,688	8,111,519
Machinery and equipment	2,867,662	231,547	1,946,095	1,153,114
Total accumulated depreciation	53,483,565	4,556,128	12,536,075	45,503,618
Total Capital Assets, Net	133,120,965	18,170,218	-	151,291,183

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

2. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Capital Assets

Depreciation was charged to governmental functions as follows:

General Support	\$ 141,307
Instruction	3,293,602
Transportation	<u>1,121,219</u>
Total Depreciation Expense	<u>\$ 4,556,128</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.nystrs.org.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020**

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>
2019-20	\$ 2,270,565	\$ 2,897,620
2018-19	2,217,768	3,453,848
2017-18	2,244,547	3,168,114

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

Pension Liabilities

At June 30, 2020, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total 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, 2019	June 30, 2018
Net pension asset/(liability)	\$(13,164,687)	\$5,048,738
District's portion of the Plan's total net pension asset/(liability)	0.0497145%	0.194331%

Pension Expense

For the year ended June 30, 2020, the District recognized its proportionate share of pension expense of \$4,469,169 for ERS and \$6,237,975 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2020, 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, 2020**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Deferred Outflows and Inflows of Resources Related to Pensions

	Deferred Outflows of		Deferred Inflows of	
	Resources		Resources	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experiences	\$ 774,795	\$ 3,421,401	\$ -	\$ 375,434
Changes of assumptions	265,074	9,537,741	228,887	2,325,571
Net difference between projected and actual earnings on pension plan investments	6,748,859	-	-	4,048,827
Changes in proportion and differences between contributions and proportionate share of contributions	647,069	457,240	77,755	45,861
Contributions subsequent to the measurement date	577,703	3,083,479	-	-
Total	<u>\$ 9,013,500</u>	<u>\$ 16,499,861</u>	<u>\$ 306,642</u>	<u>\$ 6,795,693</u>

The District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2021 for ERS and June 30, 2020 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2020	\$ -	\$ 2,348,718
2021	1,489,053	209,530
2022	2,070,118	2,340,439
2023	2,543,628	1,581,953
2024	2,026,356	257,790
Thereafter	-	(117,741)

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Interest Rate	6.8%	7.1%
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%	2.2%
Projected Cost of Living Adjustments	1.3% annually	1.3% 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-2018. For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018.

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

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

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

ERS

	<u>Target allocation 2020</u>	<u>Long-term expected real rate of return* 2020</u>
Asset Class:		
Domestic equity	36%	4.05%
International equity	14	6.15
Private equity	10	6.75
Real estate	10	4.95
Absolute return strategies (1)	2	3.25
Opportunistic portfolio	3	4.65
Real assets	3	5.95
Bonds and mortgages	17	0.75
Cash	1	0.00
Inflation-indexed bonds	<u>4</u>	0.50
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, 2020**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

TRS

	<u>Target allocation 2019</u>	<u>Long-term expected real rate of return* 2019</u>
Asset Class:		
Domestic equity	33%	6.3 %
International equity	16	7.8
Global equity	4	7.2
Real estate equity	11	4.6
Private equity	8	9.9
Domestic fixed income	16	1.3
Global	2	0.9
High-yield bonds	1	3.6
Private debt	1	6.5
Real estate debt	7	2.9
Cash equivalents	<u>1</u>	0.3
Total	<u>100%</u>	

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

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 6.8% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially 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 6.8% for ERS and 7.1% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.8% for ERS and 6.1% for TRS) or 1-percentage-point higher (7.8% for ERS and 8.1% for TRS) than the current rate:

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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>(5.8%)</u>	Current Assumption <u>(6.8%)</u>	1% Increase <u>(7.8%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$(24,160,918)	\$(13,164,687)	\$(3,037,112)
<u>TRS</u>	1% Decrease <u>(6.1%)</u>	Current Assumption <u>(7.1%)</u>	1% Increase <u>(8.1%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$(22,789,475)	\$5,048,738	\$28,401,857

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, 2020 is \$4,758,919 for ERS and \$6,308,230 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, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$577,703.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a State aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$3,083,479.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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	\$ 535,752
Less interest accrued in the prior year	(103,436)
Plus interest accrued in the current year	<u>73,485</u>
Total Expense	<u>\$ 505,801</u>

The following is a summary of changes in short-term debt for the year ended June 30, 2020:

Balance, July 1, 2019	\$ 3,891,000
Increases	49,018,551
Decreases	<u>21,891,000</u>
Balance, June 30, 2020	<u>\$ 31,018,551</u>

Bond anticipation notes outstanding as of June 30, 2020 consist of a \$27,265,551 note maturing on June 29, 2021 with an interest rate of 1.5% and a \$3,753,000 note maturing on July 17, 2020 with an interest rate of 2.0%.

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 \$1,529,344 for serial bonds and \$88,326 for an installment obligation.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Long-Term Debt

Interest on long-term debt was comprised of:

Interest paid	\$ 1,617,670
Less interest accrued in the prior year	(400,290)
Plus interest accrued in the current year	275,855
Less amortization of bond premium	<u>(205,318)</u>
Total Expense	<u>\$ 1,287,917</u>

Changes

The changes in indebtedness during the year ended June 30, 2020 are summarized as follows:

	<u>Balance</u> <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2020</u>
Serial bonds	\$ 41,225,000	\$ -	\$ 9,005,000	\$ 32,220,000
Unamortized premiums	1,272,501	251,490	205,318	1,318,673
Less: Unamortized Loss on Refunding*	-	81,490	-	81,490
Bonds	<u>42,497,501</u>	<u>170,000</u>	<u>9,210,318</u>	<u>33,457,183</u>
Capital lease (EPC)	3,923,532	-	256,205	3,667,327
Compensated absences	3,081,000	325,000	-	3,406,000
Workers compensation	1,350,000	-	200,000	1,150,000
Other postemployment benefits	244,259,059	84,282,095	-	328,541,154
Net pension liabilities	<u>3,549,299</u>	<u>9,615,388</u>	<u>-</u>	<u>13,164,687</u>
Total	<u>\$ 298,660,391</u>	<u>\$ 94,392,483</u>	<u>\$ 9,666,523</u>	<u>\$ 383,386,351</u>

The above liabilities are liquidated by the general fund.

*This item is recorded as a deferred outflow on the statement of net position.

Defeased Debt

On June 29, 2020, the District issued \$1,610,000 in general obligation bonds with an average interest rate of 0.27% to 0.85% to advance refund \$1,780,000 of outstanding 2010 serial bonds with an average interest rate of 2.75% to 3.75%. The net proceeds of \$1,796,302 (after payment of \$65,188 in underwriting fees, insurance, and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, a portion of the 2010 serial bonds are considered to be defeased, and the liability for those bonds has been removed from the School District's financial statements. At June 30, 2020, the balance of the advance refunded bonds

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

was \$1,780,000. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$81,490. 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. \$19,365,000 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, 2020:

<u>Year</u>	<u>Total</u>
2021	\$ 344,531
2022	344,531
2023	344,531
2024	344,531
2025	344,531
Thereafter	<u>2,497,854</u>
Minimum capital lease payments	4,220,512
Less: amount representing interest	<u>(553,185)</u>
Present value of minimum lease payments	<u>\$ 3,667,327</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, 2020</u>
<u>Serial Bonds</u>				
Advanced refunding	2012	2021	4%	\$ 2,630,000
Advanced refunding	2012	2021	4%	1,355,000
Advanced refunding	2012	2022	4%	3,100,000
Advanced refunding	2015	2035	3-5%	9,985,000
Construction	2016	2030	2-5%	13,540,000
Advanced refunding	2020	2030	5%	<u>1,610,000</u>
Total serial bonds				<u>\$ 32,220,000</u>
<u>Capital Lease</u>				
Energy performance contract	2016	2033	2.303%	<u>\$ 3,667,327</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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>
2021	\$ 9,200,000	\$ 1,146,503	\$ 246,901	\$ 10,593,404
2022	5,385,000	782,825	219,571	6,387,396
2023	1,895,000	577,625	192,215	2,664,840
2024	1,815,000	485,500	164,217	2,464,717
2025	1,805,000	395,625	140,426	2,341,051
2026-2030	9,710,000	1,051,100	355,343	11,116,443
2031-2035	<u>2,410,000</u>	<u>192,475</u>	<u>-</u>	<u>2,602,475</u>
Total	<u>\$ 32,220,000</u>	<u>\$ 4,631,653</u>	<u>\$ 1,318,673</u>	<u>\$ 38,170,326</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, 2020, the District has exhausted 20.08% 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, 2020**

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, \$1,150,000 at June 30, 2020, is maintained for the purpose of funding future claims. Claims and claims adjustment expenses are summarized below for the past two years:

	<u>2020</u>	<u>2019</u>
Unpaid claims and claim adjustment expenses, beginning of year	\$ 896,769	\$ 1,295,676
Incurred claims and claim adjustment expenses:		
Provision for incurred claims expenditures for events of the current year	96,348	148,200
Increase (decrease) in provision for incurred events of the prior years	<u>70,609</u>	<u>(134,034)</u>
Total incurred claims and claim adjustment expenses	1,063,726	1,309,842
Payments made for claims and claim adjustment expenses during the year	<u>(275,148)</u>	<u>(413,073)</u>
Total unpaid claims and claim adjustment expenses, end of year	<u>\$ 788,578</u>	<u>\$ 896,769</u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020, the District’s prescription drug plan account balance maintained by the Consortium is approximately \$3.113 million. The Consortium also maintains an account balance for the District of approximately \$2.598 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>2019-20</u>	<u>2018-19</u>
Claims and Administration Fees	\$6,179,527	\$6,229,662
Claim Payments	(6,179,527)	(6,229,662)
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, 2025
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, 2020

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.

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

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, 2020 approximately \$5,100,000 was paid on behalf of 504 retirees.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020, 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 \$328,541,154 was measured as of June 30, 2020; 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, 2020 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary increases	2.9% - 10% - Varied by years of service and retirement system
Discount Rate	2.21% (based on the Bond Buyer General Obligation 20-year Municipal Bond Index)
Healthcare cost trend rates	5.40% for 2019 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-2019.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2019	\$ 244,259,059
Changes for the year:	
Service Cost	9,549,710
Interest	8,820,211
Difference between expected and actual experience	50,390
Changes of assumptions or other inputs	70,947,059
Benefit payments	<u>(5,085,275)</u>
Net changes	<u>84,282,095</u>
Balance as of June 30, 2020	<u><u>\$ 328,541,154</u></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 (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$401,836,704	\$328,541,154	\$271,973,189

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 (4.40% decreasing to 2.84%) or 1 percentage point higher (6.40% decreasing to 4.84%) than the current healthcare cost trend rate:

	1% Decrease (4.40% decreasing to 2.84%)	Healthcare Cost Trend Rate (5.40% decreasing to 3.84%)	1% Increase (6.40% decreasing to 4.84%)
Total OPEB Liability	\$261,218,359	\$328,541,154	\$419,895,957

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

4. POSTEMPLOYMENT BENEFITS OBLIGATION

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$30,183,184. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,191	\$ 548,816
Changes of assumptions	79,555,665	6,465,195
Contributions subsequent to the measurement period	-	-
Total	\$ 79,598,856	\$ 7,014,011

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,	
2021	\$11,813,263
2022	11,813,263
2023	11,813,263
2024	11,813,263
2025	12,156,788
Thereafter	13,175,005

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 \$23,979,541. 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 14, 2020, which is the date these financial statements were issued. All subsequent events requiring recognition or disclosure as of June 30, 2020, 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, 2020

	<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	\$ 67,145,000	\$ -	\$ 67,145,000	\$ 62,905,293	\$ 62,901,083	\$ (4,210)
Other tax items	3,432,000	-	3,432,000	7,671,707	7,673,842	2,135
Charges for services	552,000	-	552,000	552,000	382,499	(169,501)
Use of money and property	392,000	-	392,000	392,000	547,748	155,748
Sale of property and compensation for loss	144,000	-	144,000	144,000	150,540	6,540
Miscellaneous	339,000	-	339,000	378,207	567,771	189,564
Total Local Sources	72,004,000	-	72,004,000	72,043,207	72,223,483	180,276
State sources	28,305,000	-	28,305,000	28,305,000	28,296,735	(8,265)
Federal Sources	170,000	-	170,000	170,000	85,847	(84,153)
Total Revenues	100,479,000	-	100,479,000	100,518,207	100,606,065	87,858
OTHER FINANCING SOURCES						
Premium on BAN	-	-	-	-	203,209	203,209
Operating Transfers In	350,000	-	350,000	350,000	351,311	1,311
Total Other Financing Sources	350,000	-	350,000	350,000	554,520	204,520
Total Revenues and Other Financing Sources	100,829,000	-	100,829,000	100,868,207	<u>\$ 101,160,585</u>	<u>\$ 292,378</u>
APPROPRIATED FUND BALANCE						
Prior year's encumbrances	-	325,606	325,606	325,606		
Appropriated reserve	-	-	-	-		
Total Revenues, Other Sources and Appropriated Fund Balance	<u>\$ 100,829,000</u>	<u>\$ 325,606</u>	<u>\$ 101,154,606</u>	<u>\$ 101,193,813</u>		

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, 2020

	<u>Adopted Budget</u>	<u>Prior Year Encumbrances</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance With Actual and Encumbrances</u>
EXPENDITURES							
General Support							
Board of education	\$ 55,300	\$ -	\$ 55,300	\$ 56,754	\$ 47,846	\$ -	\$ 8,908
Central administration	279,726	-	279,726	271,005	264,487	-	6,518
Finance	773,432	370	773,802	740,627	674,360	322	65,945
Staff	838,086	-	838,086	904,480	743,788	108	160,584
Central services	5,376,614	259,660	5,636,274	5,643,620	5,212,259	50,205	381,156
Special items	748,004	-	748,004	747,154	672,646	-	74,508
Total General Support	<u>8,071,162</u>	<u>260,030</u>	<u>8,331,192</u>	<u>8,363,640</u>	<u>7,615,386</u>	<u>50,635</u>	<u>697,619</u>
Instruction							
Administration and improvement	4,037,876	14,112	4,051,988	4,053,388	3,964,372	216	88,800
Teaching - regular school	25,409,092	6,157	25,415,249	25,360,015	24,517,159	21,153	821,703
Programs for students with disabilities	10,931,473	-	10,931,473	11,012,631	9,493,442	554	1,518,635
Occupational education	1,009,441	5,751	1,015,192	1,008,192	983,881	-	24,311
Teaching - special schools	183,530	-	183,530	185,750	121,467	-	64,283
Instructional media	3,444,777	39,087	3,483,864	3,491,902	3,415,869	816	75,217
Pupil services	4,989,542	469	4,990,011	5,008,628	4,802,129	18,736	187,763
Total Instruction	<u>50,005,731</u>	<u>65,576</u>	<u>50,071,307</u>	<u>50,120,506</u>	<u>47,298,319</u>	<u>41,475</u>	<u>2,780,712</u>
Pupil Transportation	6,140,115	-	6,140,115	6,137,344	5,177,206	-	960,138
Community Services	66,256	-	66,256	66,526	63,735	27	2,764
Employee Benefits	23,478,836	-	23,478,836	23,259,897	22,708,279	-	551,618
Debt Service							
Principal	10,308,210	-	10,308,210	10,308,210	10,308,205	-	5
Interest	2,249,690	-	2,249,690	2,249,690	2,153,422	-	96,268
Total Debt Service	<u>12,557,900</u>	<u>-</u>	<u>12,557,900</u>	<u>12,557,900</u>	<u>12,461,627</u>	<u>-</u>	<u>96,273</u>
Total Expenditures	<u>100,320,000</u>	<u>325,606</u>	<u>100,645,606</u>	<u>100,505,813</u>	<u>95,324,552</u>	<u>92,137</u>	<u>5,089,124</u>
OTHER FINANCING USES							
Operating Transfers Out	509,000	-	509,000	688,000	686,981	-	1,019
Total Expenditures and Other Uses	<u>\$ 100,829,000</u>	<u>\$ 325,606</u>	<u>\$ 101,154,606</u>	<u>\$ 101,193,813</u>	<u>\$ 96,011,533</u>	<u>\$ 92,137</u>	<u>\$ 5,090,143</u>
Net Change in Fund Balance					\$ 5,149,052		
Fund Balance - Beginning of Year					<u>18,057,469</u>		
Fund Balance - End of Year					<u>\$ 23,206,521</u>		

**BETHLEHEM CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020**

	Fiscal Year Ending		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Measurement date	6/30/2020	6/30/2019	6/30/2018
Service cost	\$ 9,549,710	\$ 6,195,169	\$ 6,458,575
Interest	8,820,211	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	50,390	(731,754)	-
Changes in assumptions and other inputs	70,947,059	24,991,866	(10,550,427)
Benefit payments	<u>(5,085,275)</u>	<u>(4,800,963)</u>	<u>(2,097,317)</u>
Net Change in Total OPEB Liability	84,282,095	31,923,125	1,327,395
Total OPEB Liability - beginning	<u>244,259,059</u>	<u>212,335,934</u>	<u>211,008,539</u>
Total OPEB Liability - ending	<u>\$ 328,541,154</u>	<u>\$ 244,259,059</u>	<u>\$ 212,335,934</u>
Covered-employee payroll	\$ 48,711,047	\$ 41,021,071	\$ 44,827,947
Total OPEB Liability as a percentage of covered-employee payroll	674.5%	595.4%	473.7%

**BETHLEHEM CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2020
Last 10 Fiscal Years**

	Employees' Retirement System					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0497145%	0.0500938%	0.0518951%	0.0492385%	0.0492035%	0.0491334%
District's proportionate share of the net pension liability	\$13,164,687	\$ 3,549,299	\$ 1,674,886	\$ 4,626,556	\$ 7,897,294	\$ 1,659,847
District's covered payroll	\$15,748,111	\$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	84%	22%	11%	31%	56%	12%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.71%	97.90%
 Teachers' Retirement System 						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.194331%	0.198306%	0.202106%	0.201328%	0.200866%	0.201861%
District's proportionate share of the net pension liability (asset)	\$(5,048,738)	\$(3,585,897)	\$(1,536,208)	\$ 2,156,307	\$(20,863,576)	\$(22,486,051)
District's covered payroll	\$32,437,037	\$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	-16%	-11%	-5%	7%	-69%	-75%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%

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

**BETHLEHEM CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020
Last 10 Fiscal Years**

Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,270,565	\$ 2,217,768	\$ 2,244,547	\$ 2,193,332	\$ 2,360,540	\$ 2,558,354
Contributions in relation to the contractually required contribution	<u>2,270,565</u>	<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>	<u>\$ -</u>
District's covered payroll	\$ 15,748,111	\$ 16,003,093	\$ 15,544,511	\$ 14,850,244	\$ 14,129,297	\$ 13,438,468
Contributions as a percentage of covered payroll	14.42%	13.86%	14.44%	14.77%	16.71%	19.04%

Teachers' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,897,620	\$ 3,453,848	\$ 3,168,114	\$ 3,691,368	\$ 4,083,988	\$ 5,230,838
Contributions in relation to the contractually required contribution	<u>2,897,620</u>	<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>	<u>\$ -</u>
District's covered payroll	\$ 32,437,037	\$ 32,301,838	\$ 32,027,182	\$ 31,066,941	\$ 30,172,800	\$ 29,818,005
Contributions as a percentage of covered payroll	8.93%	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, 2020**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 100,829,000
Additions:		
Prior year's encumbrances		<u>325,606</u>
Original Budget		101,154,606
Budget revisions		<u>39,207</u>
Final Budget		<u><u>\$ 101,193,813</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter-approved expenditure budget		\$ <u>103,486,000</u>
Maximum allowed (4% of 20-21 budget)		<u><u>\$ 4,139,440</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 92,137	
Unassigned fund balance		<u>3,803,963</u>
Total Unrestricted Fund Balance		\$ 3,896,100
Less:		
Encumbrances (included in assigned fund balance)	<u>92,137</u>	
Total adjustments		<u>92,137</u>
General Fund Fund Balance subject to Section 1318 of Real Property Tax Law:		<u><u>\$ 3,803,963</u></u>
Actual percentage		<u><u>3.68%</u></u>

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING RESOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2020**

PROJECT TITLE	SED PROJECT #	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2020	
				Prior Years	Current Year	Total		State Sources	Local Sources	Financed Sources	Total		
2016 Capital Project													
Eagle Elementary	0026005	\$ 692,411	\$ 666,957	\$ 255,403	\$ 354,295	\$ 609,698	\$ 57,259	\$ -	\$ 39,500	\$ -	\$ 39,500	\$ (570,198)	
Elsmere Elementary	0008019	2,618,642	2,615,056	319,732	1,855,568	2,175,300	439,756	-	-	-	-	(2,175,300)	
Glenmont Elementary	0002015	1,368,704	1,247,267	183,899	733,509	917,408	329,859	-	-	-	-	(917,408)	
Hamagrael Elementary	0003018	195,340	171,366	96,672	62,227	158,899	12,467	-	-	-	-	(158,899)	
Slingerlands Elementary	0009014	1,275,893	1,220,844	213,055	741,168	954,223	266,621	-	-	-	-	(954,223)	
Middle School	0005024	2,820,905	4,738,213	355,029	2,639,037	2,994,066	1,744,147	-	-	-	-	(2,994,066)	
High School	0006034	20,737,539	19,280,702	3,484,736	11,853,579	15,338,315	3,942,387	-	4,900,000	-	4,900,000	(10,438,315)	
Operations & Maintenance	3012008	84,955	74,546	18,460	50,633	69,093	5,453	-	-	-	-	(69,093)	
Bus Garage	5010011	975,385	911,797	421,279	409,013	830,292	81,505	-	-	-	-	(830,292)	
Toilet/storage building at HS field	7051001	335,498	307,857	38,878	239,315	278,193	29,664	-	-	-	-	(278,193)	
HS varsity baseball dugout 1st base	7054001	34,400	30,299	21,117	6,849	27,966	2,333	-	-	-	-	(27,966)	
HS varsity baseball dugout 3rd base	7055001	34,403	30,302	21,117	6,852	27,969	2,333	-	-	-	-	(27,969)	
HS press box new	7056001	949,243	832,223	232,216	524,988	757,204	75,019	-	-	-	-	(757,204)	
HS press box demo	7023002	9,821	8,872	734	365	1,099	7,773	-	-	-	-	(1,099)	
HS masonry shed	2018001	16,206	14,625	8,126	5,210	13,336	1,289	-	-	-	-	(13,336)	
HS concession stand	7028002	16,206	14,625	5,826	7,510	13,336	1,289	-	-	-	-	(13,336)	
Total 2016 Capital Project		32,165,551	32,165,551	5,676,279	19,490,118	25,166,397	6,999,154	-	4,939,500	-	4,939,500	(20,226,897)	
Bus Garage Compressor	5010013	100,000	100,000	-	100,000	100,000	-	-	100,000	-	100,000	-	
Smart Schools Bond Act		1,157,105	1,157,105	-	957,258	957,258	199,847	957,258	-	-	957,258	-	
School Bus Purchases		6,313,500	6,286,000	5,198,192	1,088,136	6,286,328	(328)	-	2,533,684	-	2,533,684	(3,752,644)	
Totals		\$ 39,736,156	\$ 39,708,656	\$ 10,874,471	\$ 21,635,512	\$ 32,509,983	\$ 7,198,673	\$ 957,258	\$ 7,573,184	\$ -	\$ 8,530,442	\$ (23,979,541)	

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2020**

Capital Assets, Net	\$ <u>151,291,183</u>
Add:	
Deferred loss on refunding	81,490
Restricted cash	<u>9,198,354</u>
	<u>9,279,844</u>
Deduct:	
Bond anticipation notes	31,018,551
Short-term portion of bonds payable	9,200,000
Long-term portion of bonds payable	23,020,000
Premium on bonds	1,318,673
Capital lease	<u>3,667,327</u>
	<u>68,224,551</u>
Net Investment in Capital Assets	\$ <u><u>92,346,476</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, 2020, 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 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Marvin and Company, P.C.

Latham, NY

October 14, 2020

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, 2020. 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, 2020.

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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a significant deficiency.

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

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

Marvin and Company, P.C.

Latham, NY

October 14, 2020

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

<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	0032-20-0017	-	\$ 973,260
Special Education Preschool Grants	84.173	0033-20-0017	-	<u>42,081</u>
Total Special Education Cluster				<u>1,015,341</u>
Title I Grants to Local Educational Agencies	84.010	0021-20-0015	-	96,825
Title I Grants to Local Educational Agencies	84.010	0021-19-0015	-	31,699
Improving Teacher Quality State Grants	84.367	0147-20-0015	-	38,383
Improving Teacher Quality State Grants	84.367	0147-19-0015	-	58,955
Migrant Education - State Grant Program	84.365	0293-20-0015	-	2,394
Migrant Education - State Grant Program	84.365	0293-19-0015	-	2,056
Migrant Education - State Grant Program	84.938C	0080-20-0015	-	10,802
Migrant Education - State Grant Program	84.938C	0080-19-0015	-	<u>547</u>
Total U.S. Department of Education				<u>1,257,002</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	-	107,127
COVID-19 School Lunch Program	10.555	Not Applicable	-	64,230
School Breakfast Program	10.553	Not Applicable	-	6,328
COVID-19 School Breakfast Program	10.553	Not Applicable	-	34,226
Summer Food Service Program	10.559	Not Applicable	-	3,394
Food Distribution	10.555	Not Applicable	-	<u>52,588</u>
Total Child Nutrition Cluster				<u>267,893</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	-	782
DIP: Connecting Idea Threads Across Communities for Sustained Knowledge - 2020	47.070	Not Applicable	-	<u>531</u>
Total National Science Foundation				<u>1,313</u>
Total Expenditures of Federal Awards				<u>\$ 1,526,208</u>

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020

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, 2020, the District received food commodities totaling \$52,588.

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, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____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)? _____Xyes _____no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 and 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? _____yes X no

Section II: Financial Statement Findings

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

None

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

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

2020-001 Special Education Cluster- Procurement, Suspension and Debarment

Information on Federal Program: U.S. Department of Education Special Education Cluster – Grants to States, CFDA No. 84.027 and 84.173 passed through the New York State Education Department.

Criteria: 2 CFR Section 200.213 stipulates that no awards, subawards, or contracts be awarded to parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

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

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

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

Questioned Cost: None.

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

Repeat Finding: No

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

Views of the Responsible Officials and Planned Corrective Actions: The Special Education and Student Services (SESS) Department has implemented the following procedures: The SESS annual consultant agreement has been revised to include a clause regarding debarment; the SESS office Secretary I will check the SAMS Disbarment and Suspension website quarterly; data from the quarterly check will be logged into a Google Sheet that is shared with the SESS Director and Assistant Director of SESS; any ineligible vendor information will be shared with the Business Office.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

Finding 2019-001 Prepaid Expenditures in the Federal Fund

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.

Current Status

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

Finding 2019-002 Administrative Prerogative

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.

Current Status

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

Finding 2019-003 Eligibility

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

Current Status

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

Special Education and Student Services

To: Jody Monroe, Superintendent
Audit Committee Members

From: Kathy Johnston, Director of Student Education and Student Services

Copy: Judith E. Kehoe, Chief Business and Financial Officer
Phyllis L. Albano, Treasurer / Business Administration

Date: September 23, 2020

Subject: Response to Single Audit Report from Independent Auditors

This memo is in response to the recommendation contained within the Single Audit report from the independent auditors. We appreciate the suggestion for improvement and plan to implement the recommendation that the District should review the requirement of 2 CFR Section 200.213 and ensure that a review of the eligibility of potential vendors to participate in Federal assistance programs or activities is performed prior to disbursing federal funds to the vendor.

Audit Finding: Not checking the debarment and suspension of special education vendors paid from federal funds.

The Special Education and Student Services (SESS) Department has implemented the following procedures:

- The SESS annual consultant agreement has been revised to include a clause regarding debarment
- The SESS office Secretary I will check the SAMS Disbarment and Suspension website quarterly
- Data from the quarterly check will be logged into a Google Sheet that is shared with the SESS Director and the Assistant Director of SESS
- Any ineligible vendor information will be shared with the Business Office

**BETHLEHEM CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
FINANCIAL REPORT
JUNE 30, 2020**

**BETHLEHEM CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND**

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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 Statement

We have audited the accompanying statement of cash receipts, disbursements and cash balances of the extraclassroom activity fund of Bethlehem Central School District, as of and for the year ended June 30, 2020, and the related note to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts, disbursements and cash balances of the extraclassroom activity fund of Bethlehem Central School District as of and for the year ended June 30, 2020, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

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

Marvin and Company, P.C.

Latham, NY
October 14, 2020

**BETHLEHEM CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CASH BALANCES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020**

<u>Activities and Clubs</u>	<u>Balance June 30, 2019</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2020</u>
High School				
100 Student Senate	\$ 63,801	\$ 8,218	8,842	\$ 63,177
108 Buy It (School Store)	5,275	11,413	8,497	8,191
109 Oriole (BCHS Yearbook)	22,421	16,908	13,871	25,458
111 Spanish Honor Society	372	90	388	74
112 Amnesty International	774	690	684	780
113 Key Club	2,617	1,463	1,783	2,297
114 Speech & Debate	70	754	652	172
115 Robotics Club	848	752	59	1,541
116 Thinking Reed	1,665	1,854	-	3,519
117 History Bowl	228	-	-	228
118 Hooligans	-	867	730	137
119 Peer Helpers	665	-	-	665
120 S.A.D.D.	301	304	118	487
121 Medical Club	85	-	-	85
122 Active Minds	78	652	112	618
123 French Club	79	263	251	91
124 VJCAT	1,845	2,000	134	3,711
125 BCHS Eagles Ultimate Frisbee	2,659	-	402	2,257
126 Stage 700	27,740	7,203	14,429	20,514
127 Build It	-	1,431	678	753
128 Table Tennis	-	500	-	500
129 Students for Peace & Survival	916	841	851	906
130 No Place for Hate	57	-	-	57
131 Masterminds & Science Bowl	1,485	-	192	1,293
132 International Club	340	-	-	340
133 Science Olympiad	181	2,207	805	1,583
134 Environmental Club	1,059	-	949	110
135 Spanish Club	2,352	3,613	2,919	3,046
136 Gender Equality	145	-	-	145
137 Gender and Sexualities Alliance	275	-	-	275
139 Theatre Without a Net/Shakespeare	10,993	3,768	2,655	12,106
140 Math Honor Society	1	-	-	1
144 Art Alliance	321	313	523	111
152 Best Buddies	1,353	-	-	1,353
155 Future Business Leaders of America	221	506	486	241
219 Class of 2019	15,791	-	15,791	-
220 Class of 2020	1,964	35,614	21,633	15,945
221 Class of 2021	-	2,935	1,087	1,848
Total High School	\$ 168,977	\$ 105,159	\$ 99,521	\$ 174,615
Middle School				
100 Student Council 8	\$ 4,275	\$ 2,451	1,954	\$ 4,772
102 World Community Service	3,046	150	3,000	196
105 Student Council 7	276	-	-	276
106 Mohawk 7 (1)	293	506	303	496
109 Sports Club	2,915	5,133	1,927	6,121
112 Mohawk 6 (1)	948	410	410	948
114 Patroon 6 (1)	873	410	-	1,283
116 Stage 332	20,843	24,971	21,192	24,622
118 BCMS Student Support Club	714	910	694	930
120 BCMS S.A.D.D.	922	1,582	774	1,730
122 History Club	423	575	-	998
125 Yearbook	7,764	4,490	3,571	8,683
126 Builders Club	616	4,939	3,588	1,967
128 Library Club	2,751	9,169	9,752	2,168
130 Junior Chef Club	50	150	-	200
132 Patroon 7 (2)	94	3,850	3,651	293
134 Patroon 6 (2)	857	4,358	4,005	1,210
138 School Store	387	728	858	257
140 Character Education	402	893	965	330
142 Random Acts of Kindness	-	150	-	150
147 Newspaper	60	-	-	60
149 Garden Club	1,273	7,454	7,341	1,386
152 Reach Out Club	425	-	52	373
156 Staged Creations	4,456	637	3,587	1,506
180 French Spanish Club	830	-	-	830
182 Mohawk Science club	-	-	-	-
Total Middle School	\$ 55,493	\$ 73,916	\$ 67,624	\$ 61,785

The June 30, 2020 cash balance is as follows:

High School	\$ 174,615
Middle School	61,785
Total	\$ 236,400

**BETHLEHEM CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The extraclassroom activity fund of the Bethlehem Central School District represents funds of the students of the District. The Board of Education exercises general oversight of this fund. The extraclassroom activity fund is independent of the District with respect to its financial transactions, and the designation of student management. Separate financial statements are issued for this fund. The District also reports this fund in its basic financial statements, within its Agency Fund.

The accompanying financial statement of the Bethlehem Central School District's extraclassroom activity fund has been prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of receivables outstanding from fundraising activities and obligations for expenses unpaid at the date of the financial statement are not included in the financial statement.

Contingency

The outbreak of COVID-19, a respiratory disease, has been characterized as a pandemic by the World Health Organization as of March 11, 2020. The extraclassroom activity fund of the District is heavily dependent on the ability to raise funds and attend events. The outbreak may have a material adverse impact on economic and market conditions, triggering a period of global economic slowdown.

Phyllis L. Albano
Treasurer / Business Administrator
palbano@bethlehemschools.org

Bethlehem Central School District

<http://bethlehemschools.org>



KNOWLEDGE
CHARACTER
VALUE

TO: Jody Monroe, Superintendent
Audit Committee Members

FROM: Phyllis L. Albano, Treasurer / Business Administrator *PLA*

COPY: Judith E. Kehoe, Chief Business and Financial Officer

DATE: September 25, 2020

SUBJECT: Response to Management Letter from Independent Auditors for fiscal year ended June 30, 2020

This memo is in response to the recommendations contained within the management letter, as it relates to the ExtraClassroom Activity (ECA) Fund, from the independent auditors. We appreciate the suggestions for improvement and plan to implement each of the recommendations. Each finding is specifically addressed below:

ECA Club Ledgers – Middle School and High School

The Auditor recommended that the Faculty Advisors and Student Activity Treasurers understand the requirement to prepare and keep ledgers separate from the Central Treasurer to ensure accuracy and minimize errors that could occur, and to have a better record of their activities. This finding has not been resolved from the prior year.

The Business Office will continue to direct the ECA Auditor to request that the ledgers, kept by the Student Activity Treasurers and Faculty Advisors, of all clubs be provided periodically throughout the year. The ECA Auditor should verify that each club has a student ledger and compare the balance of the club ledger with the balance shown on the Central Treasurer's report. In the event that the club ledger does not agree with the balance of the Central Treasurer, the ECA Auditor should determine the cause of the discrepancy and notify both the Faculty Advisor and Central Treasurer, as well as the District Treasurer / Business Administrator and Chief Business and Financial Officer.

ECA Cash Receipts

Receipts – Middle School and High School

Due to the limited controls over donations, ticket sales, field trips, event admissions, and product sales, the Auditor recommended that all fundraising activity be supported by a ticket reconciliation for events for which admission is charged. Any fundraisers involving the sale of inventory should be supported by an inventory reconciliation form which should be attached to the cash receipt. To provide a system of checks and balances, all clubs should be required to prepare a statement of profit and loss for each fundraising event held. This finding has not been resolved from the prior year.

Profit and Loss Statements – Middle School and High School

The Auditor recommended that profit and loss statements for fundraising activities and/or ticket reconciliations for events, be maintained to support deposits. This finding has not been resolved from prior year.

As part of the annual training provided by the District's Internal Auditor, the Faculty Advisors and Central Treasurers are reminded that profit and loss statements should be maintained for fundraising activities. Also, the NYSED Pamphlet entitled The Safeguarding, Accounting, and Auditing of Extra Classroom Funds, which provides guidance on the function and duties of the ECA Officers, the procedures for the handling, safeguarding, and depositing of funds, the accounting records required to be maintained, as well as profit/loss statements and sales tax requirements, have been provided to the Central Treasurers.

The Business Office will continue to direct the Central Treasurers to verify that profit and loss statements are prepared by the Faculty Advisor and Student Treasurer, and attach to the deposit slip, for all fundraising activities. If the profit and loss statements are not attached, the Central Treasurer should notify the Faculty Advisor, with a copy to the District Treasurer / Business Administrator and Chief Business and Financial Officer (CBFO), of the failure to comply with this requirement. If not properly addressed, the CBFO will review the matter with the Assistant Superintendent and determine if staff appointments need to be reconsidered.

ECA Cash Disbursements – High School

The Auditor recommended that emphasis be placed on the importance of having documented physical evidence of an expenditure on behalf of the club. Additionally, the Central Treasurer should strictly enforce this guideline by probing for receipts or invoices if they are not initially provided. In the event that receipts, invoices, or other evidence is impractical or impossible to produce, documentation should be prepared detailing the circumstances and signed by the Central Treasurer, Student Treasurer and Faculty Advisor. This finding has not been resolved from the prior year.

As part of the annual training provided by the Internal Auditor, Faculty Advisors are informed that, in addition to having appropriate documentation to support the disbursement requests, these requests must be signed by the Student Treasurer and Faculty Advisor. We have communicated to the Central Treasurers that he/she should enforce this requirement and return any disbursement request that does not have the required signatures and documentation.