



**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

June 30, 2021

SOLVAY UNION FREE SCHOOL DISTRICT

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CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Education
Solvay Union Free School District
Solvay, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Solvay Union Free School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Solvay Union Free School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of Solvay Union Free School District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of changes in the District's total OPEB liability and related ratios, schedule of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual- general fund, schedule of district contributions and schedule of district's proportionate share of the net pension asset (liability) on pages 4–11, 49-52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Solvay Union Free School District's basic financial statements. The schedule of change from adopted budget to final budget and the real property tax limit, schedule of project expenditures – capital projects fund and net investment in capital assets on pages 53-55 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of change from adopted budget to final budget and the real property tax limit, schedule of project expenditures – capital projects fund and net investment in capital assets are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards

generally accepted in the United States of America. In our opinion, the schedule of change from adopted budget to final budget and the real property tax limit, schedule of project expenditures – capital projects fund and net investment in capital assets are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021 on our consideration of Solvay Union Free School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Syracuse, New York
September 20, 2021

SOLVAY UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The following is a discussion and analysis of the Solvay Union Free School District's (the District) financial performance for the fiscal year ended June 30, 2021. The section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- Total liabilities increased \$6,566,000 compared to 2020. The primary driver was due an increase in bond anticipation notes payable of \$15,530,000 for the District's ongoing capital projects. The increase in total liabilities was offset by a decrease in the District's other post-employment benefits liability of \$6,122,000 due to changes in assumptions used in the current year.
- Overall net position decreased \$3,205,000 due to expenses exceeding revenues. Total revenues were \$36,821,000 and expenses were \$40,026,000 based on full accrual accounting as reflected in the statement of net position.
- Total assets increased \$15,145,000 compared to 2020 primarily from the District's \$7,774,000 of capital expenditures in the current year related to the 2018 construction project and capital outlay projects offset by ordinary depreciation of capital assets. Capital assets, net, increased \$7,824,000 due to the ongoing capital projects.

Overview of the Financial Statements

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

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

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

SOLVAY UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

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

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

SOLVAY UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

District-Wide Statements

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

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets, deferred outflow of resources, liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by New York State law and by bond covenants. Generally, the District is required by New York State General Municipal Law (para. 36) to follow the system of accounts formulated and prescribed by the New York State Comptroller.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has the following funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information in the notes to the financial statements explains the relationship (or differences) between them.

SOLVAY UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities. (Rounded to the nearest thousand)

Table 1:

	Governmental Activities and Total School District		Total Percentage Change
	2021	2020	2020-2021
Current and Other Assets	\$ 26,102,000	\$ 15,189,000	71.85%
Capital Assets	59,770,000	53,701,000	11.30%
Net pension asset	-	1,904,000	-100.00%
Total Assets	<u>85,872,000</u>	<u>70,794,000</u>	21.30%
Deferred Outflow of Resources	<u>29,786,000</u>	<u>25,539,000</u>	16.63%
Total Assets and deferred outflow of resources	<u>\$ 115,658,000</u>	<u>\$ 96,333,000</u>	
Long-Term Liabilities-Due in One Year	\$ 33,839,000	\$ 21,456,000	57.71%
Long-Term Liabilities-Due in More than One Year	73,818,000	80,254,000	-8.02%
Net pension liability	1,992,000	3,099,000	-35.72%
Other Liabilities	<u>2,768,000</u>	<u>1,026,000</u>	169.79%
Total Liabilities	<u>112,417,000</u>	<u>105,835,000</u>	6.22%
Deferred Inflow of Resources	<u>20,118,000</u>	<u>4,170,000</u>	382.45%
Net Position:			
Invested in Capital Assets	59,770,000	53,701,000	11.30%
Related Debt	(35,580,000)	(22,574,000)	57.61%
Restricted	16,927,000	10,331,000	63.85%
Unrestricted Net Deficit, as restated	<u>(57,994,000)</u>	<u>(55,130,000)</u>	5.19%
Total Net Position, as restated	<u>(16,877,000)</u>	<u>(13,672,000)</u>	23.44%
Total Liabilities and Net Position	<u>\$ 115,658,000</u>	<u>\$ 96,333,000</u>	

SOLVAY UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (continued)

Table 2:

	Governmental Activities and Total School District		Total Percentage Change
	2021	2020	2020-2021
REVENUES			
Program Revenues:			
Charges for Services	\$ 861,000	\$ 1,196,000	-28.01%
Operating Grants and Contributions	2,442,000	2,325,000	5.03%
General Revenue:			
Property Taxes and Other Tax Items	15,524,000	12,779,000	21.48%
State Sources	16,338,000	16,054,000	1.77%
Other General Revenues	1,656,000	3,768,000	-56.05%
Total Revenues	<u>36,821,000</u>	<u>36,122,000</u>	1.94%
PROGRAM EXPENSES			
General Support	6,337,000	6,899,000	-8.15%
Instruction	29,779,000	29,835,000	-0.19%
Transportation	2,440,000	2,786,000	-12.42%
Debt Service	748,000	715,000	4.62%
School Lunch Program	722,000	720,000	0.28%
Total Program Expenses	<u>40,026,000</u>	<u>40,955,000</u>	
Total Expenses	<u>40,026,000</u>	<u>40,955,000</u>	-2.27%
Decrease in Net Position	<u>\$ (3,205,000)</u>	<u>\$ (4,833,000)</u>	-33.69%

SOLVAY UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (continued)

Table 3 presents the cost of each of the District's largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. (Rounded to the nearest thousand)

Table 3
Governmental Activities

	Total cost of services		Net cost of services	
	2021	2020	2021	2020
General Support	\$ 6,337,000	\$ 6,899,000	\$ 6,337,000	\$ 6,899,000
Instruction	29,779,000	29,835,000	27,474,000	27,166,000
Pupil Transportation	2,440,000	2,786,000	2,440,000	2,786,000
Debt Service - Interest	748,000	715,000	748,000	715,000
School Lunch Program	722,000	720,000	(276,000)	(133,000)
Total	\$40,026,000	\$40,955,000	\$36,723,000	\$37,433,000

Financial Analysis of the School District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with the New York State Comptroller.

Governmental Funds

The purpose of the District's governmental funds is to account for and provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between assigned or unassigned balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities and postemployment obligations that are not recognized in the governmental funds. Fund balances for capital projects are restricted by State law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

SOLVAY UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Financial Analysis of the School District's Funds (continued)

General Fund Budgetary Highlights

The budgetary comparison information in supplemental schedule 2 presents both adopted and final modified budget totals compared with actual results for the General Fund for the year ended June 30, 2021. The significant variances between the adopted and the final budget for 2021 were as follows:

Voter Approved Budget	\$ 35,100,000
Board Approved Budget Adjustments	6,390
2020 Additional Appropriations:	
Encumbrances Carryover	124,018
Final Budget	\$ 35,230,408

Capital Assets and Debt Administration

Capital Assets

At June 30, 2021, the District had approximately \$87 million invested in a broad range of capital assets including buildings, transportation equipment, computer equipment, and furniture and fixtures. Table 4 categorically illustrates the District's capital assets.

Table 4:	Governmental Activities and Total School District		Total Percentage Change
	2021	2020	2020-2021
Land	\$ 247,500	\$ 247,500	0.00%
Construction in Progress	8,418,922	731,836	1050.38%
Buildings and Improvements	69,801,538	69,714,709	0.12%
Machinery and Equipment	8,120,126	8,070,299	0.62%
Total	\$ 86,588,086	\$ 78,764,344	9.93%

SOLVAY UNION FREE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Long-Term Obligations

At June 30, 2021, the District had approximately \$84 million in long-term obligations. Table 5 provides a summary of these obligations. The notes to the basic financial statements provide additional details regarding these obligations.

Table 5:	Total School District		Total Percentage Change
	2021	2020	2020-2021
General Obligation Bonds (Financed with Property Taxes)	\$ 10,050,433	\$ 12,574,493	-20.07%
Other Postemployment Benefits	70,630,466	76,752,878	-7.98%
Pension Liability	1,992,082	3,098,841	-35.72%
Workers compensation	739,857	462,561	59.95%
Compensated Absences	705,787	665,613	6.04%
Total Long-term Liabilities	\$ 84,118,625	\$ 93,554,386	-10.09%

Factors bearing on the District's Future

- At June 30, 2021, the District had exhausted 1.62% of its constitutional debt limit.
- Employer contributions for Teachers' Retirement System and Employees' Retirement System may continue to fluctuate but not as much as recent years.

Contacting the District's Financial Management

This financial report is designed 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 money it receives. If you have questions about this report or need additional financial information, contact the School District Business Office at PO Box 980, Syracuse, New York 13209.

SOLVAY UNION FREE SCHOOL DISTRICT

Statement of Net Position

June 30, 2021

ASSETS

Cash		
Unrestricted	\$	6,295,352
Restricted		16,927,266
Receivables		
State and federal aid		2,254,205
Other		607,940
Inventories		16,829
Capital assets, net		<u>59,770,035</u>
Total assets		<u>85,871,627</u>

DEFERRED OUTFLOW OF RESOURCES

Other postemployment benefits		20,612,898
Pensions		<u>9,173,400</u>
Total deferred outflow of resources		<u>29,786,298</u>
Total assets and deferred outflow of resources	\$	<u><u>115,657,925</u></u>

LIABILITIES

Accounts payable	\$	636,732
Accrued liabilities		657,921
Due to teachers' retirement system		1,289,539
Due to employees' retirement system		183,875
Notes payable		
Bond anticipation		25,530,000
Long-term liabilities		
Due and payable within one year		
Bonds payable		2,149,060
Other postemployment benefits payable		6,159,903
Due and payable after one year		
Bonds payable		7,901,373
Other postemployment benefits payable		64,470,563
Workers compensation		739,857
Compensated absences payable		705,787
Net pension liability- proportionate share		<u>1,992,082</u>
Total liabilities		<u>112,416,692</u>

DEFERRED INFLOW OF RESOURCES

Other postemployment benefits		15,644,782
Pensions		<u>4,473,259</u>
Total deferred inflow of resources		<u>20,118,041</u>

NET POSITION

Net investment in capital assets		24,189,602
Restricted		16,927,266
Unrestricted (deficit)		<u>(57,993,676)</u>
Total net position (deficit)		<u>(16,876,808)</u>
Total liabilities, deferred inflow of resources and net position (deficit)	\$	<u><u>115,657,925</u></u>

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2021

	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ (5,022,534)	\$ (1,314,253)	\$ -	\$ -	\$ (6,336,787)
Instruction	(22,769,562)	(7,009,347)	860,109	1,445,002	(27,473,798)
Pupil transportation	(2,001,639)	(438,084)	-	-	(2,439,723)
Employee benefits	(8,761,684)	8,761,684	-	-	-
Debt service - interest	(299,695)	-	-	-	(299,695)
School lunch program	(722,167)	-	673	996,606	275,112
Total functions and programs	<u>\$ (39,577,281)</u>	<u>\$ -</u>	<u>\$ 860,782</u>	<u>\$ 2,441,608</u>	<u>(36,274,891)</u>
GENERAL REVENUES					
Real property taxes					13,195,300
Other real property tax items					2,329,012
Nonproperty taxes					46,993
Use of money and property					607,730
Sale of property and loss on disposal					(22,097)
State sources					16,337,530
Miscellaneous					575,521
Total general revenues					<u>33,069,989</u>
Change in net position					(3,204,902)
Total net deficit - beginning of year, as restated					<u>(13,671,906)</u>
Total net deficit - end of year					<u>\$ (16,876,808)</u>

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2021

	General	Special Aid	School Food Service Fund	Debt Service	Capital Projects Fund	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 6,294,417	\$ -	\$ 935	\$ -	\$ -	\$ 6,295,352
Restricted	8,284,535	75,422	-	1,830,549	6,736,760	16,927,266
Receivables						
State and federal aid	1,377,305	727,286	149,614	-	-	2,254,205
Due from other funds	1,098,114	324,146	20,007	262,545	762,467	2,467,279
PILOT, transportation and other	606,753	-	-	1,187	-	607,940
Inventories	-	-	16,829	-	-	16,829
Total assets	<u>\$ 17,661,124</u>	<u>\$ 1,126,854</u>	<u>\$ 187,385</u>	<u>\$ 2,094,281</u>	<u>\$ 7,499,227</u>	<u>\$ 28,568,871</u>
LIABILITIES						
Accounts payable	\$ 100,114	\$ 19,110	\$ 861	\$ -	\$ 516,647	\$ 636,732
Accrued liabilities and deferred revenue	613,854	21,764	6,433	-	-	642,051
Due to other funds	1,112,554	1,085,980	6,200	-	262,545	2,467,279
Bond anticipation note payable	-	-	-	-	25,530,000	25,530,000
Due to teachers' retirement system	1,289,539	-	-	-	-	1,289,539
Due to employees' retirement system	108,176	-	75,699	-	-	183,875
Total liabilities	<u>3,224,237</u>	<u>1,126,854</u>	<u>89,193</u>	<u>-</u>	<u>26,309,192</u>	<u>30,749,476</u>
FUND BALANCES						
Nonspendable:						
Reserved for inventory	-	-	16,829	-	-	16,829
Restricted for:						
Reserved for tax certiorari	800,072	-	-	-	-	800,072
Reserved for workers' compensation	1,750,000	-	-	-	-	1,750,000
Reserved for unemployment insurance	400,000	-	-	-	-	400,000
Reserved for retirement	2,250,000	-	-	-	-	2,250,000
Reserved for teacher's retirement contribution	734,463	-	-	-	-	734,463
Reserved for employee benefits	2,250,000	-	-	-	-	2,250,000
Reserved for insurance	100,000	-	-	-	-	100,000
Committed to:						
Committed fund balance	82,361	-	-	-	-	82,361
Assigned to:						
Assigned appropriated fund balance	1,600,000	-	-	-	-	1,600,000
Assigned unappropriated fund balance	250,482	-	81,363	2,094,281	-	2,426,126
Unassigned:						
Unassigned fund balance	4,219,509	-	-	-	(18,809,965)	(14,590,456)
Total fund balances	<u>14,436,887</u>	<u>-</u>	<u>98,192</u>	<u>2,094,281</u>	<u>(18,809,965)</u>	<u>(2,180,605)</u>
Total liabilities and fund balances	<u>\$ 17,661,124</u>	<u>\$ 1,126,854</u>	<u>\$ 187,385</u>	<u>\$ 2,094,281</u>	<u>\$ 7,499,227</u>	<u>\$ 28,568,871</u>

See notes to basic financial statements

SOLVAY UNION FREE 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				
Cash				
Unrestricted	\$ 6,295,352	\$ -	\$ -	\$ 6,295,352
Restricted for reserves	16,927,266	-	-	16,927,266
Receivables				
State and federal aid	2,254,205	-	-	2,254,205
Due from other funds	2,467,279	-	(2,467,279)	-
PILOT, transportation and other	607,940	-	-	607,940
Inventories	16,829	-	-	16,829
Capital assets, net	-	59,770,035	-	59,770,035
Net pension asset- proportionate share	-	-	-	-
Total assets	<u>28,568,871</u>	<u>59,770,035</u>	<u>(2,467,279)</u>	<u>85,871,627</u>
DEFERRED OUTFLOW OF RESOURCES				
Other postemployment benefits	-	20,612,898	-	20,612,898
Pensions	-	9,173,400	-	9,173,400
Total deferred outflow of resources	-	29,786,298	-	29,786,298
	<u>\$ 28,568,871</u>	<u>\$ 89,556,333</u>	<u>\$ (2,467,279)</u>	<u>\$ 115,657,925</u>
LIABILITIES				
Payables				
Accounts payable	\$ 636,732	\$ -	\$ -	\$ 636,732
Accrued liabilities	642,051	15,870	-	657,921
Due to other funds	2,467,279	-	(2,467,279)	-
Due to employees' retirement system	183,875	-	-	183,875
Due to teachers' retirement system	1,289,539	-	-	1,289,539
Bond anticipation note payable	25,530,000	-	-	25,530,000
Long-term debt-due within one year				
Bonds payable	-	2,149,060	-	2,149,060
Other postemployment benefits payable	-	6,159,903	-	6,159,903
Long-term debt-due in more than one year				
Bonds payable	-	7,901,373	-	7,901,373
Other postemployment benefits payable	-	64,470,563	-	64,470,563
Workers compensation	-	739,857	-	739,857
Compensated absences	-	705,787	-	705,787
Net pension liability- proportionate share	-	1,992,082	-	1,992,082
Total liabilities	<u>30,749,476</u>	<u>84,134,495</u>	<u>(2,467,279)</u>	<u>112,416,692</u>
DEFERRED INFLOWS OF RESOURCES				
Other postemployment benefits	-	15,644,782	-	15,644,782
Pensions	-	4,473,259	-	4,473,259
Total deferred inflow of resources	-	20,118,041	-	20,118,041
FUND BALANCE/NET POSITION				
Total fund balance/net position	<u>(2,180,605)</u>	<u>(14,696,203)</u>	<u>-</u>	<u>(16,876,808)</u>
	<u>\$ 28,568,871</u>	<u>\$ 89,556,333</u>	<u>\$ (2,467,279)</u>	<u>\$ 115,657,925</u>

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2021

	General	Special Aid	School Food Service Fund	Debt Service	Capital Projects Fund	Governmental Funds
REVENUES						
Real property taxes	\$ 13,195,300	\$ -	\$ -	\$ -	\$ -	\$ 13,195,300
Other real property tax items	2,329,012	-	-	-	-	2,329,012
Nonproperty taxes	46,993	-	-	-	-	46,993
Charges for services	860,109	-	-	-	-	860,109
Use of money and property	606,501	-	9	1,220	-	607,730
Sale of property and compensation for loss	1,438	-	-	-	-	1,438
State sources	15,747,519	439,411	72,294	-	150,600	16,409,824
Sales	-	-	673	-	-	673
Miscellaneous	573,979	-	-	-	1,542	575,521
Federal sources	-	1,445,002	924,312	-	-	2,369,314
Total revenues	<u>33,360,851</u>	<u>1,884,413</u>	<u>997,288</u>	<u>1,220</u>	<u>152,142</u>	<u>36,395,914</u>
EXPENDITURES						
General support	3,123,373	-	-	-	-	3,123,373
Instruction	14,665,757	2,227,014	-	-	-	16,892,771
Pupil transportation	1,360,331	-	-	-	-	1,360,331
School food program	-	-	722,167	-	-	722,167
Employee benefits	8,257,740	-	176,929	-	-	8,434,669
Debt service						
Principal	312,000	-	-	2,450,000	-	2,762,000
Interest	314,949	-	-	470,725	-	785,674
Capital outlay	359,336	-	-	-	7,773,914	8,133,250
Total expenditures	<u>28,393,486</u>	<u>2,227,014</u>	<u>899,096</u>	<u>2,920,725</u>	<u>7,773,914</u>	<u>42,214,235</u>
Excess (deficiency) of revenues over expenditures	<u>4,967,365</u>	<u>(342,601)</u>	<u>98,192</u>	<u>(2,919,505)</u>	<u>(7,621,772)</u>	<u>(5,818,321)</u>
OTHER FINANCING SOURCES AND USES						
Proceeds from debt	-	-	-	-	-	-
Premium on obligations	-	-	-	448,349	-	448,349
BANs redeemed from appropriations	-	-	-	-	312,000	312,000
Interfund transfers	(3,347,153)	342,601	-	2,920,725	83,827	-
Total other sources (uses)	<u>(3,347,153)</u>	<u>342,601</u>	<u>-</u>	<u>3,369,074</u>	<u>395,827</u>	<u>760,349</u>
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	<u>1,620,212</u>	<u>-</u>	<u>98,192</u>	<u>449,569</u>	<u>(7,225,945)</u>	<u>(5,057,972)</u>
Fund balance (deficit) - beginning of year, as restated	<u>12,816,675</u>	<u>-</u>	<u>-</u>	<u>1,644,712</u>	<u>(11,584,020)</u>	<u>2,877,367</u>
Fund balance (deficit) - end of year	<u>\$ 14,436,887</u>	<u>\$ -</u>	<u>\$ 98,192</u>	<u>\$ 2,094,281</u>	<u>\$ (18,809,965)</u>	<u>\$ (2,180,605)</u>

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT

**Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities**

For the 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	\$ 13,195,300	\$ -	\$ -	\$ -	\$ 13,195,300
Other real property tax items	2,329,012	-	-	-	2,329,012
Nonproperty taxes	46,993	-	-	-	46,993
Charges for services	860,109	-	-	-	860,109
Use of money and property	607,730	-	-	-	607,730
Sale of property and compensation for loss	1,438	-	(23,535)	-	(22,097)
State sources	16,409,824	-	-	-	16,409,824
Federal sources	2,369,314	-	-	-	2,369,314
Sales - school food programs	673	-	-	-	673
Miscellaneous	575,521	-	-	-	575,521
Total revenues	36,395,914	-	(23,535)	-	36,372,379
EXPENDITURES/EXPENSES					
General support	3,123,373	(215,183)	1,399,072	715,272	5,022,534
Instruction	16,892,771	1,823,013	238,995	3,814,783	22,769,562
Pupil transportation	1,360,331	-	402,884	238,424	2,001,639
School food programs	722,167	-	-	-	722,167
Employee benefits	8,434,669	-	-	327,015	8,761,684
Debt service	3,547,674	-	-	(3,247,979)	299,695
Capital outlay	8,133,250	-	(8,133,250)	-	-
Total expenditures/expenses	42,214,235	1,607,830	(6,092,299)	1,847,515	39,577,281
Excess (deficiency) of revenues over expenditures/expenses	(5,818,321)	(1,607,830)	6,068,764	(1,847,515)	(3,204,902)
OTHER SOURCES AND USES					
Proceeds from debt	-	-	-	-	-
BANs redeemed from appropriations	312,000	-	-	(312,000)	-
Premium on obligations	448,349	-	-	(448,349)	-
Total other sources (uses)	760,349	-	-	(760,349)	-
Net change for the year	\$ (5,057,972)	\$ (1,607,830)	\$ 6,068,764	\$ (2,607,864)	\$ (3,204,902)

See notes to basic financial statements

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 – Summary of certain significant accounting policies

The financial statements of the Solvay Union Free School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are 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 used by the District are described below:

A) Reporting entity:

The Solvay Union Free 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 and its component unit(s) and other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District’s reporting entity.

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office. The District accounts for assets held for various student organizations in the general fund.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

B) Joint venture:

The District is a component district in Onondaga-Cortland-Madison BOCES (OCMBOCES). There are 23 participating school districts, including Solvay, in OCMBOCES. The participation in OCMBOCES is accounted for as a joint venture by the District since it has both an ongoing financial interest and an ongoing financial responsibility to OCMBOCES. The District has an ongoing financial interest since OCMBOCES pays surpluses to the component districts on an annual basis, although the District has no equity interest in OCMBOCES. The District does not control the financial or operating policies of OCMBOCES, however, it has an ongoing financial responsibility since the continued existence of OCMBOCES depends on continued funding from the participating school districts.

A Board of Cooperative Education Services (BOCES) is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

During the year, the District was billed \$2,756,201 for OCMBOCES administrative and program costs and the District's share of OCMBOCES aid amounted to \$1,025,517.

Financial statements for the OCMBOCES are available from the OCMBOCES administrative office. As of June 30, 2020 (the most recent available audited financial statements), OCMBOCES has a total net position (deficit) of \$(187,250,589).

C) Basis of presentation:

i) District-wide statements:

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

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.

ii) Fund financial statements:

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

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition and school store operations or 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. Special revenue funds include the following:

Special Aid Fund: Used to account for special operating projects or programs supported in whole, or in part with Federal funds or State or Local grants.

School Food Service Fund: Used to account for transactions of the lunch and breakfast programs.

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

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of the capital assets up to the balance of related bonds outstanding.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain 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 transaction or events for recognition in the financial statements.

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year as it matches the liquidation of related obligations.

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

E) Property taxes:

Real property taxes are levied annually by the Board of Education no later than September 1, 2020. Taxes were collected during the period September 2, 2020 to October 31, 2020. Uncollected real property taxes are subsequently enforced by Onondaga County (the County), in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

F) Restricted resources:

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

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

G) Interfund transactions:

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

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different funds. Eliminations have been made for all interfund receivables and payables between the 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 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenue activity.

H) Estimates:

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

I) 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 Federal Deposit Insurance Corporation (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. Investments are stated at fair value.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

J) Accounts receivable:

Accounts receivable are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K) Inventories and prepaid items:

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amount is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed. A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures.

L) Capital assets:

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$10,000	Straight Line	50 years
Furniture and equipment	5,000	Straight Line	5-10 years

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

M) Deferred outflows and inflows of resources

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

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance 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 four items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

N) Pension Obligations

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

Plan Description and Benefits Provided:

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

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

N) Pension Obligations (continued):

employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a Statute. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

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

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

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

	NYSTRS	NYSERS
2020-2021	\$ 1,280,707	\$ 467,443
2019-2020	1,078,031	388,717
2018-2019	1,299,308	439,066

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

N) Pension Obligations (continued):

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

Pension Liabilities, Pension Expense (Credit), 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.

	ERS	TRS
Actuarial valuation date	4/1/2020	6/30/2019
Net pension asset/ (liability)	\$ (11,546)	\$ (1,980,536)
District's portion of the Plan's total net pension asset/ (liability)	0.0115959%	0.071674%

For the year ended June 30, 2021, the District recognized is proportionate share of pension expense of \$286,728 for ERS and the actuarial value \$2,680,522 for TRS. At June 30, 2021, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflow of resources		Deferred inflow of resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 141,014	\$1,735,346	\$ -	\$ 101,499
Changes of assumptions	2,123,029	2,504,917	40,041	892,872
Net difference between projected and actual earnings on pension plan investment:	-	1,293,464	3,316,834	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	56,272	138,113	9,964	112,049
District's contribution subsequent to the measurement date	-	1,181,245	-	-
Total	\$2,320,315	\$6,853,085	\$ 3,366,839	\$ 1,106,420

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

N) Pension Obligations (continued):

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/ (liability) in the year ended March 31, 2022 for ERS and June 30, 2021 for TRS. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	ERS	TRS
2021	\$ -	\$ 785,551
2022	(179,143)	1,571,476
2023	(57,429)	1,286,680
2024	(173,597)	784,093
2025	(636,355)	32,710
Thereafter	-	104,910
	\$ (1,046,524)	\$ 4,565,420

Actuarial Assumptions

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

	ERS	TRS
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.90%	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	2.70%	2.20%

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

N) Pension Obligations (continued):

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System’s experience with adjustments for mortality improvements based on the Society of Actuaries’ Scale AA. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2014. For TRS, the actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. 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.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected 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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Type	ERS		TRS	
	Target Allocation	Long-term expected	Target Allocation	Long-term expected
	2021	2021	2020	2020
Domestic equity	32%	4%	33%	7%
International equity	15%	6%	16%	8%
Real estate	9%	5%	11%	7%
Private equities	10%	7%	8%	10%
Fixed income	23%	0%	0%	0%
Credit	4%	4%	0%	0%
Global equities	0%	0%	4%	7%
Domestic fixed income	0%	0%	16%	2%
Global bonds	0%	0%	2%	1%
High-yield bonds	0%	0%	1%	4%
Opportunistic portfolio	3%	5%	0%	0%
Cash	1%	1%	1%	1%
Private debt	0%	0%	1%	5%
Absolute return strategies	0%	3%	0%	0%
Real assets	3%	6%	0%	0%
Real estate debt	0%	0%	7%	4%
	<u>100%</u>		<u>100%</u>	

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

N) Pension Obligations (continued):

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

The following represents the District's proportionate share of the net pension asset/(liability) as of June 30, 2021 calculated using the discount rate of 5.90% of 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 (5.80% for ERS and 6.10% for TRS) or 1-percentage point higher (7.80% for ERS and 8.10% for TRS) than the current rate:

ERS	1% Decrease <u>(4.90%)</u>	Current Assumption <u>(5.90%)</u>	1% Increase <u>(6.90%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ 3,204,861	\$ (11,546)	\$ (2,933,437)
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)	\$ (12,510,364)	\$ (1,980,536)	\$ 6,856,658

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

Collective pension expense includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflow of resources and deferred inflow of resources for the current period. The collective pension expense for the year ended June 30, 2021 is \$2,312,200,000 for ERS and \$3,727,814,187 for TRS.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

N) Pension Obligations (continued):

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 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 covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2021 amounted to \$1,289,539.

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 covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$183,875 of employer contributions. Employee contributions are remitted monthly.

O) Unearned and deferred revenues:

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

P) Vested employee benefits:

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. A liability of \$41,892 has been included in accrued liabilities and deferred revenue in the general fund.

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

Q) Other benefits:

District employees participate in the New York State Teacher's Retirement System or the New York State and Local Employees' Retirement System. In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The 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 expenditure.

R) Short-term debt:

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

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. Such notes may be classified as part of the general long-term debt account group when (1) intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance-sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

S) Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due. Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

T) Equity classifications:

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

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements 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 the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

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

Non-spendable fund balance – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$16,829.

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 District has established the following restricted fund balances.

Employee Benefit Accrued Liability

According to GML §6-p, fund must be for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

Workers' Compensation

According to GML §6-j, fund must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. 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 excess applied to the appropriations of the next succeeding fiscal years' budget.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

T) Equity classifications (continued):

Retirement Contributions & Teacher's Retirement Contributions

According to GML §6-r, the purpose of this fund is to accumulate moneys for the payment of retirement contributions to the New York State and Local Employees' Retirement System ("ERS"), pursuant to the Retirement and Social Security Law. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. The Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of GML §6-r.

Tax Certiorari Reserve

According to Education Law §3651.1-a, fund must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is primarily composed of proceedings beginning in July 2019.

Unemployment Insurance Reserve

According to GML §6-m, fund must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. Encumbrances held by the district at June 30, 2021 totaled \$250,482.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

T) Equity classifications (continued):

Restricted fund balance includes the following:

Description	
Teacher's Retirement Contribution Reserve	\$ 734,463
Workers' Compensation Reserve	1,750,000
Unemployment Insurance Reserve	400,000
Reserve for Employee Benefit Accrual Liability	2,250,000
Reserve for Retirement Contributions	2,250,000
Reserve for Insurance	100,000
Reserve for Tax Certiorari	800,072
	\$ 8,284,535

Committed – includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has committed fund balance of \$82,361 as of June 30, 2021.

Assigned – includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund. Assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. All encumbrances of General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances in the General Fund amounted to \$250,482. Appropriated fund balance in the General fund amounted to \$1,850,482. Any remaining fund balance in other funds is considered assigned. As of June 30, 2021, the District's General Fund encumbrances were classified as follows:

General support	\$ 144,570
Instruction	76,250
Pupil transportation	26,092
Employee benefits	3,570
	\$ 250,482

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. 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.

New York State 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. Non-spendable and restricted fund balance of the General Fund are also excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. For the year ended June 30, 2021, the balance of the District's unassigned fund in the General Fund exceeds the 4% limitation. See Supplemental Schedule #5 for more information.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

T) Equity classifications (continued):

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

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

Order 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 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.

U) 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 standard issued by GASB:

GASB Statement No. 84- Fiduciary Activities Effective for the year ending June 30, 2021

GASB Statement No. 90- Accounting and Financial Reporting for Majority Equity Interest. Effective for the year ended June 30, 2021.

The adoption of GASB No. 84 resulted in the removal of the District's Fiduciary statements, reclassification of those previously reported activities in the general fund, and restatement of net position in the general fund by \$83,351.

V) Future changes in accounting standards

GASB Statement No. 87- Leases Effective for the year ending June 30, 2022

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

GASB Statement No. 91- Conduct Debt Obligations Effective for the year ending June 30, 2023.

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

GASB has issued Statement No. 93, Replacement of Interbank Offered Rates, effective for the year ending June 30, 2021 (paragraphs 11b, 13, and 14 are effective for the year ending June 30, 2022).

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 - Summary of certain significant accounting policies (continued)

V) Future changes in accounting standards (continued)

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

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

GASB has issued Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, effective for the year ending June 30, 2022 (the requirements in paragraph 4, as they apply to defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans, and paragraph 5 were effective as of June 2020). The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Note 2 - Explanation of certain differences between fund statements and District-wide statements

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

A) Total fund balances of Governmental Funds versus Net Position of Governmental Activities:

Total fund balance of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions and post-employment benefits.

B) 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 five broad categories. This reconciliation is performed on page 17.

i) 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.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 2 - Explanation of certain differences between fund statements and District-wide statements (continued)

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on 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 fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the 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.

iv) 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.

v) OPEB differences

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

Note 3 – Stewardship, compliance and accountability

Budgets

The District administration prepares a proposed budget for approval by the Board of Education, which in turn is either approved or disapproved by eligible voters in the District.

The voters of the District approved the proposed appropriation budget for the General Fund on June 16, 2020. Appropriations are adopted at the program line item level.

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

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 3 – Stewardship, compliance and accountability (continued)

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. The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2021. 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.

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. The portion of the District's fund balance subject to the New York State Real Property Tax Law §1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year.

The Capital Projects Fund had a deficit fund balance of \$(18,809,965). The District is currently working on obtaining financing for a voter approved capital project. When long-term financing is obtained, the District will recognize the appropriate amount of revenue for this financing which will fund the current deficit balance.

Note 4 – Cash and cash equivalents

Total financial institution bank balances at year-end, per the bank, were \$23,788,645. These deposits are insured or collateralized with securities held by the financial institution in the District's name.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$16,927,266 within the governmental funds for various fund balance reserves in the general fund, and voter approved capital project.

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2021, all deposits were fully insured and collateralized by the District's agent in the District's name.

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with Federal, State and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investing activity is the responsibility of the Business Administrator of the District.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 4 – Cash and cash equivalents (continued):

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts
- Certificates of deposit
- Obligations of the United States Treasury and United States Agencies
- Obligations of New York State and its localities

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 5 - Capital assets

Capital asset balances and activity were as follows:

	Beginning Balance	Additions	Reclassifications/ Deletions	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 247,500	\$ -	\$ -	\$ 247,500
Construction in progress	731,836	8,418,922	(731,836)	8,418,922
Total nondepreciable	<u>979,336</u>	<u>8,418,922</u>	<u>(731,836)</u>	<u>8,666,422</u>
Capital assets that are depreciated:				
Buildings and improvements	69,244,212	86,829	-	69,331,041
Land improvements	470,497	-	-	470,497
Machinery and equipment	3,491,827	69,318	-	3,561,145
Leased vehicles	4,578,472	290,017	(309,508)	4,558,981
Total depreciable assets	<u>77,785,008</u>	<u>446,164</u>	<u>(309,508)</u>	<u>77,921,664</u>
Less accumulated depreciation:				
Buildings and improvements	(19,590,769)	(1,265,908)	-	(20,856,677)
Land improvements	(464,360)	(4,560)	-	(468,920)
Machinery and equipment	(2,337,349)	(273,552)	-	(2,610,901)
Licensed vehicles	(2,670,595)	(496,931)	285,973	(2,881,553)
Total accumulated depreciation	<u>(25,063,073)</u>	<u>(2,040,951)</u>	<u>285,973</u>	<u>(26,818,051)</u>
Total depreciated assets, net	<u>\$ 53,701,271</u>	<u>\$ 6,824,135</u>	<u>\$ (755,371)</u>	<u>\$ 59,770,035</u>
Depreciation expense was charged to governmental functions as follows:				
General support		\$ 1,399,072		
Instruction		238,995		
Pupil transportation		402,884		
		<u>\$ 2,040,951</u>		

Note 6 – Short-Term Debt:

Transactions in short-term debt for the year are summarized below:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	7/10/2020	2.00%	<u>\$ 10,000,000</u>	<u>-</u>	<u>10,000,000</u>	<u>\$ -</u>
BAN	6/30/2021	1.25%	<u>\$ -</u>	<u>25,842,000</u>	<u>25,842,000</u>	<u>\$ -</u>
BAN	7/29/2022	1.25%	<u>\$ -</u>	<u>25,530,000</u>	<u>-</u>	<u>\$ 25,530,000</u>

The BAN is a general obligation of the District. The purpose of the BAN was to provide financing for the November 2017 approved capital project with a maximum estimated cost of \$28,242,000 with financing not to exceed \$25,842,000.

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

Interest paid	\$ 314,949
Less: interest accrued in the prior year	(198,889)
Plus: interest accrued in the current year	<u>56,434</u>
Total interest on short-term debt	<u>\$ 172,494</u>

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 7 - Long-term obligations

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The provisions will be in the General Fund's future budgets for capital indebtedness. Long-term obligations and activity for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Government Activities					
Bonds payable	\$ 12,574,493	\$ -	\$ 2,524,060	\$10,050,433	\$ 2,149,060
Other Obligations					
Net pension liability	3,098,841	-	1,106,759	1,992,082	-
Other postemployment benefits payable	76,752,878	11,630,302	17,752,714	70,630,466	6,159,903
Workers compensation	462,561	277,296	-	739,857	-
Compensated absences	665,613	40,174	-	705,787	-
Total Long-term Obligations	\$ 93,554,386	\$11,947,772	\$ 21,383,533	\$84,118,625	\$ 8,308,963

The General fund has typically been used to liquidate long-term liabilities such as compensated absences.

The following is a schedule of bonds outstanding at June 30, 2021:

Payable from/ Description	Date of Original Issue	Original Amount	Date of Final Maturity	Interest Rate (%)	Outstanding Amount
Refunding of 2012 Bonds	8/1/2012	\$ 17,695,000	6/15/2025	2.00-3.00%	2,935,000
Serial Bonds 2010	6/15/2010	\$ 2,610,198	6/15/2023	3.25-4.00%	765,000
Serial Bonds 2016	6/15/2016	\$ 2,235,000	6/15/2030	2.00-5.00%	1,620,000
Serial Bonds 2018	6/7/2018	\$ 4,565,000	6/15/2034	3.375-5.00%	3,900,000
Serial Bonds 2016-Premium	6/15/2016	\$ 463,234	6/15/2030	2.00-5.00%	297,793
Serial Bonds 2018-Premium	6/7/2018	\$ 655,556	6/15/2034	3.375-5.00%	532,640
					<u>\$ 10,050,433</u>

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 7 - Long-term obligations (continued)

The following is a summary of the maturity of long-term indebtedness:

Fiscal year ended June 30,	Principal	Interest	Total
2022	\$ 2,149,060	\$ 380,875	\$ 2,529,935
2023	2,199,060	316,831	2,515,891
2024	754,060	243,406	997,466
2025	669,060	212,781	881,841
2026	574,060	184,231	758,291
2027-2031	3,007,215	530,406	3,537,621
2032-2036	697,918	36,094	734,012
Totals	<u>\$ 10,050,433</u>	<u>\$ 1,904,624</u>	<u>\$ 11,955,057</u>

Interest paid and expensed on long-term obligations for the year was \$470,725.

Note 8 – Interfund balances and activity

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,098,114	\$ 1,112,554	\$ -	\$ 3,347,153
Special Aid Fund	324,146	1,085,980	342,601	-
School Lunch Fund	20,007	6,200	-	-
Debt Service Fund	262,545	-	2,920,725	-
Capital Projects Fund	762,467	262,545	83,827	-
	<u>\$ 2,467,279</u>	<u>\$ 2,467,279</u>	<u>\$ 3,347,153</u>	<u>\$ 3,347,153</u>

The District typically transfers from the General Fund to the Capital Fund to help fund capital renovations and additions. The district also transfers from the General Fund to the Special Aid fund the local portion of the Special Education Summer School Program. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

During 2020-2021 the General Fund transferred \$83,827 to the Capital Projects Fund for 2020-2021 capital outlay project. The General fund also made a transfer of \$342,601 to the Special Aid Fund for the District's share of the special education summer school programs its students attended as well as the District's share of employee benefits for special aid fund grants. The General Fund also made a transfer of \$2,920,725 to the Debt Service Fund for the current year bond principal and interest payments made.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 9– Pension plans

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability. See Note 1 for more information.

Note 10– Unrestricted Net Position

Unrestricted net position in the general fund consist of the following at June 30, 2021:

Designated for subsequent year's expenditure	\$ 1,600,000
Reserve for encumbrances	250,482
Unreserved	<u>4,219,509</u>
Total unrestricted net position	<u>\$ 6,069,991</u>

Note 11 – Post Employment Benefits Obligation Payable:

Plan Description- The District administers a defined benefit OPEB plan that provides OPEB for all permanent full-time general employees of the District. The plan is a single-employer defined benefit OPEB plan (the Plan) administered by Article 11 of the State Compiled Statutes which grants the authority to establish and amend benefit terms and financing requirements to the District's Board, subject to applicable collective bargaining and employment agreements, and Board of Education Policy. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Funding Policy: The obligations of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 3 to 15 years of service to qualify for other post-employment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2021 approximately \$1,532,000 was paid on behalf of 175 retirees.

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

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 11 – Post Employment Benefits Obligation Payable: (continued)

Employees Covered by Benefit Terms – At June 30, 2021 the following employees were covered by the benefit terms:

Retirees and Survivors	227
Active employees	289
	516
	516

Net OPEB Liability: The District's total OPEB liability of \$70,630,466 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020.

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

Inflation	2.6% (Based on CPI)
Salary Increases	Varied by years of service and retirement system
Discount Rate	2.16% (Bond Buyer GO 20-Bond Municipal Bond Index)
Healthcare Cost Trend Rates	
Medical	5.3% to 4.1% over 55 years
Excise Tax Limits	3.0% for 2022-2023, 2.50% for 2024 and all subsequent years

The Discount rate was based on Bond Buyer Weekly 20-Bond GO Index

Mortality rates were based on RPH-2014 Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale AA.

Retirement participation rate assumed that 85% of eligible Teachers and Instructional Administrators and 75% of participants other than Teachers and Instructional Administrators will elect medical coverage at retirement age, and 48% of active member's spouses will elect medical coverage. Additionally, a tiered approach based on age and years of service was used to determine retirement rate assumption.

Termination rates are based on tables used by the New York State Teachers' Retirement System and the New York State and Local Retirement System for female employees. Rates are tiered based on the percentage of employees who will terminate employment at any given age each year, for reasons other than death or retirement.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 11 – Post Employment Benefits Obligation Payable: (continued)

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

Balance at June 30, 2020		\$	76,752,878
<u>Changes for the Year</u>			
Service cost			3,179,505
Interest			1,751,215
Demographic gains or losses			(16,361,290)
Changes in assumptions or other inputs			6,699,582
Benefit payments			<u>(1,391,424)</u>
Net Changes			<u>(6,122,412)</u>
Balance at June 30, 2021		\$	<u>70,630,466</u>

Changes in 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% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 85,749,084</u>	<u>\$ 70,630,466</u>	<u>\$ 58,919,304</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend 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 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>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 59,286,179</u>	<u>\$ 70,630,466</u>	<u>\$ 86,113,167</u>

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

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 11 – Post Employment Benefits Obligation Payable: (continued)

For the year ended June 30, 2021, the District recognized OPEB expense of \$6,159,903. 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	\$ 3,836,460	\$ (14,436,432)
Changes of assumptions or other inputs	16,776,438	(1,208,350)
	\$ 20,612,898	\$ (15,644,782)

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

Year Ended June 30,	Amount
2022	\$ 1,229,183
2023	1,229,183
2024	1,229,183
2025	1,229,183
2026	1,213,294
Thereafter	(1,161,910)
	\$ 4,968,116

Note 12 – Risk management

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

Workers' Compensation: The District incurs costs related to the Onondaga-Cortland-Madison BOCES Workers' Compensation Plan (Plan) sponsored by the Board of Cooperative Educational Services. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any component district of the BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to Withdrawal must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

Plan membership is currently comprised of thirty-one districts. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 12 – Risk management (continued)

the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment.

However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any “excess insurance”, the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee.

The Plan purchases, on an annual basis, stop-loss insurance to limit its exposure for claims paid. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2021, the District incurred premiums or contribution expenditures totaling \$227,355. The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2021. The District's outstanding case reserves at June 30, 2021 approximated \$705,800.

Health Insurance: The District incurs costs related to an employee health insurance plan (plan). The plan objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the plan must remain a member for a minimum of five years; a member may withdraw from the plan after that time by providing written intent to withdraw on or before January 1st of the commencement of the school year for which the withdrawal is intended to be effective. In the event of a withdrawal, the consortium may determine any sums which are due and owed to the plan or participant. The Cooperative Health Insurance Fund of Central New York consortium has twenty-eight (28) members with each bearing a pro-rata share of the plan's assets and claims liabilities. Plan members are subject to a pro-rata supplemental assessment in the event of deficiencies.

If the plan's assets were to be exhausted, members would be responsible for the plan's liabilities. The plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks reinsured. All plan cash accounts are collateralized by securities held by the financial institution where deposits are made. The plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount.

Such claims are based on the ultimate cost of the claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made. The District incurred premiums totaling approximately \$5,110,000 for the current year. Payments of claims and claim adjustment expenses are pooled for the group and each member's premiums are adjusted accordingly.

SOLVAY UNION FREE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 13– Commitments and contingent liabilities

The District has received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the District's administration believes disallowances, if any, will be immaterial. New York State Education Law requires that most capital projects require approval by the New York Office of Facilities Planning. New York State provides building aid for certain types of capital projects undertaken by school districts. Building aid is subject to numerous reporting requirements. The failure to adhere to these reporting requirements could lead to the refund of building aid already received and the loss of future aid on these particular projects. Building aid represents a significant source of financing for the District's financing of such projects and any loss or refund of building aid could have a significant impact on these financial statements.

Note 14– Subsequent events

Management has evaluated subsequent events through September 20, 2021, which is the date the financial statements were available to be issued.

SOLVAY UNION FREE SCHOOL DISTRICT
Required Supplementary Information
Schedules of Changes in the District's Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2021

	2021	2020	2019	2018
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability	\$ 70,630,466	\$ 76,752,878	\$ 58,717,170	\$ 51,816,393
Service Cost	\$ 3,179,505	\$ 2,775,464	\$ 2,861,409	\$ 2,138,005
Interest	1,751,215	2,126,600	1,619,723	1,522,883
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(16,361,290)	-	5,683,593	341,609
Changes in assumptions or other inputs	6,699,582	14,611,608	(1,879,654)	-
Benefit payments	(1,391,424)	(1,477,964)	(1,384,294)	(1,609,881)
Net change in total OPEB liability	(6,122,412)	18,035,708	6,900,777	2,392,616
Total OPEB liability- beginning	76,752,878	58,717,170	51,816,393	49,423,777
Total OPEB liability- ending	\$ 70,630,466	\$ 76,752,878	\$ 58,717,170	\$ 51,816,393
Covered payroll	\$ 14,416,199	\$ 13,406,822	\$ 13,406,822	\$ 13,958,034
Total OPEB liability as a percentage of covered payroll	490%	572%	438%	371%

Note:

The District does not net assets accumulated in a trust that meets certain criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB liabilities. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you go basis.

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

SOLVAY UNION FREE SCHOOL DISTRICT
Required Supplementary Information - Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual
REVENUES					
Local sources					
Real property taxes	\$ 13,120,000	\$ 13,120,000	\$ 13,195,300		\$ 75,300
Other tax items	2,410,000	2,410,000	2,329,012		(80,988)
Nonproperty taxes	40,000	40,000	46,993		6,993
Charges for services	890,000	890,000	860,109		(29,891)
Use of money and property	660,000	660,000	606,501		(53,499)
Sale of property and compensation for loss	1,000	1,000	1,438		438
Miscellaneous	179,000	185,390	573,979		388,589
Total local sources	17,300,000	17,306,390	17,613,332		306,942
State sources	16,125,000	16,125,000	15,747,519		(377,481)
Appropriated fund balance	1,600,000	1,600,000	-		(1,600,000)
Medicaid	75,000	75,000	-		(75,000)
Total revenues	35,100,000	35,106,390	33,360,851		(1,745,539)
EXPENDITURES					
General support					
Board of education	18,670	19,703	12,050	200	(7,453)
Central administration	418,300	419,075	405,245	-	(13,830)
Finance	416,110	433,257	379,857	21,029	(32,371)
Staff	162,465	163,507	118,592	13,424	(31,491)
Central services	2,070,883	2,105,899	1,894,057	109,917	(101,925)
Special items	292,500	287,500	313,572	-	26,072
Total general support	3,378,928	3,428,941	3,123,373	144,570	(160,998)
Instruction					
Instruction, administration and improvement	1,281,195	1,278,547	1,144,910	2,776	(130,861)
Teaching - regular school	8,465,238	8,428,588	7,696,067	35,597	(696,924)
Programs for students with disabilities	3,367,939	3,385,994	2,767,774	7,906	(610,314)
Occupational education	367,600	381,200	381,191	-	(9)
Teaching - special schools	71,400	59,400	3,281	-	(56,119)
Instructional media	1,051,370	1,121,665	1,074,441	3,723	(43,501)
Pupil services	1,783,200	1,808,311	1,598,093	26,248	(183,970)
Total instruction	16,387,942	16,463,705	14,665,757	76,250	(1,721,698)
Pupil transportation	2,192,185	2,198,785	1,719,667	26,092	(453,026)
Employee benefits	9,043,300	9,040,332	8,257,740	3,570	(779,022)
Debt service	626,920	627,920	626,949	-	(971)
Total expenditures	31,629,275	31,759,683	28,393,486	250,482	(3,115,715)
OTHER FINANCING USES					
Transfer to other funds	3,470,725	3,470,725	3,347,153	-	(123,572)
Total expenditures and other uses	\$ 35,100,000	\$ 35,230,408	\$ 31,740,639	\$ 250,482	\$ (3,239,287)
Net change in fund balance			1,620,212		
Fund balance - beginning, as restated			12,816,675		
Fund balance - ending			\$ 14,436,887		

Note To Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

SOLVAY UNION FREE SCHOOL DISTRICT
Schedule of District Contributions
For the Year Ended June 30, 2021

	<i>Teachers' Retirement System</i>						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,181,245	\$ 1,078,031	\$ 1,299,308	\$ 1,147,753	\$ 1,320,050	\$ 1,590,279	\$ 2,020,534
Contributions in relation to the contractually required contribution	<u>1,181,245</u>	<u>1,078,031</u>	<u>1,299,308</u>	<u>1,147,753</u>	<u>1,320,050</u>	<u>1,590,279</u>	<u>2,020,534</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,395,016	\$ 12,167,393	\$ 12,234,539	\$ 11,711,765	\$ 11,263,225	\$ 11,171,750	\$ 11,141,477
Contributions as a percentage of covered payroll	9.53%	8.86%	10.62%	9.80%	11.72%	14.23%	18.14%
	<i>Employees' Retirement System</i>						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 467,443	\$ 388,717	\$ 439,066	\$ 390,621	\$ 384,544	\$ 408,204	\$ 458,711
Contributions in relation to the contractually required contribution	<u>467,443</u>	<u>388,717</u>	<u>439,066</u>	<u>390,621</u>	<u>384,544</u>	<u>408,204</u>	<u>458,711</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,671,908	\$ 3,434,310	\$ 3,291,813	\$ 1,695,057	\$ 2,930,792	\$ 2,738,274	\$ 2,029,375
Contributions as a percentage of covered payroll	13%	11%	13%	23%	13%	15%	23%

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

SOLVAY UNION FREE SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Asset (Liability)
For the Year Ended June 30, 2021

<i>Teachers' Retirement System</i>							
	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.071674%	0.073297%	0.071900%	0.071076%	0.072398%	0.073029%	0.073284%
District's proportionate share of the net pension asset (liability)	\$ (1,980,536)	\$ 1,904,273	\$ 1,300,149	\$ 540,249	\$ (775,413)	\$ 9,066,710	\$ 10,086,430
District's covered payroll	\$ 12,395,016	\$ 12,167,393	\$ 12,234,539	\$ 11,711,765	\$ 11,263,225	\$ 11,171,750	\$ 11,141,477
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	-16%	16%	11%	5%	-7%	81%	91%
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%
<i>Employees' Retirement System</i>							
	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.0115959%	0.0117023%	0.0113664%	0.0109471%	0.0106021%	0.0106021%	0.9426400%
District's proportionate share of the net pension asset (liability)	\$ (11,546)	\$ (3,098,841)	\$ (805,345)	\$ (353,312)	\$ (989,497)	\$ (1,701,662)	\$ (318,447)
District's covered payroll	\$ 3,671,908	\$ 3,434,310	\$ 3,291,813	\$ 1,695,057	\$ 2,930,792	\$ 2,738,274	\$ 2,029,375
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	0%	90%	24%	21%	34%	62%	16%
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 the auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Schedule of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For the Year Ended June 30, 2021

CHANGE FROM ADOPTED TO REVISED BUDGET

Adopted budget	\$ 35,100,000
Add prior year's encumbrances	<u>124,018</u>
Original budget	35,224,018
Budget revision:	<u>6,390</u>
Revised budget	<u><u>\$ 35,230,408</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-22 voter-approved expenditure budget maximum allowed (4% of 2021-22 budget)	36,765,000
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General fund fund balance subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:	
Assigned fund balance	1,850,482
Committed fund balance	82,361
Unassigned fund balance	<u>4,219,509</u>
Total unrestricted fund balance	<u><u>6,152,352</u></u>
Less:	
Appropriated fund balance	1,600,000
Committed fund balance for extraclassroom activities	82,361
Encumbrances included in committed and assigned fund balance	<u>250,482</u>
Total adjustments	<u><u>1,932,843</u></u>
General fund fund balance subject to Section 1318 of Real Property Tax Law	<u><u>\$ 4,219,509</u></u>
Actual percentage	11.48%

*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 other information included in auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures - Capital Projects Fund
For the Year Ended June 30, 2021

PROJECT TITLE	Original Budget	Revised Budget	Expenditures				Unexpended Balance	Methods of Financing				Fund Balance 6/30/21
			Prior Years	Current Year	Transfers	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
2016 Construction Project	\$ 6,600,000	\$ 6,600,000	\$ 6,058,161	\$ 749	\$ -	\$ 6,058,910	\$ 541,090	\$ 5,400,000	\$ -	\$ 1,000,000	\$ 6,400,000	\$ 341,090
2018 Capital Project (voter approved 11/28/17)	28,200,000	28,200,000	12,778,236	7,686,337	-	20,464,573	7,735,427	312,448	-	1,001,070	1,313,518	(19,151,055)
Capital Outlay 17/18	100,000	100,000	73,648	-	-	73,648	26,352	-	-	76,648	76,648	3,000
Capital Outlay 20/21	100,000	100,000	-	86,828	-	86,828	13,172	-	-	83,828	83,828	(3,000)
Total projects	\$ 35,000,000	\$ 35,000,000	\$ 18,910,045	\$ 7,773,914	\$ -	\$ 26,683,959	\$ 8,316,041	\$ 5,712,448	\$ -	\$ 2,161,546	\$ 7,873,994	\$ (18,809,965)

See paragraph on other information included in auditor's report.

SOLVAY UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
For the Year Ended June 30, 2021

Capital assets, net		\$ 59,770,035
Deduct:		
Bond anticipation notes payable	25,530,000	
Short-term portion of bonds payable	2,149,060	
Long-term portion of bonds payable	7,901,373	
		<u>35,580,433</u>
Net investment in capital assets		<u>\$ 24,189,602</u>

See paragraph on other information included in the auditor's report.