

WORCESTER
CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2021

WORCESTER CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

	Page
Introduction:	
Independent Auditor's Report	
Management's Discussion and Analysis	M1-M9
Basic Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	3
Reconciliation of Governmental Funds Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	4
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	6
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to Financial Statements	9-47
Required Supplemental Information:	
Schedule of Revenues, Other Sources, Expenditures and Other Uses Compared to Budget - General Fund	48-49
Schedule of Changes in the Total OPEB Liability	50
Schedule of District's Proportionate Share of the Net Pension Asset/Liability	51
Schedule of District Contributions	52
Supplemental Information:	
Schedule of Change From Original Budget to Final Budget - General Fund	53
Schedule of Real Property Tax Law Limit - General Fund	53
Schedule of Project Expenditures - Capital Projects Fund	54
Schedule of Investment in Capital Assets, net of Related Debt	55
Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in accordance with <i>Government Auditing Standards</i>	56-57
Management Letter	58-59

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Worcester Central School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Worcester Central School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Worcester Central School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund information of the Worcester Central School District, as of June 30, 2021, and the respective changes in financial position thereof 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, budgetary comparison information and the schedule of changes in the total OPEB liability, the District's proportionate share of the net pension asset/liability, and District contributions on pages M1-M9 and 48-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Worcester Central School District's basic financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2021 on our consideration of the Worcester Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Worcester Central School District's internal control over financial reporting and compliance.

Raymond G. Prensner, CPA, P.C.

Claverack, New York
September 14, 2021

WORCESTER CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2021

INTRODUCTION

The Worcester Central School District offers 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, 2021. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Net position of the District was (\$13,110,350) in the district-wide financials statements which is \$284,503 less than the previous year.
- As of the close of this fiscal year, the District's governmental funds reported combined fund balances of \$4,270,326 an increase of \$661,581 in comparison with the prior year.
- The District appropriated \$750,000 of the fund balance for subsequent year's expenditures. The District also maintained a capital reserve, and reserves for tax certiorari, property loss, liability, unemployment insurance, employee benefits, and retirement contributions for employees and teachers.
- On the appropriations side, the District continued to offer all education programs and student services without reductions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. Districtwide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

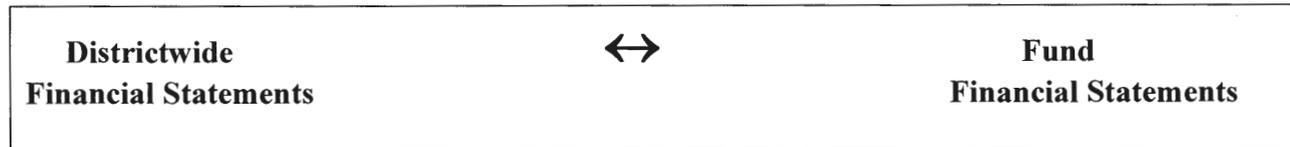
In addition to these statements, this report also includes required supplemental information and other supplemental information.

Our auditor has provided assurance in the independent auditor's report that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information identified below. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part in the financial statements.

Financial Statements

Required Supplemental Information (Part A)
Management's Discussion & Analysis (MD&A)

Basic Financial Statements



Notes to the Basic Financial Statements

Required Supplemental Information (Part B)

General Fund Budget to Actual Schedule

Changes in the Total OPEB Liability

District's Proportionate Share of the Net Pension Asset/Liability

District Contributions

Supplemental Information

General Fund Budget & Fund Balance Information

Capital Project Funds Schedule of Project Expenditures

Schedule of Net Investment in Capital Assets

DISTRICTWIDE FINANCIAL STATEMENTS

The district wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. certain federal/state grants earned but not yet received, unused vacation/sick leave, and proceeds from Revenue Anticipation Notes and related interest).

All of the District's services are reported in the districtwide financial statements as governmental activities, including general support, instruction, pupil transportation, community services, and school lunch. Property taxes, state/federal aid, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

DISTRICTWIDE FINANCIAL ANALYSIS

Worcester Central School District's Net Position June 30, 2021 and 2020

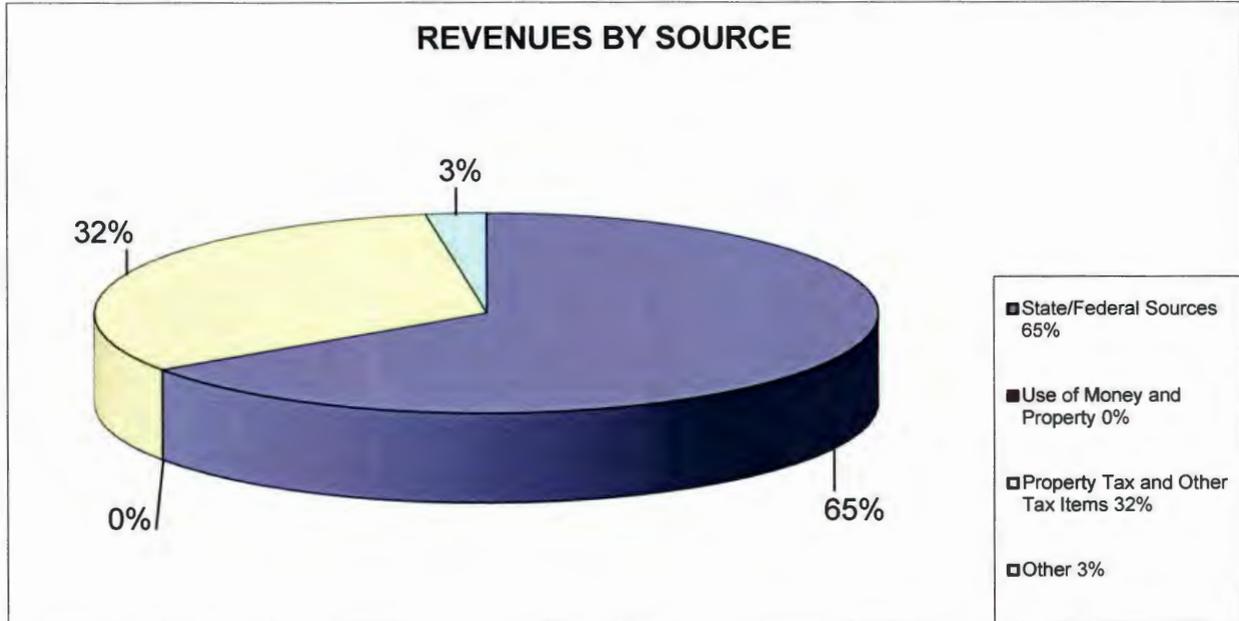
	Governmental Activities		Variance Increase (Decrease)
	2021	Restated 2020	
Current Assets	\$ 4,607,478	\$ 3,900,802	\$ 706,676
Capital Assets	19,339,847	19,951,997	(612,150)
Net Pension Asset	-	407,913	(407,913)
Total Assets	<u>23,947,325</u>	<u>24,260,712</u>	<u>(313,387)</u>
Deferred Outflows of Resources	<u>7,959,927</u>	<u>8,236,866</u>	<u>(276,939)</u>
Total Assets and Outflows of Resources	<u>31,907,252</u>	<u>32,497,578</u>	<u>(590,326)</u>
Current Liabilities	2,164,836	2,077,665	87,171
Long-Term Obligations	14,675,134	18,916,834	(4,241,700)
OPEB Obligations	22,342,743	20,942,719	1,400,024
Net Pension Liability	433,021	921,411	(488,390)
Total Liabilities	<u>39,615,734</u>	<u>42,858,629</u>	<u>(3,242,895)</u>
Deferred Inflows of Resources	<u>5,401,868</u>	<u>2,464,796</u>	<u>2,937,072</u>
Total Liabilities and Inflows of Resources	<u>45,017,602</u>	<u>45,323,425</u>	<u>(305,823)</u>
Net Position:			
Investment in capital assets, net of related debt	3,024,847	(595,033)	3,619,880
Restricted	1,797,628	1,328,941	468,687
Unrestricted (deficit)	<u>(17,932,825)</u>	<u>(13,559,755)</u>	<u>(4,373,070)</u>
Total Net Position	<u>\$(13,110,350)</u>	<u>\$(12,825,847)</u>	<u>\$ (284,503)</u>

**Worcester Central School District's
Changes in Net Position
For the Years Ended June 30, 2021 and 2020**

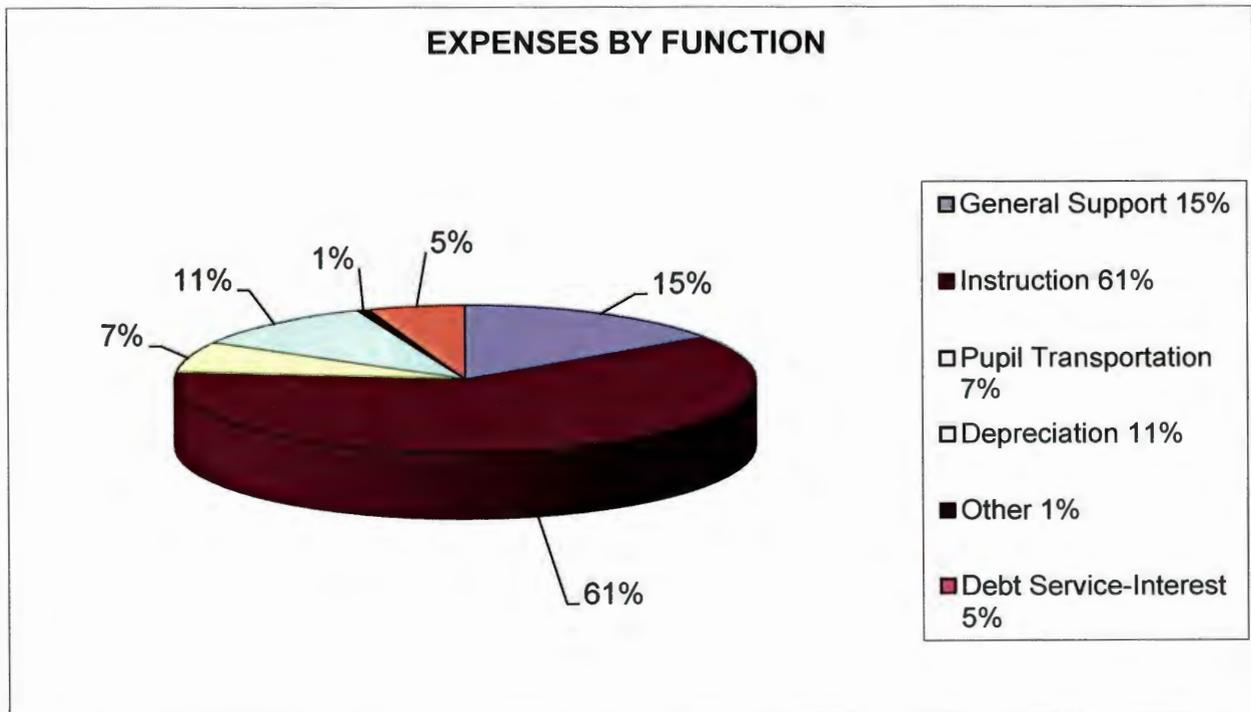
	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$ 30,356	\$ 81,243	\$ (50,887)
Operating Grants and Contributions	819,004	860,260	(41,256)
Total Program Revenues	<u>\$ 849,360</u>	<u>\$ 941,503</u>	<u>\$ (92,143)</u>
General Revenues:			
Real Property Taxes	\$ 3,026,559	\$ 3,405,548	\$ (378,989)
Other Tax Items	460,588	-	460,588
Use of Money and Property	2,370	13,810	(11,440)
Sale of Property and Compensation for Loss	1,250	(50,324)	51,574
Miscellaneous	270,922	279,271	(8,349)
State Sources	6,971,924	6,941,713	30,211
Federal Sources	152,095	-	152,095
Total General Revenues	<u>10,885,708</u>	<u>10,590,018</u>	<u>295,690</u>
<u>Expenses (Net of Program Revenues):</u>			
Instruction	6,848,182	7,453,626	(605,444)
Support Services:			
General Support	1,715,491	1,613,585	101,906
Pupil Transportation	743,683	768,294	(24,611)
Debt Service-Interest	597,178	648,234	(51,056)
Depreciation-Unallocated	1,190,640	1,093,358	97,282
School Lunch	74,037	145,226	(71,189)
Total Expenses	<u>11,169,211</u>	<u>11,722,323</u>	<u>(553,112)</u>
Change in Net Position	<u>\$ (283,503)</u>	<u>\$ (1,132,305)</u>	<u>\$ 848,802</u>

The following charts provide the percentage of breakdown of all revenues by source and all expenses by function for the entire District:

**Districtwide Revenues by Source
For the Year Ended June 30, 2021**



**Districtwide Expenses by Function
For the Year Ended June 30, 2021**



FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds.

A fund is a grouping of related accounts, and is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District establishes other funds to control and 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). All of the funds of the District can be divided into two categories; governmental funds, and fiduciary funds.

- **Governmental funds:** All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to 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 districtwide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary funds:** The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the districtwide financial statements because it cannot use these assets to finance its operations.

FUND FINANCIAL ANALYSIS (DISTRICT'S FUNDS)

The District's governmental funds (as presented on the balance sheet) reported a combined Fund Balance of \$4.3 million, which is above last year's total of \$3.6 million. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2021 and 2020.

	<u>Fund Balance</u> <u>2021</u>	<u>Fund Balance</u> <u>2020</u>	<u>Variance</u> <u>Increase</u> <u>(Decrease)</u>
General	\$ 4,093,940	\$ 3,213,762	\$ 880,178
School Lunch	14,481	(21,483)	35,964
Special Aid	-	-	-
Capital	(138,757)	279,814	(418,571)
Debt Service	300,662	136,652	164,010
Totals	<u>\$ 4,270,326</u>	<u>\$ 3,608,745</u>	<u>\$ 661,581</u>

General Fund

The tables that follow assist in illustrating the financial activities and balance of the General Fund.

<u>Revenues:</u>	<u>2021</u>	<u>2020</u>	<u>Variance Increase (Decrease)</u>
Taxes and Other Tax Items	\$ 3,487,147	\$ 3,405,548	\$ 81,599
Use of Money and Property	576	539	37
State Sources	6,971,924	6,941,713	30,211
Federal Sources	152,095	-	152,095
Other	290,648	318,821	(28,173)
Totals	<u>\$ 10,902,390</u>	<u>\$ 10,666,621</u>	<u>\$ 235,769</u>

<u>Expenses:</u>	<u>2021</u>	<u>2020</u>	<u>Variance Increase (Decrease)</u>
General Support	\$ 1,169,074	\$ 1,129,549	\$ 39,525
Instruction	3,847,539	4,311,400	(463,861)
Pupil Transportation	380,363	414,129	(33,766)
Employee Benefits	1,960,498	1,886,048	74,450
Debt Service	2,549,760	2,435,815	113,945
Other	114,978	64,799	50,179
Totals	<u>\$ 10,022,212</u>	<u>\$ 10,241,740</u>	<u>\$ (219,528)</u>

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with New York State law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The difference between the general fund's original budget and the final amended budget was \$53,703. This amount represents the increase of the transfer to School Lunch for \$50,000 to cover the deficit, and gifts and donations of \$3,703.

CAPITAL ASSETS

The District's capital assets (net of accumulated depreciation) as of June 30, 2021 are as follows:

<u>Asset Description</u>	<u>Amount</u>
Land	\$ 208,203
Buildings and Improvements	18,048,807
Machinery & Equipment	467,183
Vehicles	<u>615,654</u>
Total	<u>\$19,339,847</u>

The total decrease in the District's capital assets (net of accumulated depreciation) for the current fiscal year was \$766,474. The most significant change to capital assets was attributable to the purchases of equipment and vehicles plus costs from the capital project less depreciation expense.

DEBT

The District had debt including serial bonds in the amount of \$16,315,000 as of June 30, 2021 an decrease over the previous year of \$1,690,000. The debt outstanding for the year ended June 30, 2021 is summarized as follows:

<u>Debt Description</u>	<u>Outstanding Balance</u>
Bonds	<u>\$ 16,315,000</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 10% of the total full value of real property. At June 30, 2021, the District's general obligation debt was less than its total debt limit.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District continued to be faced with an uncertain future with regard to state aid revenues. Nearly two-thirds of the District's general fund revenues comes from State Aid, so the District is susceptible to changes in how State Aid is calculated.

Due to the coronavirus pandemic, school districts in New York State were required to follow guidance from the New York State Department of Health and the New York State Education Department to reopen. Worcester has worked hard to implement the mandates from the guidance to reopen schools to create a healthy environment for teaching and learning, even though the state has provided limited financial support. While the District and the Worcester Board of Education continue to be fiscally conservative, due to the continued unsettling financial environment from the pandemic, the District continues to look for ways to contain expenditures.

The Property Tax Cap Chapter 97 of the Laws of 2011 continues to constrain the District's ability to raise local revenue. The District has implemented many efficiencies over the last several years and, consequently, reductions in revenue could have a significant impact on academic programs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

It is the intent of this report to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Worcester Central School District
Timothy Gonzales, Superintendent
District Offices
198 Main Street
Worcester, New York 12197
(607) 397-8785

WORCESTER CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2021

ASSETS

Unrestricted cash	\$	2,380,851	
Restricted cash		1,181,951	
Other receivables, net		35,238	
State and federal aid receivable		746,701	
Due from other governments		255,810	
Inventories		6,927	
Capital assets, net		19,339,847	
Total Assets		23,947,325	\$

DEFERRED OUTFLOW OF RESOURCES

Pensions	\$	2,112,395	
OPEB-GAB 75		5,847,532	
Total Deferred Outflows of Resources		7,959,927	\$

LIABILITIES

Current Liabilities:

Accounts payable	\$	15,951	
Accrued liabilities		36,513	
Due to fiduciary funds		60	
Due to teachers' retirement system		271,970	
Due to employees' retirement system		38,571	
Unearned revenue		1,771	

Long-Term Liabilities:

Due and payable within one year

Bonds payable		1,800,000	
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Due and payable after one year

Bonds payable		14,515,000	
Compensated absences payable		160,134	
Other postemployment benefits payable		22,342,743	
Net pension liability - proportionate share		433,021	

Total Liabilities		39,615,734	\$
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DEFERRED INFLOWS OF RESOURCES

Pensions		1,146,654	
Premiums on bonds		2,407,530	
OPEB-GASB 75		1,847,684	

Total Deferred Inflows of Resources		5,401,868	\$
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NET POSITION

Net Investment in Capital Assets		3,024,847	
Restricted		1,797,628	
Unrestricted (deficit)		(17,932,825)	

Total Net Position		(13,110,350)	\$
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See auditor's report. See notes to financial statements.

WORCESTER CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For Year Ended June 30, 2021

	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS					
General support	\$ 1,169,074	\$ 546,417	\$ -	\$ -	\$ (1,715,491)
Instruction	4,538,631	3,029,169	18,476	701,142	(6,848,182)
Pupil transportation	380,363	363,320	-	-	(743,683)
Employee benefits	3,985,143	(3,985,143)	-	-	-
Debt service-interest	598,178	-	-	-	(598,178)
Depreciation and loss on disposal	1,190,640	-	-	-	(1,190,640)
Food service program	157,542	46,237	11,880	117,862	(74,037)
Total Functions and Programs	<u>\$ 12,019,571</u>	<u>\$ -</u>	<u>\$ 30,356</u>	<u>\$ 819,004</u>	<u>(11,170,211)</u>
GENERAL REVENUES					
Real property taxes					3,026,559
Other tax items					460,588
Use of money and property					2,370
Sale of property and compensation for loss					1,250
Miscellaneous					270,922
State sources					6,971,924
Federal sources					152,095
Total General Revenues					<u>10,885,708</u>
Change in Net Position					(284,503)
Total Net Position - Beginning of year, Restated					<u>(12,825,847)</u>
Total Net Position - End of year					<u>\$ (13,110,350)</u>

See auditor's report. See notes to financial statements.

WORCESTER CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2021

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Unrestricted cash	\$ 2,380,851	\$ -	\$ -	\$ 2,380,851
Restricted cash	1,181,951	-	-	1,181,951
Other receivables, net	35,238	-	-	35,238
Due from other funds	1,164,635	-	(1,164,635)	-
Due from other governments	255,810	-	-	255,810
Inventories	6,927	-	-	6,927
State and federal aid receivable	746,701	-	-	746,701
Capital assets, (net)	-	19,339,847	-	19,339,847
Total Assets	\$ 5,772,113	\$ 19,339,847	\$ (1,164,635)	\$ 23,947,325
DEFERRED OUTFLOW OF RESOURCES				
Pensions	\$ -	\$ 2,112,395	\$ -	\$ 2,112,395
OPEB-GASB 75	-	5,847,532	-	5,847,532
Total Deferred Outflows of Resources	\$ -	\$ 7,959,927	\$ -	\$ 7,959,927
LIABILITIES				
Accounts payable	\$ 15,951	\$ -	\$ -	\$ 15,951
Accrued liabilities	8,829	27,684	-	36,513
Bonds payable	-	16,315,000	-	16,315,000
Due to other funds	1,164,695	-	(1,164,695)	-
Due to fiduciary funds	-	-	60	60
Due to teachers' retirement system	271,970	-	-	271,970
Due to employees' retirement system	38,571	-	-	38,571
Unearned revenues	1,771	-	-	1,771
Other postemployment benefits payable	-	22,342,743	-	22,342,743
Compensated absences	-	160,134	-	160,134
Net pension liability- proportionate share	-	433,021	-	433,021
Total Liabilities	\$ 1,501,787	\$ 39,278,582	\$ (1,164,635)	\$ 39,615,734
DEFERRED INFLOWS OF RESOURCES				
Pensions	\$ -	\$ 1,146,654	\$ -	\$ 1,146,654
Premiums on bonds	-	2,407,530	-	2,407,530
OPEB-GASB 75	-	1,847,684	-	1,847,684
Total Deferred Inflows of Resources	\$ -	\$ 5,401,868	\$ -	\$ 5,401,868
FUND BALANCE/NET POSITION				
Total Fund Balance/Net Position	\$ 4,270,326	\$ (17,380,676)	\$ -	\$ (13,110,350)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ 5,772,113	\$ 27,299,774	\$ (1,164,635)	\$ 31,907,252

See auditor's report. See notes to financial statements.

WORCESTER CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For Year Ended June 30, 2021

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 3,026,559	\$ -	\$ -	\$ -	\$ 3,026,559
Other tax items	460,588	-	-	-	460,588
Charges for services	18,476	-	-	-	18,476
Use of money and property	2,370	-	-	-	2,370
Sale of property and compensation for loss	1,250	-	-	-	1,250
Miscellaneous	356,351	-	-	-	356,351
State sources	7,070,825	-	-	-	7,070,825
Federal sources	792,447	-	-	-	792,447
Sales	6,202	-	-	-	6,202
Total Revenues	<u>11,735,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,735,068</u>
EXPENDITURES/EXPENSES					
General support	1,169,074	-	-	-	1,169,074
Instruction	4,546,955	35,330	(43,654)	-	4,538,631
Pupil transportation	380,363	-	-	-	380,363
Employee benefits	2,013,439	1,971,704	-	-	3,985,143
Debt service-Principal	1,814,158	-	-	(1,814,158)	-
-Interest	735,602	(137,424)	-	-	598,178
Cost of sales	157,542	-	-	-	157,542
Capital outlay	380,512	-	(380,512)	-	-
Depreciation and loss on disposal	-	-	1,190,640	-	1,190,640
Total Expenditures	<u>11,197,645</u>	<u>1,869,610</u>	<u>766,474</u>	<u>(1,814,158)</u>	<u>12,019,571</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>537,423</u>	<u>(1,869,610)</u>	<u>(766,474)</u>	<u>1,814,158</u>	<u>(284,503)</u>
OTHER SOURCES AND USES					
Bond proceeds	124,158	-	-	(124,158)	-
Operating transfers in	277,195	(277,195)	-	-	-
Operating transfers (out)	(277,195)	277,195	-	-	-
Total Other Sources (Uses)	<u>124,158</u>	<u>-</u>	<u>-</u>	<u>(124,158)</u>	<u>-</u>
Net Change for the Year	<u>\$ 661,581</u>	<u>\$ (1,869,610)</u>	<u>\$ (766,474)</u>	<u>\$ 1,690,000</u>	<u>\$ (284,503)</u>

See auditor's report. See notes to financial statements.

WORCESTER CENTRAL SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS

June 30, 2021

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 2,031,586	\$ 46,362	\$ 114,022	\$ -	\$ 188,881	\$ 2,380,851
Restricted cash	1,043,549	-	-	138,402	-	1,181,951
Other receivables, net	16,283	18,955	-	-	-	35,238
State and federal aid receivable	256,049	480,546	10,106	-	-	746,701
Due from other governments	255,810	-	-	-	-	255,810
Inventories	-	-	6,927	-	-	6,927
Due from other funds	914,438	29,335	58,602	162,260	-	1,164,635
Total Assets	\$ 4,517,715	\$ 575,198	\$ 189,657	\$ 300,662	\$ 188,881	\$ 5,772,113
LIABILITIES						
Accounts payable	\$ 15,951	\$ -	\$ -	\$ -	\$ -	\$ 15,951
Accrued liabilities	7,660	-	1,169	-	-	8,829
Due to teachers' retirement system	271,970	-	-	-	-	271,970
Due to employees' retirement system	38,571	-	-	-	-	38,571
Unearned revenues	129	1,642	-	-	-	1,771
Due to other funds	89,494	573,556	174,007	-	327,638	1,164,695
Total Liabilities	423,775	575,198	175,176	-	327,638	1,501,787
FUND BALANCES						
Non-spendable	-	-	6,927	-	-	6,927
Restricted	1,043,549	-	-	300,662	453,417	1,797,628
Assigned	750,000	-	7,554	-	-	757,554
Unassigned (Deficit)	2,300,391	-	-	-	(592,174)	1,708,217
Total Fund Balances	4,093,940	-	14,481	300,662	(138,757)	4,270,326
Total Liabilities and Fund Balances	\$ 4,517,715	\$ 575,198	\$ 189,657	\$ 300,662	\$ 188,881	\$ 5,772,113

See auditor's report. See notes to financial statements.

WORCESTER CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS
For Year Ended June 30, 2021

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 3,026,559	\$ -	\$ -	\$ -	\$ -	\$ 3,026,559
Other tax items	460,588	-	-	-	-	460,588
Charges for services	18,476	-	-	-	-	18,476
Use of money and property	576	-	1	1,793	-	2,370
Sale of property and compensation for loss	1,250	-	-	-	-	1,250
Miscellaneous	270,922	79,751	5,678	-	-	356,351
State sources	6,971,924	96,691	2,210	-	-	7,070,825
Federal sources	152,095	524,700	115,652	-	-	792,447
Sales	-	-	6,202	-	-	6,202
Total Revenues	<u>10,902,390</u>	<u>701,142</u>	<u>129,743</u>	<u>1,793</u>	<u>-</u>	<u>11,735,068</u>
EXPENDITURES						
General support	1,169,074	-	-	-	-	1,169,074
Instruction	3,847,539	699,416	-	-	-	4,546,955
Pupil transportation	380,363	-	-	-	-	380,363
Employee benefits	1,960,498	6,704	46,237	-	-	2,013,439
Debt service						
Principal	1,814,158	-	-	-	-	1,814,158
Interest	735,602	-	-	-	-	735,602
Cost of sales	-	-	157,542	-	-	157,542
Capital outlay	-	-	-	-	380,512	380,512
Total Expenditures	<u>9,907,234</u>	<u>706,120</u>	<u>203,779</u>	<u>-</u>	<u>380,512</u>	<u>11,197,645</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>995,156</u>	<u>(4,978)</u>	<u>(74,036)</u>	<u>1,793</u>	<u>(380,512)</u>	<u>537,423</u>
OTHER FINANCING SOURCES AND USES						
Premium on obligations	-	-	-	-	-	-
Bond proceeds	-	-	-	-	124,158	124,158
Operating transfers in	-	4,978	110,000	162,217	-	277,195
Operating transfers (out)	(114,978)	-	-	-	(162,217)	(277,195)
Total Other Financing Sources (Uses)	<u>(114,978)</u>	<u>4,978</u>	<u>110,000</u>	<u>162,217</u>	<u>(38,059)</u>	<u>124,158</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	880,178	-	35,964	164,010	(418,571)	661,581
Fund Balance - (Deficit) Beginning of year	<u>3,213,762</u>	<u>-</u>	<u>(21,483)</u>	<u>136,652</u>	<u>279,814</u>	<u>3,608,745</u>
Fund Balance - (Deficit) End of year	<u>\$ 4,093,940</u>	<u>\$ -</u>	<u>\$ 14,481</u>	<u>\$ 300,662</u>	<u>\$ (138,757)</u>	<u>\$ 4,270,326</u>

See auditor's report. See notes to financial statements.

WORCESTER CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021

	Private Purpose Trusts	Custodial Funds	Extraclassroom Activity Funds
ASSETS			
Cash	\$ 294,431	\$ 3,722	\$ 36,072
Due from governmental funds	-	60	-
	Total Assets	\$ 3,782	\$ 36,072
	\$ 294,431	\$ 3,782	\$ 36,072
 LIABILITIES			
Other liabilities	\$ -	\$ -	\$ -
Due to governmental funds	-	-	-
	Total Liabilities	-	-
	-	-	-
 NET POSITION			
Reserved for scholarships	\$ 294,431	\$ -	\$ -
Individuals, Organizations and Other governments	-	3,782	36,072
	Total Net Position	\$ 3,782	\$ 36,072
	\$ 294,431	\$ 3,782	\$ 36,072

See auditor's report. See notes to financial statements.

WORCESTER CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For Year Ended June 30, 2021

	Private Purpose Trusts	Custodial Funds	Extraclassroom Activity Funds
ADDITIONS			
Gifts and donations	\$ 8,930	\$ 2,200	\$ -
Interest	59	-	-
Unclassified	-	-	32,370
Total Additions	8,989	2,200	32,370
 DEDUCTIONS			
Scholarships and awards	13,380	-	-
Other custodial activities	-	1,164	36,358
Total Deductions	13,380	1,164	36,358
Net Increase (Decrease) in Fiduciary Net Position	(4,391)	1,036	(3,988)
Net Position - Beginning of year	298,822	2,746	40,060
Net Position - End of year	\$ 294,431	\$ 3,782	\$ 36,072

See auditor's report. See notes to financial statements.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

The financial statements of the Worcester Central School District have been prepared in conformity with generally accepted accounting principles (GAAP). Those principles are as prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

The Worcester Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 5 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. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

The Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the Worcester Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds are included in these financial statements. The District accounts for assets held as an agent for various student organizations in a custodial fund.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

B. Joint Venture

The Worcester Central School District is a component school district of the Otsego-Northern Catskill 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.

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 are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

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

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which their students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year ended June 30, 2021, the Worcester Central School District was billed \$1,527,200 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$531,232. Financial statements for the BOCES Aid are available from the BOCES administrative office.

C. Basis of Presentation

1. Districtwide Statements

The Districtwide 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,

WORCESTER CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

1. Districtwide Statements (Continued)

State Aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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

2. Fund Financial Statements

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

The District reports the following funds:

a. Major Governmental Funds

- (1) 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.
- (2) Special Aid Fund** - These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes 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.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

C. **Basis of Presentation (Continued)**

2. **Fund Financial Statements (Continued)**

a. **Major Governmental Funds (Continued)**

- (3) **School Lunch Fund** – Used to account for transactions of the District’s lunch and breakfast programs.
- (4) **Debt Service Fund** – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.
- (5) **Capital Projects Fund** – This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

b. **Fiduciary Funds**

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

- (1) **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.
- (2) **Custodial 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.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

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

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

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

E. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

WORCESTER CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

F. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on August 12. Taxes are collected during the period September 1 to October 31.

Uncollected real property taxes are subsequently enforced by the County of Otsego. An amount representing uncollected real property taxes is transmitted to the County for enforcement and is paid by the County to the District no later than the forthcoming April 1.

G. Restricted Resources

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

H. Interfund Transactions

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

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

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

Refer to Note IV for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

WORCESTER CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

I. Estimates

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

J. Receivables

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

K. Inventories and Prepaid Items

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

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

L. Other Assets/Restricted Assets

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

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

L. Other Assets/Restricted Assets (Continued)

In the districtwide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

M. Capital Assets

Capital assets are reflected in the districtwide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at fair market value as of the date received. 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.

Capital assets, except land, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds and estimated useful lives of capital assets reported in the districtwide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Site Improvements	\$ 2,500	20
Buildings and Improvements	\$ 2,500	15-50
Furniture and Equipment	\$ 2,500	5-15
Vehicles	\$ 2,500	8

N. Compensated Absences

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

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

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

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

N. Compensated Absences (Continued)

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vested method and an accrual for that liability is included in the Districtwide 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 resources. These amounts are expensed on a pay-as-you-go basis.

O. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the districtwide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full of current financial resources.

Claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

P. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category. The first item represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the districtwide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

Q. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the Districtwide Statement of Net Position. This represents the effect of net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments. The second item is related to OPEB reported in the districtwide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs. The third item is related to premiums received from bonds which are amortized over the life of the bonds.

R. Unearned Revenue

Unearned revenues 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 or when charges for service monies are received in advance from payers prior to the services being rendered by the District. These amounts are recorded as liabilities in the financial statements. The liabilities are removed, and revenues are recognized in subsequent periods when the District has legal claim to the resources.

S. Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

T. **Short-Term Debt**

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

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

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

U. **Equity Classifications**

1. **Districtwide Statements**

In the districtwide 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 improvement of those assets.

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

Unrestricted net position – reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

U. **Equity Classifications (Continued)**

2. **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. The District's School Lunch inventory at June 30, 2021 was \$6,927.

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. The School District has established the following restricted fund balances:

1. **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

2. **Unemployment Insurance**

This reserve is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

3. Employee Benefit Accrued Liability

This reserve is used to set aside funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

4. Employee Retirement Contributions

This reserve is used for future employee's retirement and teacher's retirement obligations. 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.

5. Property Loss and Liability

This reserve is used to pay for property loss and liability claims incurred. The limit is 3% of the annual budget or \$15,000, whichever is greater. 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. This reserve is accounted for in the General Fund.

6. Capital

This reserve is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in 3651 of the Education Law. This reserve is accounted for in the General Fund.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

U. **Equity Classifications (Continued)**

2. **Fund Statements (Continued)**

7. **Tax Certiorari**

This reserve is used to accumulate funds to pay judgments and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. This reserve is accounted for in the General Fund.

Restricted fund balance includes the following:

General Fund:

Employee Benefit Accrued Liability	\$ 231,288
Unemployment Insurance	76,326
Capital	68,058
Employee Retirement Contributions	556,572
Teachers Retirement Contributions	50,003
Tax Certiorari	10,016
Property Loss	25,643
Liability	25,643
Debt Service Fund	300,662
Capital Fund	453,417
Total restricted funds	<u><u>\$ 1,797,628</u></u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District’s highest level of decision making, the Board of Education. The School District has no committed fund balances as of June 30, 2021.

Assigned – Includes amounts that are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as **Assigned Fund Balance** in the General Fund. Encumbrances reported in the General Fund amounted to \$0 and the assigned fund balance amounted to \$750,000.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

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 and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

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

Order of Use of Fund Balance:

The District's policy is to apply expenditures against nonspendable 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, nonspendable fund balances are determined first and then restricted fund balances for specific purposes 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.

V. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2021, the District implemented the following new standards issued by GASB:

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

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

W. Future Changes in Accounting Standards

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

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

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

GASB has issued Statement 92, Omnibus 2020, effective for the year ending June 30, 2022.

GASB has issued Statement 93, Replacement of Interbank Offered Rates, effective dates vary based on specific paragraphs of the statement from the year ending June 30, 2021, 2022 and 2023.

GASB has issued Statement 96, Subscription-based Information technology Arrangements, effective for the year ending June 30, 2023.

GASB has issued Statement 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.

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

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements

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

1. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

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

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities:

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories:

a. Long-term revenue differences:

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

b. Capital related differences:

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

c. Long-term debt transaction differences:

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

d. Pension differences:

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

The costs of building and acquiring capital assets (land, buildings, and equipment) financed from governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually of their useful lives.

Original cost of capital assets	\$28,801,600
Accumulated depreciation	<u>9,461,753</u>
Capital assets, net	<u>\$19,339,847</u>

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year end were:

Bonds payable	\$16,315,000
OPEB obligations	\$22,342,743
Compensated Absences	\$ 160,134
Net Pension Liability-Proportionate Share	\$ 433,021

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$1,724,645 was more than capital expenditures of \$380,512 in the current year.

Repayment of bond principal of \$1,814,158 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Interest on long-term debt and short-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the Statement of Activities decreased by \$137,424.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. Cash and Investments

A. Deposits

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

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are: obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in an event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

Deposits and investments at year end were entirely covered by Federal Deposit Insurance or by collateral held by the School District's custodial bank in the School District's name.

WORCESTER CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. Interfund Transaction

Interfund balances at June 30, 2021 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 914,438	\$ 89,494	\$ -	\$ 114,978
Special Aid Fund	29,335	573,556	4,978	-
School Lunch Fund	58,602	174,007	110,000	-
Capital Fund	-	327,638	-	162,217
Debt Service Fund	162,260	-	162,217	-
	<u>1,164,635</u>	<u>1,164,695</u>	<u>\$ 277,195</u>	<u>\$ 277,195</u>
Total governmental activities				
Fiduciary Custodial Funds	<u>60</u>	<u>-</u>		
Totals	<u>\$ 1,164,695</u>	<u>\$ 1,164,695</u>		

The District typically transfers from the General Fund to the Special Aid Fund to pay its' share of the Summer Handicapped Program.

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

WORCESTER CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. Capital Assets

A summary of changes in general fixed assets follows:

	Restated Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
<u>Capital assets-not depreciated:</u>				
Land	\$ 208,203	\$ -	\$ -	208,203
Construction in progress	1,647,911	-	1,647,911	-
Total capital assets-not depreciated:	1,856,114	-	1,647,911	208,203
<u>Other capital assets:</u>				
Buildings and improvements	24,751,599	1,832,357	-	26,583,956
Machinery and equipment	1,053,517	80,972	154,782	979,707
Vehicles	1,077,826	158,748	206,840	1,029,734
Total other capital assets:	26,882,942	2,072,077	361,622	28,593,397
<u>Less accumulated depreciation:</u>				
Buildings and improvements	7,591,062	944,087	-	8,535,149
Machinery and equipment	590,896	67,853	146,225	512,524
Vehicles	450,777	101,966	138,663	414,080
Total accumulated depreciation	8,632,735	1,113,906	284,888	9,461,753
Other capital assets, net	18,250,207	958,171	76,734	19,131,644
Total	<u>\$ 20,106,321</u>	<u>\$ 958,171</u>	<u>\$ 1,724,645</u>	<u>\$ 19,339,847</u>

Depreciation expense for the period was shown as unallocated in the Statement of Activities.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans

1. General Information

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

2. Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

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

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

Funding Policies:

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier 6 vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

Contributions

	<u>ERS</u>	<u>TRS</u>
2021	\$136,920	\$254,176
2020	\$141,603	\$278,324
2019	\$142,217	\$254,551

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, 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, 2021 for ERS and June 30, 2020 for TRS. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation. The District's proportion of the net pension asset/liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	1-Apr-20	30-Jun-19
Net pension liability/(asset)	\$2,944	\$430,077
District's portion of the Plan's total net pension liability/asset	.0029563%	.015564%
Change in proportion since the prior measurement date	(.0005233%)	(.000137%)

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

For the year ended June 30, 2021, the District's recognized pension expense of \$68,691 for ERS and \$578,008 for TRS. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resource:</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$35,951	\$376,833	\$0	\$22,041
Changes of assumptions	541,253	543,947	10,208	193,889
Net difference between projected and actual earnings on pension plan investments	0	280,878	845,606	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	25,575	27,770	48,182	26,728
District's contributions subsequent to the measurement date	38,571	241,617	0	0
Total	\$641,350	\$1,471,045	\$903,996	\$242,658

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

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2021	\$ -	\$ 166,512
2022	(\$54,032)	337,177
2023	(\$22,915)	275,046
2024	(\$52,640)	175,477
2025	(\$171,630)	11,153
Thereafter	\$ -	21,404

WORCESTER CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

4. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.9%	7.10%
Salary scale	4.40%	1.90%-4.72%
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.20%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System’s experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2019.

For ERS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

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

Measurement date	<u>ERS</u> March 31, 2021	<u>TRS</u> June 30, 2020
<u>Asset Type</u>	<u>%</u>	<u>%</u>
Domestic Equities	32%	33%
International Equities	15%	16%
Global equities	0%	4%
Private Equity	10%	8%
Real Estate Equity	9%	11%
Domestic fixed income securities	23%	16%
Global bonds	0%	2%
Private debt	4%	1%
Absolute return strategies	3%	0%
Real estate debt	0%	7%
Cash Equivalents	1%	1%
High yield fixed income securities	0%	1%
Real assets	3%	0%

5. Discount Rate

The discount rate used to calculate the total pension liability was 5.90 % for ERS and 7.10 % for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.9% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.9% or ERS and 6.10% for TRS) or 1-percentage point higher (6.9% for ERS and 8.10% for TRS) than the current rate :

ERS	1% Decrease <u>(4.9%)</u>	Current Assumption <u>(5.9%)</u>	1% Increase <u>(6.9%)</u>
Employer's proportionate share Of the net pension (asset) liability	\$817,059	\$2,944	(\$747,861)
TRS	1% Decrease <u>(6.10%)</u>	Current Assumption <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
Employer's proportionate share Of the net pension (asset) liability	\$2,716,647	\$430,077	(\$1,488,935)

7. Pension Plan Fiduciary Net Position

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

	<u>ERS</u>		<u>TRS</u>	
	March 31, 2021		June 30, 2020	
Measurement date				
Employers' total pension liability	\$ 220,680,157		\$ 123,242,776,215	
Plan Fiduciary Net Position	220,580,583		120,479,505,380	
Employers' net pension liability/(asset)	99,574		2,763,270,835	
Plan fiduciary net position as a percentage of total pension (asset)/liability	99.9500%		97.8000%	

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$38,571.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 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, 2021 amounted to \$271,970.

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Long-Term Debt Obligations

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

1. Long-Term Debt Interest

Interest paid	\$735,602
Less interest accrued in the prior year	(30,608)
Plus, interest accrued in the current year	27,684
Amortization of bond premium	<u>(134,500)</u>
Total expense	<u>\$598,178</u>

2. Changes

	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021	Due Within One Year
Serial Bonds	\$ 18,005,000	\$ 124,158	\$ 1,814,158	\$ 16,315,000	<u>\$ 1,800,000</u>
Compensated Absences	124,804	35,330	-	160,134	
OPEB Obligations	20,942,719	1,400,024	-	22,342,743	
Net Pension Liability- Proportionate Share	921,411	-	488,390	433,021	
Totals	<u>\$ 39,993,934</u>	<u>\$ 1,559,512</u>	<u>\$ 2,302,548</u>	<u>\$ 39,250,898</u>	

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

3. Maturity

a. The following is a summary of the debt issued:

Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2021
Serial Bonds:				
Construction Bond	2016	2039	2-2.98%	\$ 13,475,000
Bus Bond	2018	2022	1.5-3.5%	45,000
Bus Bond	2019	2023	3.125-3.25%	50,000
Construction Bond	2015	2030	2.5-3.75%	735,000
Construction Bond	2020	2035	2.00%	1,945,000
Bus Bond	2020	2024	.5-1.96%	65,000
Total				<u>\$ 16,315,000</u>

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Long-Term Debt Obligations (Continued)

b. The following is a summary of maturing principal debt service requirements:

	Year	Principal	Interest	Total
Serial Bonds:	2022	\$ 1,800,000	\$ 662,608	\$ 2,462,608
	2023	1,825,000	595,221	2,420,221
	2024	1,870,000	525,008	2,395,008
	2025	1,930,000	438,456	2,368,456
	206	1,995,000	348,056	2,343,056
	2027 and thereafter	6,895,000	1,095,666	7,990,666
	Total	<u>\$ 16,315,000</u>	<u>\$ 3,665,015</u>	<u>\$ 19,980,015</u>

Deferred Inflows of Resources

The District received a premium of \$3,041,675 on the 2016 DASNY serial bond issuance, and a premium of \$40,395 on the 2020 bond. The premiums are being amortized on the Districtwide financial statements using the straight-line method over the remaining time to maturity of the serial bonds. The current year amortization is \$134,500 and is included as a reduction to interest expense on the Districtwide financial statements. The remaining balance on the deferred premiums is calculated as follows:

Premium of bonds	\$3,082,010
Less: Amount recognized	<u>674,480</u>
Unamortized premium on bonds	<u>\$2,407,530</u>

WORCESTER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. Postemployment (Health Insurance) Benefits

A. General Information about the OPEB Plan

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

Benefits Provided- The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. 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, 2021, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefit payments	47
Inactive members entitled to but not yet receiving benefit payments	-
Active members	<u>76</u>
Total membership	123

B. Total OPEB Liability

The District's total OPEB liability of \$22,342,743 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs- The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

WORCESTER CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. Postemployment (Health Insurance) Benefits (Continued)

B. Total OPEB Liability (Continued)

Inflation	2.4%
Salary Increases	vary by pension retirement system membership
Discount Rate	2.16%
Healthcare Cost Trend Rates	5.4% for 2020, decreasing to an ultimate rate of 3.94% by 2075

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the PUB-2010 Headcount-Weighted Table projected fully generationally using MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period April 1, 2010-March 31, 2015.

C. Changes in the Total OPEB Liability

Balance at June 30, 2020	<u>\$20,942,719</u>
<u>Changes for the Year</u>	
Service cost	1,213,103
Interest	485,526
Changes of benefit terms	-
Differences between expected and actual experience	(143,143)
Changes in assumptions or other inputs	219,240
Benefit payments	<u>(374,702)</u>
Net Changes	<u>1,400,024</u>
Balance at June 30, 2021	<u>\$22,342,743</u>

WORCESTER CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. Postemployment (Health Insurance) Benefits (Continued)

C. Changes in the Total OPEB Liability (Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21% in 2020 to 2.16% in 2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate- The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current discount rate:

	<u>(1.16%) 1% Decrease</u>	<u>Current Discount Rate (2.16%)</u>	<u>(3.16%) 1% Increase</u>
Total OPEB Liability	<u>\$27,404,099</u>	<u>\$22,342,743</u>	<u>\$18,457,860</u>

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$17,614,209</u>	<u>\$22,342,743</u>	<u>\$28,853,978</u>

WORCESTER CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. Postemployment (Health Insurance) Benefits (Continued)

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,976,301. At June 30, 2021, 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	\$ -	(\$1,472,041)
Changes of assumptions or other inputs	<u>5,847,532</u>	<u>(375,643)</u>
Total	<u>\$5,847,532</u>	<u>(\$1,847,684)</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 652,374
2023	652,374
2024	652,374
2025	652,374
2026	652,374
2027 and thereafter	737,978

WORCESTER CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The Worcester Central School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; 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.

2. Grants

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

3. Workers' Compensation Insurance

The School District participates in Catskill Area Schools Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled or open claims, if any was unknown at June 30, 2021.

4. Health Insurance

The School District participates in the Catskill Area Schools Employee Benefit Plan (CASEBP), a non-risk-retained public entity risk pool for its employee health insurance coverage. The pool is operated for the benefit of numerous individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of the \$250,000 limit, and the District has essentially transferred all related risk to the pool. CASEBP is governed by a trust agreement and a Board of Trustees who execute the provisions of the CASEB, as set forth in the agreement.

Premium costs for group health insurance and related policies purchased and for group health insurance administration are allocated among CASEBP members. Payments made by members to CASEBP for such policies are paid to the group insurance carriers by CASEBP. The District participates in the health and prescription plans offered through CASEBP.

WORCESTER CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Other Disclosures (Continued)

A. Prior Period Adjustment

The reconciliation of restated amounts to the June 30, 2020 year end balance is:

Beginning Net Position	(\$12,980,171)
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The following adjustment is necessary to determine the revised beginning Net Position for the Statement of Activities:

Capital assets	154,324
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Beginning net position reported on Statement of Activities, for governmental activities, July 1, 2020.	(\$12,825,847)
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B. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

Total governmental fund balance	\$	4,270,326
Capital assets (net)		19,339,847
Deferred outflows of resources		7,959,927
Bonds payable		(16,315,000)
Accrued interest payable		(27,684)
Net pension liability- proportionate share		(433,021)
Deferred inflows of resources		(5,401,868)
Compensated absences		(160,134)
OPEB obligations		(22,342,743)
Total net position	\$	(13,110,350)

WORCESTER CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Other Disclosures (Continued)

C. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net changes in fund balance – total governmental funds	\$ 661,581
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	424,166
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(1,113,906)
Loss on disposal of assets	(76,734)
Repayments of Long-term Debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the Statement of Net Position	1,814,158
Proceeds from debt are recognized as revenue in the governmental funds but not in the Statement of Activities.	(124,158)
Interest is recognized as an expense in governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The decrease in accrued interest during 2020/21 results in less expense.	2,924
Amortization of premium on refunding	134,500
(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:	
Teachers' Retirement System	(102,200)
Employees' Retirement System	106,797
Certain expenses in the Statement of Activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:	
OPEB obligations	(1,976,301)
Compensated absences	<u>(35,330)</u>
Change in Net Position – Governmental Activities	<u>(\$ 284,503)</u>

WORCESTER CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Stewardship, Compliance and Accountability

A. Budgetary Procedures and Budgetary Accounting

1. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the governmental funds for which legal (appropriated) budgets are adopted. 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 adoption of the budget constitute a limitation on expenditures (and encumbrances), that may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources 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 General Fund budget was increased to reflect receipt of gifts and donations in the amount of \$3,703, to reflect the Board approved use of the reserves in the amount of \$50,000.

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.

Special Aid Fund and School Lunch Fund have not been included because they do not have legally authorized budgets.

WORCESTER CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Stewardship, Compliance and Accountability (Continued)

A. Budgetary Procedures and Budgetary Accounting (Continued)

2. Encumbrances

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

3. Section 1318 of Real Property Tax Law establishes the maximum unassigned fund balance that can be retained by a school district. The current law limits this amount to 4% of the ensuing year's budget. The District's financial statements for the year ended June 30, 2021, indicate that the unassigned fund balance is in excess of the legal limit.

Due to the current COVID-19 pandemic and the uncertainty of future State and Federal Aid, the District feels that it is prudent to maintain excess fund balance at this time.

4. The Capital Fund had a deficit fund balance at June 30, 2021 of \$138,757. The deficit will be eliminated when the District obtains final financing for the Capital Project and receives the requested funding for capital expenditures under the Smart Schools Bond Act.

XII. Subsequent Events

Annexation Merger

An annexation merger study was completed to evaluate the feasibility of merging with the Schenevus Central School District. On September 22, 2021, there will be an assessment of public support (straw poll) for the annexation merger to determine if a formal referendum will take place tentatively in December 2021. If approved, the annexation merger would commence in the 2022-2023 school year.

There were no other significant subsequent events to report from the period July 1, 2021 to September 14, 2021.

WORCESTER CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2021

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 3,481,809	\$ 3,032,612	\$ 3,026,559	\$ (6,053)
Other tax items	11,000	460,197	460,588	391
Charges for services	-	-	18,476	18,476
Use of money and property	1,000	1,000	576	(424)
Sale of property and compensation for loss	-	-	1,250	1,250
Miscellaneous	15,000	18,703	270,922	252,219
Total Local Sources	<u>3,508,809</u>	<u>3,512,512</u>	<u>3,778,371</u>	<u>265,859</u>
State Sources	7,150,117	7,150,117	6,971,924	(178,193)
Federal Sources	20,000	20,000	152,095	132,095
Total Revenues	<u>10,678,926</u>	<u>10,682,629</u>	<u>10,902,390</u>	<u>219,761</u>
Other Financing Sources				
Operating transfers in	-	-	-	-
Total Revenues and Other Financing Sources	<u>10,678,926</u>	<u>10,682,629</u>	<u>10,902,390</u>	<u>\$ 219,761</u>
Appropriated Fund Balance	945,000	995,000		
Appropriated Reserves	-	-		
Total Revenues, Appropriated Fund Balance and Reserves	<u>\$ 11,623,926</u>	<u>\$ 11,677,629</u>		

See paragraph on required supplementary information included in auditor's report.

WORCESTER CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO BUDGET-
GENERAL FUND
For Year Ended June 30, 2021

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 22,800	\$ 23,800	\$ 20,097	\$ -	\$ 3,703
Central administration	209,806	209,806	200,293	-	9,513
Finance	232,276	232,276	228,259	-	4,017
Staff	58,458	58,458	37,817	-	20,641
Central services	603,165	609,165	508,141	-	101,024
Special items	177,959	177,959	174,467	-	3,492
Total General Support	<u>1,304,464</u>	<u>1,311,464</u>	<u>1,169,074</u>	<u>-</u>	<u>142,390</u>
Instructional					
Instruction, administration and improvement	276,250	266,489	208,690	-	57,799
Teaching - regular school	1,874,191	1,876,887	1,569,759	-	307,128
Programs for children with handicapping conditions	1,765,194	1,765,194	1,252,822	-	512,372
Occupational education	288,503	288,510	288,510	-	-
Teaching - special school	-	-	-	-	-
Instructional media	243,412	243,412	212,685	-	30,727
Pupil services	415,705	415,706	315,073	-	100,633
Total Instructional	<u>4,863,255</u>	<u>4,856,198</u>	<u>3,847,539</u>	<u>-</u>	<u>1,008,659</u>
Pupil transportation	580,874	580,874	380,363	-	200,511
Employee benefits	2,249,261	2,253,021	1,960,498	-	292,523
Debt service					
Principal	1,794,158	1,814,158	1,814,158	-	-
Interest	759,914	739,914	735,602	-	4,312
Total Expenditures	<u>11,551,926</u>	<u>11,555,629</u>	<u>9,907,234</u>	<u>-</u>	<u>1,648,395</u>
OTHER FINANCING USES					
Operating transfers out	72,000	122,000	114,978	-	7,022
Total Expenditures and Other Financing Uses	<u>\$ 11,623,926</u>	<u>\$ 11,677,629</u>	<u>10,022,212</u>	<u>\$ -</u>	<u>\$ 1,655,417</u>
Net change in fund balance			880,178		
Fund balance- Beginning			<u>3,213,762</u>		
Fund balance- Ending			<u>\$ 4,093,940</u>		

See paragraph on required supplementary information included in auditor's report.

WORCESTER CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
For Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost at end of year	\$ 1,213,103	\$ 674,964	\$ 581,433	\$ 612,486
Interest	485,526	549,116	536,310	476,851
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(143,143)	(1,795,721)	-	-
Changes of assumptions or other inputs	219,240	6,719,965	919,711	(671,635)
Benefit payments	(374,702)	(346,939)	(342,427)	(291,253)
Net change in Total OPEB Liability	1,400,024	5,801,385	1,695,027	126,449
Total OPEB Liability- beginning	20,942,719	15,141,334	13,446,307	133,319,858
Total OPEB Liability- ending	<u>\$ 22,342,743</u>	<u>\$ 20,942,719</u>	<u>\$ 15,141,334</u>	<u>\$ 13,446,307</u>
Covered-employee payroll	3,411,144	3,401,293	3,354,649	3,291,215
Total OPEB Liability as a percentage of covered-employee payroll	655.00%	615.70%	451.40%	408.60%

See paragraph on required supplementary information included in auditor's report

WORCESTER CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
June 30, 2021

	<u>Teachers' Retirement System</u>						
	2021	2020	2019	2018	2017	2016	2015
District 's proportion of the net pension asset/liability	.015564%	.015701%	.015946%	.015994%	.015142%	.015298%	.015298%
District's proportionate share of the net pension (asset)/liability	\$ 430,077	\$ (407,913)	\$ (288,350)	\$ (121,571)	\$ 162,178	\$ (1,588,923)	\$ (1,730,855)
District's covered-employee payroll	\$ 2,585,216	\$ 2,717,089	\$ 2,714,290	\$ 2,800,258	\$ 2,619,153	\$ 2,442,783	\$ 2,419,583
District's proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	16.64%	15.01%	10.62%	4.34%	6.19%	65.05%	71.54%
Plan fiduciary net position as a percentage of the total pension liability	97.80%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%
	<u>Employees' Retirement System</u>						
	2021	2020	2019	2018	2017	2016	2016
District 's proportion of the net pension liability	.0029563%	.0034796%	.0033803%	.0034254%	.0034184%	.0030125%	.0031407%
District's proportionate share of the net pension liability	\$ 2,944	\$ 921,411	\$ 239,504	\$ 110,553	\$ 321,203	\$ 483,520	\$ 106,102
District's covered-employee payroll	\$ 987,137	\$ 1,141,654	\$ 1,171,836	\$ 1,149,173	\$ 1,062,882	\$ 1,033,753	\$ 993,984
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.30%	80.71%	20.44%	9.62%	30.22%	46.77%	10.67%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

See paragraph on required supplementary information included in auditor's report.

WORCESTER CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
June 30, 2021

Teachers' Retirement System

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 241,617	\$ 278,324	\$ 254,551	\$ 297,047	\$ 309,830	\$ 402,821	\$ 372,975
Contributions in relation to the contractually required contribution	241,617	278,324	254,551	297,047	309,830	402,821	372,975
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,585,216	\$ 2,717,089	\$ 2,714,290	\$ 2,800,258	\$ 2,619,153	\$ 2,442,783	\$ 2,419,583
Contributions as a percentage of covered employee payroll	9.35%	10.24%	9.38%	10.61%	11.83%	16.49%	15.41%

Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 136,920	\$ 141,603	\$ 142,217	\$ 139,852	\$ 137,752	\$ 132,060	\$ 173,819
Contributions in relation to the contractually required contribution	136,920	141,603	142,217	139,852	137,752	132,060	173,819
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 987,137	\$ 1,141,654	\$ 1,171,836	\$ 1,149,173	\$ 1,062,882	\$ 1,033,753	\$ 993,984
Contributions as a percentage of covered employee payroll	13.87%	12.40%	12.14%	12.17%	12.96%	12.77%	17.49%

See paragraph on required supplementary information included in auditor's report.

WORCESTER CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND
REAL PROPERTY TAX LAW LIMIT
For Year Ended June 30, 2021

CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET

Original Budget		\$	11,623,926
Additions:			
Gifts and donations	\$		3,703
Board approved transfer to school lunch			50,000
Prior year's encumbrances		-	53,703
		-----	-----
Final Budget		\$	<u>11,677,629</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-22 Voter-approved Expenditure Budget		\$	11,700,578
Maximum allowed (4% of 2021-2022 Budget)			<u>468,023</u>
 General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:			
Unrestricted fund balance:			
Committed fund balance	\$		-
Assigned fund balance			750,000
Unassigned fund balance			2,300,391
Total unrestricted fund balance		-----	-----
		\$	<u>3,050,391</u>
 Less:			
Appropriated fund balance			750,000
Encumbrances included in committed and assigned fund balance			-
Total adjustments		-----	-----
		\$	<u>750,000</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law			<u>\$ 2,300,391</u>
Actual percentage			19.70%

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (originally Issued November 2010), the portion of General Fund Fund Balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

See paragraph on required supplementary information included in auditor's report.

WORCESTER CENTRAL SCHOOL DISTRICT
 SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
 For Year Ended June 30, 2021

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2021
			Prior Years	Current Year	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
Capital Project	\$ 34,670,000	\$ 34,670,000	\$ 33,514,800	\$ 204,136	\$ 33,718,936	\$ 951,064	\$ 32,076,574	\$ 322,961	\$ 1,232,862	\$ 33,632,397	\$ (86,539)
Buses 20-21	124,158	124,158	-	124,015	124,015	143	124,158	-	-	124,158	143
Smart Schools Bond Act	52,361	52,361	-	52,361	52,361	-	-	-	-	-	(52,361)
	<u>\$ 34,846,519</u>	<u>\$ 34,846,519</u>	<u>\$ 33,514,800</u>	<u>\$ 380,512</u>	<u>\$ 33,895,312</u>	<u>\$ 951,207</u>	<u>\$ 32,200,732</u>	<u>\$ 322,961</u>	<u>\$ 1,232,862</u>	<u>\$ 33,756,555</u>	<u>\$ (138,757)</u>

See paragraph on required supplementary information included in auditor's report.

WORCESTER CENTRAL SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2021

Capital assets, net		\$ 19,339,847
Deduct:		
Short-term portion of bonds payable	\$ 1,800,000	
Long-term portion of bonds payable	<u>14,515,000</u>	<u>16,315,000</u>
Net investment in capital assets		<u><u>\$ 3,024,847</u></u>

See paragraph on required supplementary information included in auditor's report.

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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 Board of Education of the
Worcester Central School District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Worcester Central School District as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated September 14, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Raymond G. Preusser, CPA, P.C.

Claverack, New York
September 14, 2021

RAYMOND G. PREUSSER, CPA, P.C.

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To the Board of Education of the
Worcester Central School District:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Worcester Central School District as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Worcester Central School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Worcester Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Worcester Central School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 14, 2021 on the financial statements of the Worcester Central School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Other Matters:

Reserve Plan

During our audit, we noted that the District does not have a written plan for the reserves. The Board is responsible for developing a written plan for use of its reserves. This plan should include when the reserves were formed, Section of Law, purpose, guidelines on funding levels and how and when disbursements should be made. Once the plan is completed it should be available on the District's website.

We have provided a sample of the reserve plan and noted that the District has commenced writing their plan to be in compliance and will be completed shortly.

This communication is intended solely for the information and use of the Board of Education, management, the audit committee, the New York State Education Department and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the Business Office personnel for their courtesies received during the course of our audit.

Very truly yours,
RAYMOND G. PREUSSER, CPA, P.C.



Scott R. Preusser