

KINGSTON CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
Year Ended June 30, 2020

KINGSTON CITY SCHOOL DISTRICT

TABLE OF CONTENTS

	Page
Introduction:	
Independent Auditor's Report	
Management's Discussion and Analysis	M1-M11
Basic Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	3
Reconciliation of Governmental Funds Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	4
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	6
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to Financial Statements	9-46
Required Supplemental Information:	
Schedule of Revenues, Other Sources, Expenditures and Other Uses Compared to Budget - General Fund	47-48
Schedule of Changes in the Total OPEB Liability	49
Schedule of District's Proportionate Share of the Net Pension Asset/Liability	50
Schedule of District Contributions	51
Supplemental Information:	
Schedule of Change From Original Budget to Final Budget - General Fund	52
Schedule of Real Property Tax Law Limit - General Fund	52
Schedule of Project Expenditures - Capital Projects Fund	53
Schedule of Investment in Capital Assets, net of Related Debt	54
Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in accordance with <i>Government Auditing Standards</i>	55-56

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Kingston City School District:

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of changes in the total OPEB liability, the District's proportionate share of the net pension asset/liability, and District contributions on pages M1-M11 and 47-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020 on our consideration of the Kingston City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kingston City School District's internal control over financial reporting and compliance.

Raymond G. Preusser, CPA, P.C.

Claverack, New York
September 23, 2020



KINGSTON CITY SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2020

INTRODUCTION

The Kingston City School District's discussion and analysis of financial activities provides an overview of the District's performance for the fiscal year ended June 30, 2020. Please review this in conjunction with the District's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

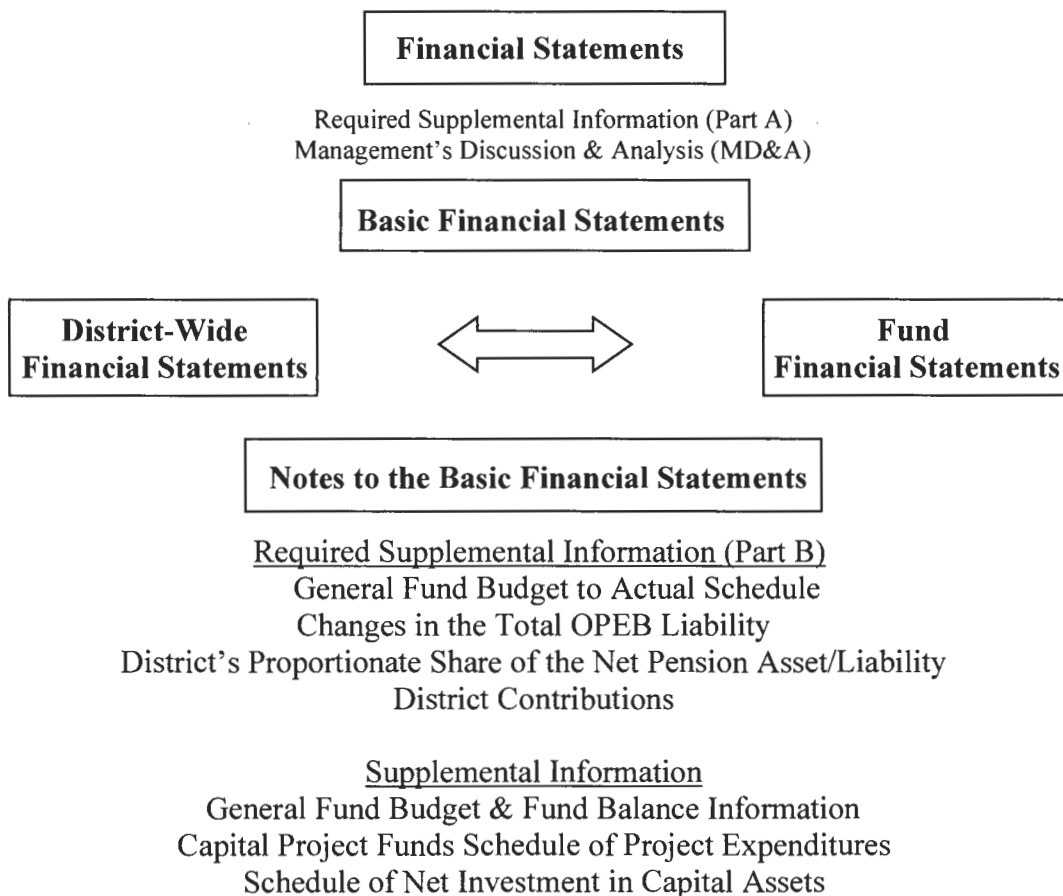
- District voters approved the 2019-2020 General Fund Budget on May 21, 2019. Total appropriations of \$180,813,057 represented an increase of 3.30% over the prior year. Estimated General Fund revenues of \$75,223,074 were 6.01% higher, driven by an estimated increase in State Aid. The resulting tax levy of \$105,589,983, an increase of 1.45%, was at the Maximum Allowable Levy Limit determined by the Tax Cap legislation.
- In the General Fund financial statements, revenues exceeded expenses producing an operating surplus of \$3,382,250.
- Final total General Fund revenues exceeded the budgeted estimate by \$2,136,207. Property Tax revenue had to be decreased at year-end to account for an increase in uncollected taxes. This revenue of \$819,416 was added to deferred revenue, now totaling \$7,506,657. Additionally, State Aid revenue receivables were reduced by \$1,075,581 to account for the potential State Aid reduction by the NYS Division of Budget.
- General Fund expenses and payables totaled 99.5% of the adjusted budget. The district also accounted for COVID related expenses not included in the original 2019-2020 budget.
- At year-end, the Board appropriated \$3,000,000 to the 2020-2021 Budget Revenues from unappropriated fund balance. The Board further committed \$1,000,000 from the Employees Retirement Reserve, \$347,200 from the Tax Reduction Reserve and a combined \$687,800 from Debt Service Fund Reserves to balance the 2020-2021 budget.
- The reported total Governmental Fund Balance of \$33,731,835 decreased from 2019 by \$13,458,371. Although the General Fund balance increased by \$3,382,250, the other main funds experienced decreases. The Capital Fund balance decreased by \$16,469,998 resulting from Kingston High School Phase II capital project expenses not yet bonded.
- The Total Net Position in Governmental Activities decreased by \$52,686,031 in 2020 to \$(409,678,932). Increases to OPEB (Other Post-Employment Benefits) and pension expenses were the primary contributing factors to the change.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. District-Wide Financial Statements-Which provide both short-term and long-term information about the School District's overall financial position and results of operations.
2. Fund Financial Statements-Which focus on individual parts of the school district, reporting the School District's functioning in more detail than the District-wide statements.
3. Notes to the Financial Statements-Which provide additional information about the basic financial statements and the balances reported.

In addition to these statements, this report also includes required supplemental information and other supplemental information. Our auditor has provided assurance in the independent auditor's report (opinion letter), located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part in the financial statements.



DISTRICTWIDE FINANCIAL STATEMENTS

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. GASB 34 requires the use of the economic resources measurement focus and full accrual basis of accounting in the district-wide statements. The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or declining.

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

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

DISTRICTWIDE FINANCIAL ANALYSIS
Kingston City School District's Net Position
June 30, 2020 and 2019

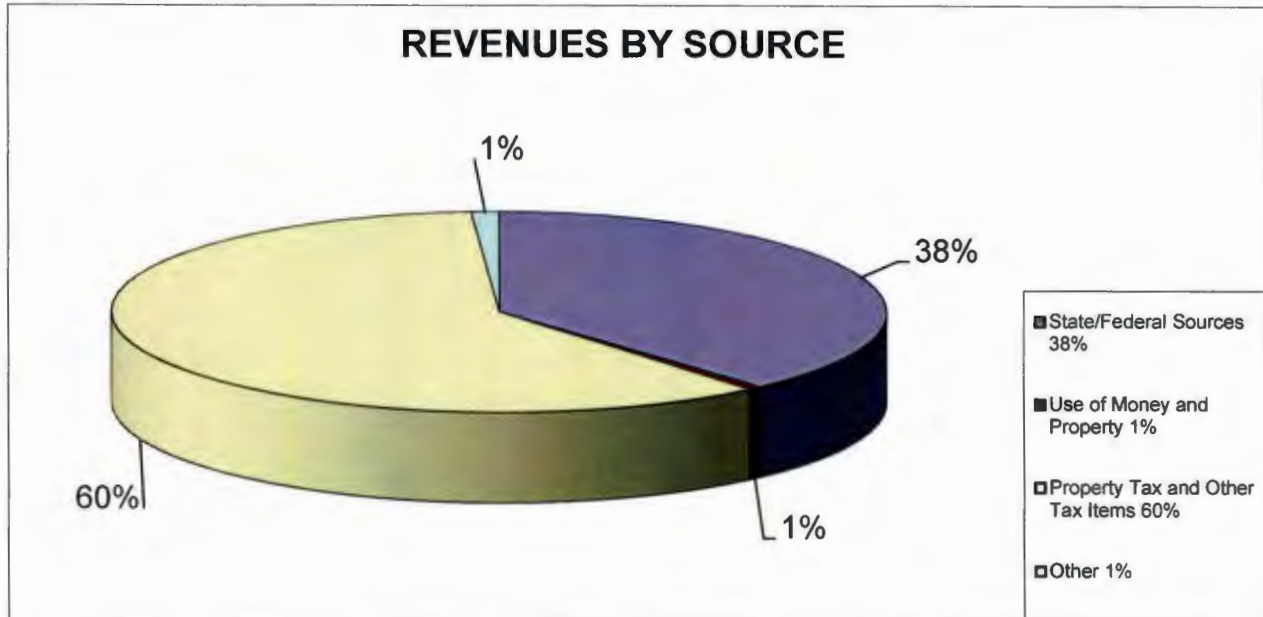
	Governmental Activities		Variance Increase (Decrease)
	2020	2019	
Current Assets	\$ 82,571,639	\$ 72,648,138	\$ 9,923,501
Capital Assets	150,497,690	138,507,356	11,990,334
Net Pension Asset	10,578,565	7,087,813	3,490,752
Total Assets	<u>243,647,894</u>	<u>218,243,307</u>	<u>25,404,587</u>
Deferred Outflows of Resources	<u>196,282,516</u>	<u>86,160,381</u>	<u>110,122,135</u>
Total Assets and Outflows of Resources	<u>439,930,410</u>	<u>304,403,688</u>	<u>135,526,722</u>
Current Liabilities	40,370,733	17,510,832	22,859,901
Noncurrent Liabilities	770,005,762	613,818,165	156,187,597
Net Pension Liability	9,775,597	2,634,247	7,141,350
Total Liabilities	<u>820,152,092</u>	<u>633,963,244</u>	<u>186,188,848</u>
Deferred Inflows of Resources	<u>29,457,250</u>	<u>27,433,345</u>	<u>2,023,905</u>
Total Liabilities and Inflows of Resources	<u>849,609,342</u>	<u>661,396,589</u>	<u>188,212,753</u>
Net Position:			
Investment in capital assets, net of related debt	71,658,966	54,702,900	16,956,066
Restricted	54,952,669	31,076,896	23,875,773
Unrestricted (deficit)	(536,290,567)	(442,772,697)	(93,517,870)
Total Net Position	<u><u>\$(409,678,932)</u></u>	<u><u>\$(356,992,901)</u></u>	<u><u>\$ (52,686,031)</u></u>

**Kingston City School District's
Changes in Net Position
For the Years Ended June 30, 2020 and 2019**

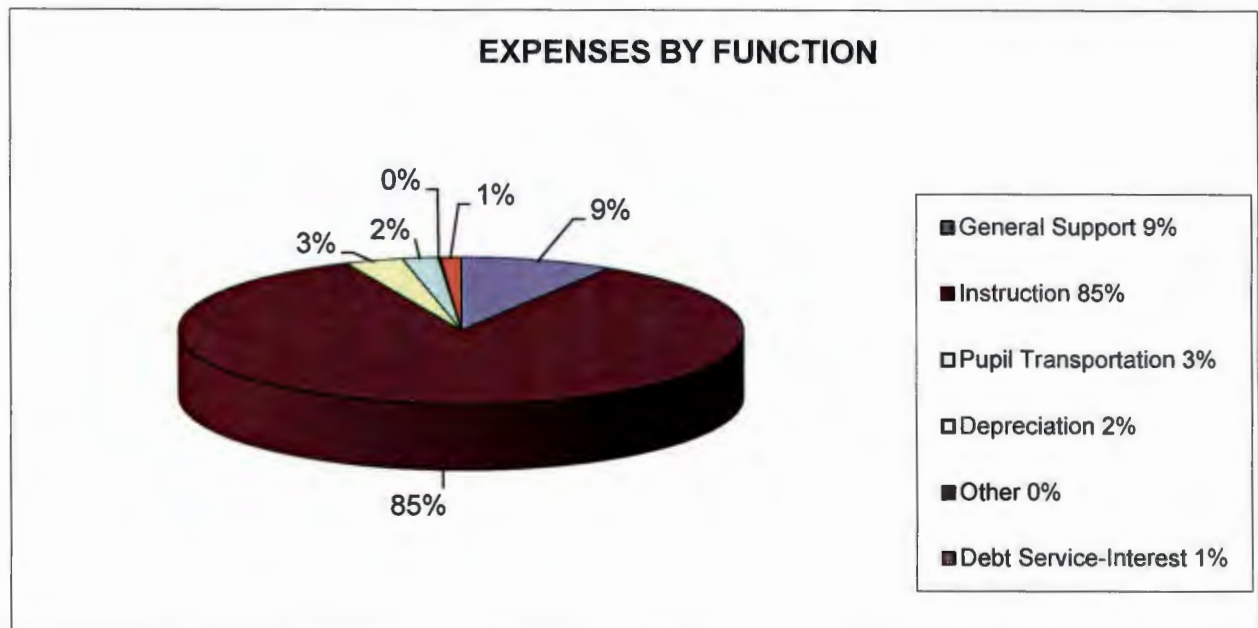
	Governmental Activities		Variance Increase (Decrease)
	2020	2019	
Revenues:			
Program Revenues:			
Charges for Services	\$ 946,004	\$ 746,061	\$ 199,943
Operating Grants and Contributions	10,119,905	10,785,603	(665,698)
Total Program Revenues	<u>\$ 11,065,909</u>	<u>\$ 11,531,664</u>	<u>\$ (465,755)</u>
General Revenues:			
Real Property Taxes	\$ 97,605,099	\$ 95,541,399	\$ 2,063,700
Other Tax Items	10,501,704	10,781,816	(280,112)
Use of Money and Property	1,152,586	1,573,655	(421,069)
Sale of Property and Compensation for Loss	-	3,472,780	(3,472,780)
Miscellaneous	1,889,492	2,377,507	(488,015)
State Sources	68,941,454	65,823,479	3,117,975
Federal Sources	116,624	341,503	(224,879)
Premium on Obligations	219,780	-	219,780
Total General Revenues	<u>180,426,739</u>	<u>179,912,139</u>	<u>514,600</u>
Expenses (Net of Program Revenues):			
Instruction	197,174,986	167,401,959	29,773,027
Support Services:			
General Support	20,371,995	18,699,312	1,672,683
Pupil Transportation	7,714,295	8,541,354	(827,059)
Debt Service-Interest	2,809,823	2,667,543	142,280
Depreciation-Unallocated	4,819,256	3,754,094	1,065,162
School Lunch	222,415	(63,172)	285,587
Total Expenses	<u>233,112,770</u>	<u>201,001,090</u>	<u>32,111,680</u>
Change in Net Position	<u>\$(52,686,031)</u>	<u>\$(21,088,951)</u>	<u>\$(31,597,080)</u>

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

**Districtwide Revenues by Source
For the Year Ended June 30, 2020**



**Districtwide Expenses by Function
For the Year Ended June 30, 2020**



FUND FINANCIAL STATEMENTS

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

A fund is a grouping of related accounts, and is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants). All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

FUND FINANCIAL ANALYSIS (DISTRICT'S FUNDS)

The District's governmental funds (as presented on the balance sheet) reported a combined Fund Balance of \$33.7 million, which is below last year's total of \$47.2 million. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2020 and 2019:

	<u>Fund Balance 2020</u>	<u>Fund Balance 2019</u>	<u>Variance Increase (Decrease)</u>
General	\$ 41,786,650	\$ 38,404,400	\$ 3,382,250
School Lunch	314,842	536,096	(221,254)
Debt Service	2,495,518	2,644,887	(149,369)
Capital	(10,865,175)	5,604,823	(16,469,998)
Totals	<u>\$ 33,731,835</u>	<u>\$ 47,190,206</u>	<u>\$(13,458,371)</u>

General Fund

The tables that follow assist in illustrating the financial activities and balance of the general fund.

<u>Revenues:</u>	<u>2020</u>	<u>2019</u>	<u>Variance Increase (Decrease)</u>
Taxes and Other Tax Items	\$ 107,287,388	\$ 106,531,925	\$ 755,463
Use of Money and Property	1,115,645	1,514,276	(398,631)
State/Federal Sources	69,058,078	66,164,982	2,893,096
Other	3,157,189	7,172,133	(4,014,944)
Totals	<u>\$ 180,618,300</u>	<u>\$ 181,383,316</u>	<u>\$ (765,016)</u>

<u>Expenses:</u>	<u>2020</u>	<u>2019</u>	<u>Variance Increase (Decrease)</u>
General Support	\$ 12,320,159	\$ 12,061,194	\$ 258,965
Instruction	97,726,751	93,539,869	4,186,882
Pupil Transportation	6,578,694	7,787,185	(1,208,491)
Employee Benefits	51,934,969	51,554,644	380,325
Debt Service	7,764,960	7,738,454	26,506
Other	910,517	5,649,499	(4,738,982)
Totals	<u>\$ 177,236,050</u>	<u>\$ 178,330,845</u>	<u>\$ (1,094,795)</u>

GENERAL FUND BUDGET INFORMATION

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

The difference between the General Fund's original budget and the final amended budget was \$874,051. This amount represents the carryover of outstanding purchase orders (encumbrances) from the 2018/19 fiscal year in the amount of \$739,869, an increase in appropriations in the amount of \$16,236 for additional gifts and donations received and an increase of \$117,946 using appropriated reserves.

CAPITAL ASSETS

The District's capital assets (net of accumulated depreciation) as of June 30, 2020 are as follows:

<u>Asset Description</u>	<u>Amount</u>
Land	\$ 736,128
Construction in Progress	29,644,896
Buildings and Improvements	116,715,074
Machinery and Equipment	2,945,832
Vehicles	<u>455,760</u>
Total	<u>\$ 150,497,690</u>

The total increase in the District's capital assets (net of accumulated depreciation) for the current fiscal year was \$11,990,333. The driver for the increase of capital assets was attributable to the capital projects.

DEBT

The District had total debt including serial bonds, bond anticipation note and Capital Lease outstanding in the amount of \$100,844,306 as of June 30, 2020 an increase over the previous year of \$16,845,007.

<u>Debt Description</u>	<u>Outstanding Balance</u>
Bonds	\$ 75,925,000
Bond Anticipation Note	22,000,000
Capital Lease	<u>2,919,306</u>
Totals	<u>\$ 100,844,306</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 5% of the total full value of real property within the district boundaries – that limitation is approximately \$209 million. At June 30, 2020, the District's general obligation debt was approximately 48% of its total debt limit. The District has a bond rating of Aa3.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Board of Education and District Administration continue their commitment to long-range financial planning and maintaining fiscal stability for the Kingston City School District while supporting student achievement and success. We strive to balance the needs of our students with the values of our community and its ability to pay.

A. Property Tax Cap & Budgetary Impact

The Maximum Allowable Tax Levy for the 2020-2021 budget was 1.73%. The budget presented to voters in May 2020 included this tax levy increase. In order to stay within the cap, the district allocated \$5,035,000 from unexpended 2019-2020 funds and from various reserve funds. District administrators will continue to analyze and evaluate the tax cap limitations and the impact on budget growth.

B. Management of Capital Assets and Facilities Use

Phase II of the 2nd Century Capital Project at Kingston High School is expected to be completed during the 2020-2021 school year. Funding for the construction costs for Phase II is currently being provided by short term borrowing (Bond Anticipation Notes). Final financing will be coordinated with State Aid to minimize the associated tax levy attributed to the project. The current estimate for Phase II is approximately \$30 million, which would bring the entire project cost in well under the \$137.5 million approved by district voters.

Voter and state approved projects at Edson, J.F. Kennedy and M.C. Miller Schools are currently ongoing. Capital Reserves funded the initial \$5 million toward these projects. The remaining \$11 million will be borrowed in November 2020 along with the funds necessary to complete the high school project.

The state-required Five Year Capital Facilities Plan will be conducted in the 2020-2021 school year. Funds have been allocated in the General Fund Budget, and the cost will be aidable.

C. Financial Planning

District Administrators continue to use the Fund Balance and Reserve Plan as a tool in financial planning, budgeting and maintaining a sound financial position. The plan details the various classifications of reserves and fund balance, levels of funding and how each will be used to benefit the school district and taxpayers. The plan is continually analyzed, updated and presented annually.

D. Other Notable Issues

- Possible reductions of up to 20% in State Aid by the NYS Division of the Budget due to the COVID-19 Pandemic could result in up to \$14 million revenue shortfall in the 2020-2021 budget. This would require severe budget cuts and possible allocations of reserve funds to overcome. The long-term impact could be detrimental to providing our students with the sound and varied educational program we have planned for them.
- Other potential changes to funding formulas for aid to New York State public school districts, which depend on the fiscal health and stability of the State and determine the local share necessary to fund the annual budget
- The School Lunch Fund has experienced operating losses for the past two years decreasing the total fund balance. Programs to provide subsidized meals to our students may necessitate future budget transfer allocations from the General Fund.
- Cost of continuing and new mandates from the State or Federal governments, Special Education provisions and the Affordable Care Act
- Future of Federally funded programs such as IDEA and Title I, ESEA, which provide approximately \$4 million in funding to Kingston School District programs annually
- Contribution rate trends for district payments to New York State Retirement and Teacher's Retirement Systems
- The rising cost of health insurance for the district's active employees and retirees
- Property tax assessment challenges, declining property values in certain commercial sectors and potential changes to the Homestead/Non-Homestead dual tax rate classification which could shift or increase taxes to district taxpayers
- Other environmental factors such as population trends and economic conditions that may impact the district

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Kingston City School District
21 Wynkoop Place
Kingston, New York 12401

M11

OUR MISSION: WE INSPIRE. WE EDUCATE. WE GRADUATE.
ALL STUDENTS, ALL OF THE TIME.

KINGSTON CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Unrestricted cash	\$	34,406,475	
Restricted cash		30,829,040	
Taxes receivable, net		9,641,422	
Other receivables, net		129,993	
State and federal aid receivable		6,001,063	
Due from other governments		1,416,648	
Due from fiduciary funds		124	
Inventories		96,874	
Capital assets, net		150,497,690	
Prepaid expenditures		50,000	
Net pension asset		10,578,565	
Total Assets			\$ 243,647,894

DEFERRED OUTFLOW OF RESOURCES

Pensions	\$	40,268,381	
OPEB-GASB 75		156,014,135	
Total Deferred Outflows of Resources			\$ 196,282,516

LIABILITIES

Current Liabilities:

Accounts payable	\$	6,867,726	
Accrued liabilities		2,899,992	
Bond anticipation notes		22,000,000	
Due to other governments		1,600,188	
Due to teachers' retirement system		6,572,645	
Due to employees' retirement system		418,035	
Unearned revenue		12,147	

Long-Term Liabilities:

Due and payable within one year

Bonds payable		4,530,000	
Capital lease		384,958	

Due and payable after one year

Bonds payable		71,395,000	
Capital lease		2,534,348	
Compensated absences payable		7,205,646	
Other postemployment benefits payable		683,955,810	
Net pension liability - proportionate share		9,775,597	

Total Liabilities			\$ 820,152,092
-------------------	--	--	----------------

DEFERRED INFLOWS OF RESOURCES

Pensions		15,755,911	
Premium from advanced refunding		390,348	
OPEB-GASB 75		13,310,991	

Total Deferred Inflows of Resources			\$ 29,457,250
-------------------------------------	--	--	---------------

NET POSITION

Net Investment in Capital Assets		71,658,966	
Restricted		54,952,669	
Unrestricted (deficit)		(536,290,567)	

Total Net Position			\$ (409,678,932)
---------------------------	--	--	------------------

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

KINGSTON CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For Year Ended June 30, 2020

	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 12,240,936	\$ 8,131,059	\$ -	\$ -	\$ (20,371,995)
Instruction	106,766,521	99,047,847	696,080	7,943,302	(197,174,986)
Pupil transportation	6,948,582	1,135,601	-	369,888	(7,714,295)
Employee benefits	108,717,935	(108,717,935)	-	-	-
Debt service-interest	2,809,823	-	-	-	(2,809,823)
Depreciation and loss on disposal	4,819,256	-	-	-	(4,819,256)
School lunch program	1,875,626	403,428	249,924	1,806,715	(222,415)
Total Functions and Programs	\$ 244,178,679	\$ -	\$ 946,004	\$ 10,119,905	(233,112,770)
GENERAL REVENUES					
Real property taxes					97,605,099
Other tax items					10,501,704
Use of money and property					1,152,586
Sale of property and compensation for loss					-
Miscellaneous					1,889,492
State sources					68,941,454
Federal sources					116,624
Premium on obligations					219,780
Total General Revenues					180,426,739
Change in Net Position					(52,686,031)
Total Net Position - Beginning of year					(356,992,901)
Total Net Position - End of year					\$ (409,678,932)

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

KINGSTON CITY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2020

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Unrestricted cash	\$ 34,406,475	\$ -	\$ -	\$ 34,406,475
Restricted cash	30,829,040	-	-	30,829,040
Taxes receivable, net	9,641,422	-	-	9,641,422
Other receivables, net	129,993	-	-	129,993
Due from other funds	3,010,293	-	(3,010,293)	-
Due from fiduciary funds	-	-	124	124
Due from other governments	1,416,648	-	-	1,416,648
State and federal aid receivable	6,001,063	-	-	6,001,063
Inventories	96,874	-	-	96,874
Prepaid Expenses	50,000	-	-	50,000
Capital assets, (net)	-	150,497,690	-	150,497,690
Net pension asset	-	10,578,565	-	10,578,565
Total Assets	\$ 85,581,808	\$ 161,076,255	\$ (3,010,169)	\$ 243,647,894
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	\$ -	\$ 40,268,381	\$ -	\$ 40,268,381
OPEB-GASB 75	-	156,014,135	-	156,014,135
Total Deferred Outflows of Resources	\$ -	\$ 196,282,516	\$ -	\$ 196,282,516
LIABILITIES				
Accounts payable	\$ 6,867,726	\$ -	\$ -	\$ 6,867,726
Accrued liabilities	2,385,484	514,508	-	2,899,992
Bond anticipation notes	22,000,000	-	-	22,000,000
Bonds payable	-	75,925,000	-	75,925,000
Capital lease	-	2,919,306	-	2,919,306
Due to other funds	3,010,169	-	(3,010,169)	-
Due to other governments	1,600,188	-	-	1,600,188
Due to teachers' retirement system	6,572,645	-	-	6,572,645
Due to employees' retirement system	418,035	-	-	418,035
Other postemployment benefits payable	-	683,955,810	-	683,955,810
Compensated absences	1,476,922	5,728,724	-	7,205,646
Unearned revenues	12,147	-	-	12,147
Net pension liability- proportionate share	-	9,775,597	-	9,775,597
Total Liabilities	\$ 44,343,316	\$ 778,818,945	\$ (3,010,169)	\$ 820,152,092
DEFERRED INFLOWS OF RESOURCES				
Deferred taxes-city	\$ 7,506,657	\$ -	\$ (7,506,657)	\$ -
Pensions	-	15,755,911	-	15,755,911
Premium from advanced refunding	-	390,348	-	390,348
OPEB-GASB 75	-	13,310,991	-	13,310,991
Total Deferred Inflows of Resources	\$ 7,506,657	\$ 29,457,250	\$ (7,506,657)	\$ 29,457,250
FUND BALANCE/NET POSITION				
Total Fund Balance/Net Position	\$ 33,731,835	\$ (450,917,424)	\$ 7,506,657	\$ (409,678,932)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ 85,581,808	\$ 357,358,771	\$ (3,010,169)	\$ 439,930,410

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

KINGSTON CITY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For Year Ended June 30, 2020

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 96,785,684	\$ 819,415	\$ -	\$ -	\$ 97,605,099
Other tax items	10,501,704	-	-	-	10,501,704
Charges for services	696,080	-	-	-	696,080
Use of money and property	1,152,586	-	-	-	1,152,586
Sale of property and compensation for loss	-	-	-	-	-
Miscellaneous	1,942,325	-	-	-	1,942,325
State sources	72,683,024	-	-	-	72,683,024
Federal sources	6,448,891	-	-	-	6,448,891
Sales - school lunch	243,159	-	-	-	243,159
Total Revenues	<u>190,453,453</u>	<u>819,415</u>	<u>-</u>	<u>-</u>	<u>191,272,868</u>
EXPENDITURES\EXPENSES					
General support	12,346,948	-	(106,012)	-	12,240,936
Instruction	106,153,514	613,007	-	-	106,766,521
Pupil transportation	6,948,582	-	-	-	6,948,582
Employee benefits	52,338,397	56,379,538	-	-	108,717,935
Debt service-Principal	5,154,993	-	-	(5,154,993)	-
-Interest	2,609,967	199,856	-	-	2,809,823
Cost of sales	1,875,626	-	-	-	1,875,626
Capital outlay	16,703,577	-	(16,703,577)	-	-
Depreciation and loss on disposal	-	-	4,819,256	-	4,819,256
Total Expenditures	<u>204,131,604</u>	<u>57,192,401</u>	<u>(11,990,333)</u>	<u>(5,154,993)</u>	<u>244,178,679</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(13,678,151)</u>	<u>(56,372,986)</u>	<u>11,990,333</u>	<u>5,154,993</u>	<u>(52,905,811)</u>
OTHER SOURCES AND USES					
Premium on obligations	219,780	-	-	-	219,780
Operating transfers in	1,482,134	(1,482,134)	-	-	-
Operating transfers (out)	(1,482,134)	1,482,134	-	-	-
Total Other Sources (Uses)	<u>219,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,780</u>
Net Change for the Year	<u>\$ (13,458,371)</u>	<u>\$ (56,372,986)</u>	<u>\$ 11,990,333</u>	<u>\$ 5,154,993</u>	<u>\$ (52,686,031)</u>

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

KINGSTON CITY SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS

June 30, 2020

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 23,084,904	\$ 34,380	\$ 150,950	\$ -	\$ 11,136,241	\$ 34,406,475
Restricted cash	28,333,522	-	-	2,495,518	-	30,829,040
Taxes receivable, net	9,641,422	-	-	-	-	9,641,422
State and federal aid receivable	2,897,945	3,013,192	89,926	-	-	6,001,063
Due from other governments	1,416,648	-	-	-	-	1,416,648
Other receivables, net	129,946	-	47	-	-	129,993
Due from other funds	3,010,293	-	-	-	-	3,010,293
Inventories	-	-	96,874	-	-	96,874
Prepaid Expenditures	50,000	-	-	-	-	50,000
Total Assets	\$ 68,564,680	\$ 3,047,572	\$ 337,797	\$ 2,495,518	\$ 11,136,241	\$ 85,581,808
LIABILITIES						
Accounts payable	\$ 6,831,699	\$ 29,803	\$ 6,224	\$ -	\$ -	\$ 6,867,726
Accrued liabilities	2,380,935	-	4,549	-	-	2,385,484
Bond anticipation notes payable	-	-	-	-	22,000,000	22,000,000
Due to teachers' retirement system	6,572,645	-	-	-	-	6,572,645
Due to employees' retirement system	418,035	-	-	-	-	418,035
Due to other funds	-	3,008,753	-	-	1,416	3,010,169
Due to other governments	1,591,137	9,016	35	-	-	1,600,188
Compensated absences payable	1,476,922	-	-	-	-	1,476,922
Unearned revenues	-	-	12,147	-	-	12,147
Total Liabilities	19,271,373	3,047,572	22,955	-	22,001,416	44,343,316
DEFERRED INFLOWS OF RESOURCES						
Deferred taxes (city)	7,506,657	-	-	-	-	7,506,657
Total Deferred Inflows of Resources	7,506,657	-	-	-	-	7,506,657
FUND BALANCES						
Non-spendable	50,000	-	96,874	-	-	146,874
Restricted	28,333,522	-	-	2,495,518	24,123,629	54,952,669
Assigned	6,502,459	-	217,968	-	-	6,720,427
Unassigned (Deficit)	6,900,669	-	-	-	(34,988,804)	(28,088,135)
Total Fund Balances	41,786,650	-	314,842	2,495,518	(10,865,175)	33,731,835
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 68,564,680	\$ 3,047,572	\$ 337,797	\$ 2,495,518	\$ 11,136,241	\$ 85,581,808

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

KINGSTON CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GOVERNMENTAL
FUNDS

For Year Ended June 30, 2020

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 96,785,684	\$ -	\$ -	\$ -	\$ -	\$ 96,785,684
Other tax items	10,501,704	-	-	-	-	10,501,704
Charges for services	696,080	-	-	-	-	696,080
Use of money and property	1,115,645	-	1,161	35,780	-	1,152,586
Sale of property and compensation for loss	-	-	-	-	-	-
Miscellaneous	1,889,492	46,068	6,765	-	-	1,942,325
State sources	68,941,454	3,696,835	44,735	-	-	72,683,024
Federal sources	116,624	4,570,287	1,761,980	-	-	6,448,891
Sales	-	-	243,159	-	-	243,159
Total Revenues	180,046,683	8,313,190	2,057,800	35,780	-	190,453,453
EXPENDITURES						
General support	12,320,159	-	-	-	26,789	12,346,948
Instruction	97,726,751	8,426,763	-	-	-	106,153,514
Pupil transportation	6,578,694	369,888	-	-	-	6,948,582
Employee benefits	51,934,969	-	403,428	-	-	52,338,397
Debt service						
Principal	5,154,993	-	-	-	-	5,154,993
Interest	2,609,967	-	-	-	-	2,609,967
Cost of sales	-	-	1,875,626	-	-	1,875,626
Capital outlay	-	-	-	-	16,703,577	16,703,577
Total Expenditures	176,325,533	8,796,651	2,279,054	-	16,730,366	204,131,604
Excess (Deficiency) of Revenues Over Expenditures	3,721,150	(483,461)	(221,254)	35,780	(16,730,366)	(13,678,151)
OTHER SOURCES AND USES						
Premium on obligations	-	-	-	219,780	-	219,780
Operating transfers in	571,617	485,517	-	-	425,000	1,482,134
Operating transfers (out)	(910,517)	(2,056)	-	(404,929)	(164,632)	(1,482,134)
Total Other Sources (Uses)	(338,900)	483,461	-	(185,149)	260,368	219,780
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,382,250	-	(221,254)	(149,369)	(16,469,998)	(13,458,371)
Fund Equity - Beginning of year	38,404,400	-	536,096	2,644,887	5,604,823	47,190,206
Fund Equity- (Deficit) End of year	\$ 41,786,650	\$ -	\$ 314,842	\$ 2,495,518	\$ (10,865,175)	\$ 33,731,835

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

KINGSTON CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ 326,409	\$ 287,593
Investments	4,800	-
Total Assets	\$ 331,209	\$ 287,593
 LIABILITIES		
Due to governmental funds	\$ -	\$ 124
Student deposits	-	6,475
Extraclassroom activity balances	-	280,994
Total Liabilities	-	\$ 287,593
 NET POSITION		
Reserved for scholarships	\$ 331,209	

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

KINGSTON CITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 For Year Ended June 30, 2020

	Private Purpose Trusts
ADDITIONS	
Contributions	\$ 36,966
Interest	<u>5,021</u>
Total Additions	<u>41,987</u>
 DEDUCTIONS	
Scholarships and awards	<u>12,309</u>
Change in Net Position	29,678
Net Position - Beginning of year	<u>301,531</u>
Net Position- End of year	<u><u>\$ 331,209</u></u>

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. **Summary of Significant Accounting Policies**

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

A. **Reporting Entity**

The Kingston City 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 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

The Extraclassroom Activity Funds

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

B. Joint Venture

The Kingston City School District is one of 9 component school districts in the Ulster Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

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

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

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

During the year ended June 30, 2020, the Kingston City School District was billed \$17,366,512 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$3,909,647. Financial statements for the BOCES Aid are available from the BOCES administrative office.

C. Basis of Presentation

1. Districtwide Statements

The Districtwide Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes,

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

1. **Districtwide Statements (Continued)**

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

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

2. **Fund Financial Statements**

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

The District reports the following funds:

a. **Major Governmental Funds**

- (1) **General Fund** - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- (2) **Special Aid Fund** - These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

2. Fund Financial Statements (Continued)

a. Major Governmental Funds (Continued)

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

b. Fiduciary Funds

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

- (1) **Private Purpose Trust Funds** – These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- (2) **Agency Funds** – These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

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

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

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

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

E. Cash and Investments

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

F. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on September 1. Taxes are collected during the period September 15 to December 15.

The City of Kingston and County of Ulster in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City and County to the District within two years from the return of unpaid taxes to the City and County. Real property taxes receivable, expected to be collected within 60 days of year end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred revenues offset real property taxes receivable.

G. Restricted Resources

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

H. Interfund Transactions

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

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

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

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

I. Estimates

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

J. Receivables

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

K. Inventories and Prepaid Items

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

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

A portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute an available spendable resource.

L. Other Assets/Restricted Assets

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

L. Other Assets/Restricted Assets (Continued)

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

M. Capital Assets

Capital assets are reflected in the districtwide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third party professionals. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

	Capitalization Threshold	Estimated Useful Life
Site Improvements	\$ 5,000	20
Buildings and Improvements	\$ 5,000	15-50
Furniture and Equipment	\$ 5,000	5-15
Vehicles	\$ 5,000	8

N. Compensated Absences

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

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

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

N. Compensated Absences (Continued)

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vested method and an accrual for that liability is included in the Districtwide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year end. In the fund statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available resources. These amounts are expensed on a pay-as-you-go basis.

O. Accrued Liabilities and Long-Term Obligations

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

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

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

P. Deferred Outflows of Resources

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

Q. Deferred Inflows of Resources

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

R. Unearned Revenue

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

S. Other Benefits

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

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

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

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

T. **Short-Term Debt**

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

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

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

U. **Equity Classifications**

1. **Districtwide Statements**

In the districtwide statements there are three classes of net position:

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

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

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

U. **Equity Classifications (Continued)**

2. **Fund Statements**

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

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$96,874 and prepaid expenditures in the General Fund of \$50,000.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

1. **Encumbrances**

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

2. **Unemployment Insurance**

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

3. Property Loss and Liability

This reserve is used to pay for property loss and liability claims incurred. Separate property loss and liability claims are required and these reserves may not exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve may be utilized only by school districts, except city school districts with a population greater than 125,000. This reserve is accounted for in the General Fund.

4. Tax Certiorari

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

5. Employee Retirement Contributions

This reserve is used for future employees' retirement obligations and teachers' retirement obligations. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

6. Capital

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

7. Tax Reduction

This reserve is created by the Board of Education from the proceeds of the sale of real property, after being used for any other legally required purpose. It is to be used to reduce real property taxes over a period of time, not to exceed ten years.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

Restricted fund balance includes the following:

General Fund:

Reserve for Property Loss and Liability	\$ 102,194
Unemployment Insurance	433,452
Employee & Teacher Retirement Contributions	7,021,642
Tax Certiorari	9,261,022
Capital Reserve	8,261,174
Liability	102,179
Tax Reduction	3,151,859
Capital Fund	24,123,629
Debt Service Fund	2,495,518
Total restricted funds	<u>\$ 54,952,669</u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District’s highest level of decision making, the Board of Education. The School District has no committed fund balances as of June 30, 2020.

Assigned – Includes amounts that are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as **Assigned Fund Balance** in the General Fund. Encumbrances reported in the General Fund amounted to \$3,502,459 and the assigned fund balance amounted to \$3,000,000.

Unassigned – Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from over spending for specific purposes for which amounts had been restricted or assigned.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

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

Order of Use of Fund Balance:

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

V. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable.

W. Future Changes in Accounting Standards

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

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

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

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

a. Long-term revenue differences:

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

b. Capital related differences:

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

c. Long-term debt transaction differences:

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

d. Pension differences:

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

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

Original cost of capital assets	\$244,441,417
Accumulated depreciation	<u>93,943,727</u>
Capital assets, net	<u>\$150,497,690</u>

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

Bonds and notes payable	<u>\$ 75,925,000</u>
Other debt	<u>\$ 2,919,306</u>
Compensated absences payable	<u>\$ 5,728,724</u>
OPEB obligations	<u>\$ 683,955,810</u>
Net Pension Liability-Proportionate Share	<u>\$ 9,775,597</u>

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$4,779,905 was less than capital expenditures of \$16,809,589 in the current year.

Repayment of bond principal of \$5,154,993 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.

Interest on long-term debt and short-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the Statement of Activities increased by \$199,856.

III. Changes in Accounting Principles

For the fiscal year ended June 30, 2018, the District implemented GASB Statement #75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. See Note XI. for the financial statement impact of the implementation of the statement.

IV. Cash and Investments

A. Deposits

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

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. Cash and Investments (Continued)

A. Deposits (Continued)

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

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

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

The District did not have any investments at year end or during the year.

V. Interfund Transaction

Interfund balances at June 30, 2020 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 3,010,293	\$ -	\$ 571,617	\$ 910,517
Special Aid Fund	-	3,008,753	485,517	2,056
School Lunch Fund	-	-	-	-
Debt Service Fund	-	-	-	404,929
Capital Fund	-	1,416	425,000	164,632
Total governmental activities	<u>3,010,293</u>	<u>3,010,169</u>	<u>\$ 1,482,134</u>	<u>\$ 1,482,134</u>
Fiduciary Agency Fund	<u>-</u>	<u>124</u>		
Totals	<u>\$ 3,010,293</u>	<u>\$ 3,010,293</u>		

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

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Capital Assets

A summary of changes in general fixed assets follows:

	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
<u>Capital assets-not depreciated:</u>				
Land	\$ 736,128	\$ -	\$ -	736,128
Construction in progress	18,791,922	15,074,908	4,221,934	29,644,896
Total capital assets-not depreciated:	19,528,050	15,074,908	4,221,934	30,381,024
 <u>Other capital assets:</u>				
Buildings and improvements	199,188,979	5,682,094	74,664	204,796,409
Machinery and equipment	8,012,289	152,633	67,780	8,097,142
Vehicles	1,044,954	121,888	-	1,166,842
Total other capital assets:	208,246,222	5,956,615	142,444	214,060,393
 <u>Less accumulated depreciation:</u>				
Buildings and improvements	83,808,595	4,340,249	67,509	88,081,335
Machinery and equipment	4,829,641	357,253	35,584	5,151,310
Vehicles	628,679	82,403	-	711,082
Total accumulated depreciation	89,266,915	4,779,905	103,093	93,943,727
Other capital assets, net	118,979,307	1,176,710	39,351	120,116,666
Total	<u>\$ 138,507,357</u>	<u>\$ 16,251,618</u>	<u>\$ 4,261,285</u>	<u>\$ 150,497,690</u>

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans

1. General Information

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

2. Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

Funding Policies:

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

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

Contributions

	<u>ERS</u>	<u>TRS</u>
2020	\$1,657,552	\$7,217,880
2019	\$1,595,562	\$6,257,022
2018	\$1,632,538	\$7,432,826

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

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

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	1-Apr-19	30-Jun-18
Net pension liability/(asset)	\$9,775,597	(\$10,578,565)
District's portion of the Plan's total net pension liability	.0369161%	.407180%
Change in proportion since the prior measurement date	(.0030839%)	.015212%

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

For the year ended June 30, 2020, the District's recognized pension expense of \$3,485,730 for ERS and \$12,872,748 for TRS. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$575,333	\$7,168,823	\$0	\$786,643
Changes of assumptions	196,834	19,984,324	169,963	4,872,744
Net difference between projected and actual earnings on pension plan investments	5,011,446	0	0	8,483,463
Changes in proportion and differences between the District's contributions and proportionate share of contributions	410,259	449,268	44,784	1,398,314
District's contributions subsequent to the measurement date	418,035	6,054,059	0	0
Total	<u>\$6,611,907</u>	<u>\$33,656,474</u>	<u>\$214,747</u>	<u>\$15,541,164</u>

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2020	\$ -	\$ 4,576,424
2021	\$1,086,222	\$ 94,209
2022	\$1,529,864	\$ 4,559,077
2023	\$1,866,740	\$ 3,046,294
2024	\$1,496,299	\$ 295,309
2025	\$0	
Thereafter	\$0	\$ (510,063)

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

4. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Interest rate	6.8%	7.10%
Salary scale	4.20%	1.90%-4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.20%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System’s experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

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

Measurement date	<u>ERS</u>	<u>TRS</u>
	March 31, 2020	June 30, 2019
<u>Asset Type</u>	<u>%</u>	<u>%</u>
Domestic Equities	36%	33%
International Equities	14%	16%
Global equities	0%	4%
Private Equity	10%	8%
Real Estate Equity	10%	11%
Domestic fixed income securities	0%	16%
Global bonds	0%	2%
Bonds and mortgages	17%	0%
Cash Equivalents	1%	1%
Inflation-Indexed bonds	4%	0%
High yield fixed income securities	0%	1%
Real estate debt	0%	7%
Real assets	3%	0%
Private debt	0%	1%
Alternative investments	<u>8%</u>	<u>0%</u>
	100%	100%

5. Discount Rate

The discount rate used to calculate the total pension liability was 6.8 % for ERS and 7.10 % for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

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

The following presents the District's proportionate share of the net pension (asset)/liability calculated using the discount rate of 6.8% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8% or ERS and 6.10% for TRS) or 1-percentage point higher (7.8% for ERS and 8.10% for TRS) than the current rate :

ERS	1% Decrease <u>(5.80%)</u>	Current Assumption <u>(6.80%)</u>	1% Increase <u>(7.80%)</u>
Employer's proportionate share Of the net pension (asset) liability	\$ 17,940,980	\$ 9,775,597	\$ 2,255,244
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	\$ 47,750,537	(\$ 10,578,565)	(\$ 59,510,098)

7. Pension Plan Fiduciary Net Position

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Employers' total pension liability	\$ 194,596,261	\$ 119,879,473,882
Plan Fiduciary Net Position	168,115,682	122,477,480,654
Employers' net pension liability/(asset)	26,480,579	(2,598,006,772)
Ratio of plan fiduciary net position to the Employers' total pension (asset)/liability	86.3900%	102.2000%

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Pension Plans (Continued)

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$418,035.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$6,572,645.

VIII. Short-Term Debt Obligations

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance 7/1/2019</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6/30/20</u>
BANS	2020	2.25%	\$ 0	\$ 22,000,000	\$ 0	\$ 22,000,000

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

Interest accrued in the current year	<u>\$316,250</u>
Total expense	<u>\$316,250.</u>

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Long-Term Debt Obligations

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

1. Long-Term Debt Interest

Interest paid	\$ 2,609,967
Less interest accrued in the prior year	(217,064)
Plus interest accrued in the current year	198,258
Amortization of refunding premium	<u>(97,588)</u>
Total expense	<u>\$2,493,573</u>

2. Changes

	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020	Due Within One Year
Serial Bonds	\$ 80,705,000	\$ -	\$ 4,780,000	\$ 75,925,000	\$ 4,530,000
Other debt-EPC	3,294,299		374,993	2,919,306	<u>\$ 384,958</u>
Compensated					
Absences	5,115,717	613,007	-	5,728,724	
OPEB Obligations	523,226,227	178,030,342	17,300,759	683,955,810	
Net Pension Liability- Proportionate Share	<u>2,634,247</u>	<u>7,141,350</u>	<u>-</u>	<u>9,775,597</u>	
Totals	<u>\$ 614,975,490</u>	<u>\$ 185,784,699</u>	<u>\$ 22,455,752</u>	<u>\$ 778,304,437</u>	

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Long-Term Debt Obligations (Continued)

3. Maturity

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

Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2020
Serial Bonds:				
Construction	2009	2024	4.03%	\$ 1,330,000
Refunded-2009	2016	2024	4.00%	3,760,000
Construction	2010	2025	2.95%	1,040,000
Construction	2018	2037	3.05%	69,795,000
				<u>\$ 75,925,000</u>
 EPC	 2012	 2027	 2.64%	 <u>\$ 2,919,306</u>

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

	Year	Principal	Interest	Total
Serial Bonds:	2021	\$ 4,530,000	\$ 2,375,331	\$ 6,905,331
	2022	4,685,000	2,228,106	6,913,106
	2023	4,840,000	2,075,469	6,915,469
	2024	4,995,000	1,917,194	6,912,194
	2025	3,835,000	1,753,312	5,588,312
	2026 and thereafter	53,040,000	11,389,056	64,429,056
	Total	<u>\$ 75,925,000</u>	<u>\$ 21,738,468</u>	<u>\$ 97,663,468</u>

Prior Year Defeasance

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Other Debt

The Kingston City School District entered into an Energy Performance Contract which is accounted for as other debt. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2020.

Year Ending <u>June 30,</u>	<u>General Long-Term Debt</u>
2021	\$ 459,503
2022	459,503
2023	459,503
2024	459,503
2025	459,503
2026 -thereafter	919,007
Minimum Lease Payments - Capital Leases	<u>3,216,522</u>
Less: Amount representing interest of .73% per annum	297,216
Present Value-Minimum Lease Payments	<u>\$ 2,919,306</u>

XI. Postemployment (Health Insurance) Benefits

A. General Information about the OPEB Plan

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

Benefits Provided- The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

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

Inactive employees or beneficiaries currently receiving benefit payments	893
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>1,011</u>
Total membership	1,904

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Postemployment (Health Insurance) Benefits (Continued)

B. Total OPEB Liability

The District's total OPEB liability of \$683,955,810 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs- The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary Increases	varied by years of service and retirement system
Discount Rate	2.21%
Healthcare Cost Trend Rates	5.40% for 2019, decreasing to an ultimate rate of 3.84% by 2075

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

Mortality rates were based on the April 1, 2010-March 31, 2015 NYSLRS experience, with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period April 1, 2010-March 31, 2015.

B. Changes in the Total OPEB Liability

Balance at June 30, 2019	<u>\$523,226,227</u>
<u>Changes for the Year</u>	
Service cost	18,424,784
Interest	18,710,941
Changes of benefit terms	-
Differences between expected and actual experience	3,455,039
Changes in assumptions or other inputs	137,439,578
Benefit payments	<u>(17,300,759)</u>
Net Changes	<u>160,729,583</u>
Balance at June 30, 2020	<u>\$683,955,810</u>

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Postemployment (Health Insurance) Benefits (Continued)

C. Changes in the Total OPEB Liability

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51 % in 2019 to 2.21% in 2020.

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

	(1.21%) 1% Decrease	Discount Rate (2.21%)	(3.21%) 1% Increase
Total OPEB Liability	<u>\$ 823,997,976</u>	<u>\$ 683,955,810</u>	<u>\$ 574,551,864</u>

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	<u>\$ 552,273,642</u>	<u>\$ 683,955,810</u>	<u>\$ 860,463,380</u>

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Postemployment (Health Insurance) Benefits (Continued)

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$47,719,196. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,357,568	\$ -
Changes of assumptions or other inputs	119,656,567	(13,310,991)
Total	<u>\$ 156,014,135</u>	<u>(\$ 13,310,991)</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 27,884,230
2022	27,884,230
2023	27,884,230
2024	27,884,230
2025	31,166,224
Thereafter	-

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

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

2. Workers' Compensation Insurance

The Kingston City School District participates in a risk sharing pool, Ulster County Workers' Compensation Fund, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. The pool has a December 31 year end. At December 31, 2019, the School District's share of the liability for unbilled and open claims was \$300,000. The liability is reported in the General Fund.

3. Grants

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

4. Litigation

There are currently pending tax certiorari proceedings, the results of which could require the payments of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. The School District has established a tax certiorari reserve to cover a portion of the potential refund exposure and the District has legal authority to borrow funds to repay school taxes when needed.

There is a State Court revival action under the New York Child Victims Act CPLR 214-g by a former student alleging sexual abuse by a former teacher and administrator during the 1980s. The School District is vigorously defending the matter and the parties are currently in discovery. The contingent liability cannot be determined at this time.

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XIII. Tax Abatements

The County of Ulster, enter into various property tax abatement programs for the purpose of economic development. The School District property tax revenue was reduced \$3,947,652. The District received payments in Lieu of Tax (PILOT) payment totaling \$1,518,870.

XIV. Other Disclosures

A. Interfund Transfer

The 2019-20 interfund transfer budget was increased as follows:

Original Budget	\$ 825,000
Revisions:	
Capital Reserve Allocation for Capital Projects	-
Special Aid for Summer Handicap Program	85,517
Final Budget	<u>\$ 910,517</u>

B. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

Total governmental fund balance	\$ 33,731,835
Capital assets (net)	150,497,690
Net pension asset	10,578,565
Deferred outflows of resources	196,282,516
Bonds payable	(75,925,000)
Capital lease payable	(2,919,306)
Accrued interest payable	(514,508)
Net pension liability- proportionate share	(9,775,597)
Deferred inflows of resources	(29,457,250)
Compensated absences	(5,728,724)
Deferred taxes (city)	7,506,657
OPEB obligations	(683,955,810)
Total net position	<u>\$ (409,678,932)</u>

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XIV. Other Disclosures (Continued)

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

Net changes in fund balance – total governmental funds	\$ (13,458,371)
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	16,809,589
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(4,779,905)
Loss on disposal of assets	(39,351)
Repayments of Long-term Debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the Statement of Net Position	5,154,993
Amortized amount of credit expensed to interest on Statement of Activities.	97,588
Interest is recognized as an expense in governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The increase in accrued interest during 2019/20 results in more expense.	(297,444)
Certain revenues deferred in the Governmental Funds must be recognized in the Statement of Activities-Real Property Taxes	819,415
 (Increases) Decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds:	
Teachers' Retirement System	(6,810,565)
Employees' Retirement System	(1,849,777)
 Certain expenses in the Statement of Activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:	
OPEB obligations	(47,719,196)
Compensated absences	<u>(613,007)</u>
 Change in Net Position – Governmental Activities	 <u>(\$ 52,686,031)</u>

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XV. Stewardship, Compliance and Accountability

A. Budgetary Procedures and Budgetary Accounting

1. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

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

The General Fund budget was increased to reflect the use of reserves in the amount of \$117,946 and the receipt of gifts and donations in the amount of \$16,236.

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

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

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

KINGSTON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XV. Stewardship, Compliance and Accountability (Continued)

A. Budgetary Procedures and Budgetary Accounting (Continued)

2. Encumbrances

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

3. The Capital Fund had a deficit fund balance in the amount of \$10,865,175 at June 30, 2020. The deficit will be eliminated when the District obtains permanent financing for a Capital project.

XVI. Subsequent Events

There were no significant subsequent events to report from the period of July 1, 2020 to September 23, 2020.

KINGSTON CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property tax items	\$ 97,630,074	\$ 97,605,087	\$ 96,785,684	\$ (819,403)
Other tax items	9,759,909	9,784,896	10,501,704	716,808
Charges for services	437,175	437,175	696,080	258,905
Use of money and property	622,500	622,500	1,115,645	493,145
Sale of property and compensation for loss	10,000	10,000	-	(10,000)
Miscellaneous	1,070,200	1,086,436	1,889,492	803,056
Total Local Sources	109,529,858	109,546,094	110,988,605	1,442,511
State sources	68,056,438	68,056,438	68,941,454	885,016
Federal sources	125,000	125,000	116,624	(8,376)
Total Revenues	177,711,296	177,727,532	180,046,683	2,319,151
Other Financing Sources				
Operating transfers in	754,561	754,561	571,617	(182,944)
Total Revenue and Other Financing Sources	178,465,857	178,482,093	180,618,300	<u>\$ 2,136,207</u>
Appropriated Reserves	347,200	1,205,015		
Appropriated Fund Balance	2,000,000	2,000,000		
Total Revenues, Other Financing Sources and Appropriated Reserves and Fund Balance	\$ 180,813,057	\$ 181,687,108		

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

KINGSTON CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO BUDGET-
GENERAL FUND
For Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 98,301	\$ 163,220	\$ 118,794	\$ 14,642	\$ 29,784
Central administration	281,475	290,896	290,140	-	756
Finance	969,881	1,003,758	986,039	7,107	10,612
Staff	734,805	702,640	679,008	-	23,632
Central services	7,224,663	7,572,830	7,312,889	136,574	123,367
Special items	2,930,818	3,602,602	2,933,289	650,000	19,313
Total General Support	<u>12,239,943</u>	<u>13,335,946</u>	<u>12,320,159</u>	<u>808,323</u>	<u>207,464</u>
Instructional					
Instruction, administration and improvement	5,472,046	5,579,205	5,319,065	136,512	123,628
Teaching - regular school	44,415,986	42,927,292	42,503,253	130,194	293,845
Programs for children with handicapping conditions	32,992,942	35,087,547	34,704,734	319,826	62,987
Occupational education	3,396,942	3,397,949	3,396,049	-	1,900
Teaching - special school	2,347,882	2,634,579	2,609,392	870	24,317
Instructional media	3,373,146	3,606,320	3,374,857	210,206	21,257
Pupil services	5,952,891	5,924,901	5,819,401	46,854	58,646
Total Instructional	<u>97,951,835</u>	<u>99,157,793</u>	<u>97,726,751</u>	<u>844,462</u>	<u>586,580</u>
Pupil Transportation	8,642,148	8,462,765	6,578,694	1,849,674	34,397
Employee Benefits	52,389,170	52,055,126	51,934,969	-	120,157
Debt Service-Principal	5,154,993	5,154,993	5,154,993	-	-
-Interest	3,609,968	2,609,968	2,609,967	-	1
Total Expenditures	<u>179,988,057</u>	<u>180,776,591</u>	<u>176,325,533</u>	<u>3,502,459</u>	<u>948,599</u>
OTHER FINANCING USES					
Operating transfers out	825,000	910,517	910,517	-	-
Total Expenditures and Other Financing Uses	<u>\$ 180,813,057</u>	<u>\$ 181,687,108</u>	<u>177,236,050</u>	<u>\$ 3,502,459</u>	<u>\$ 948,599</u>
Net change in fund balance			3,382,250		
Fund balance- Beginning			<u>38,404,400</u>		
Fund balance- Ending			<u>\$ 41,786,650</u>		

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

KINGSTON CITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
For Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost at end of year	\$ 18,424,784	\$ 11,162,534	\$ 11,620,821
Interest	18,710,941	17,787,577	16,416,211
Changes of benefit terms	-	-	-
Difference between expected and actual experience	3,455,039	46,869,717	-
Changes of assumptions or other inputs	137,439,578	7,173,019	(23,266,782)
Benefit payments	(17,300,759)	(16,307,990)	(13,564,515)
Net change in Total OPEB Liability	<u>160,729,583</u>	<u>66,684,857</u>	<u>(8,794,265)</u>
Total OPEB Liability- beginning	523,226,227	456,541,370	465,335,635
Total OPEB Liability- ending	<u>\$ 683,955,810</u>	<u>\$ 523,226,227</u>	<u>\$ 456,541,370</u>
Covered-employee payroll	<u>71,130,418</u>	<u>65,899,339</u>	<u>64,009,525</u>
Total OPEB Liability as a percentage of covered-employee payroll	961.55%	793.98%	713.24%

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

KINGSTON CITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
June 30, 2020

Teachers' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District 's proportion of the net pension asset/liability	.407180%	.391968%	.400209%	.399052%	.387569%
District's proportionate share of the net pension (asset)/liability	\$(10,578,565)	\$ (7,087,813)	\$ (3,041,989)	\$ 4,274,012	\$ (40,256,105)
District's covered-employee payroll	\$ 69,304,699	\$ 69,264,509	\$ 65,109,087	\$ 64,545,823	\$ 62,836,184
District's proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	15.26%	10.23%	4.67%	6.62%	64.07%
Plan fiduciary net position as a percentage of the total pension liability	102.20%	101.53%	100.66%	94.70%	110.46%

Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District 's proportion of the net pension liability	.0369161%	.04%	.0380923%	.0345990%	.0348273%
District's proportionate share of the net pension liability	\$ 9,775,597	\$ 2,634,247	\$ 1,229,407	\$ 3,250,998	\$ 5,589,881
District's covered-employee payroll	\$ 11,769,234	\$ 11,621,696	\$ 10,849,457	\$ 10,449,005	\$ 10,059,771
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	83.06%	22.67%	11.33%	31.11%	55.57%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	99.01%	90.70%

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

KINGSTON CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
June 30, 2020

Teachers' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 6,054,059	\$ 7,217,880	\$ 6,380,690	\$ 7,843,479	\$ 8,720,921
Contributions in relation to the contractually required contribution	<u>6,054,059</u>	<u>7,217,880</u>	<u>6,380,690</u>	<u>7,843,479</u>	<u>8,720,921</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 69,304,699</u>	<u>\$ 69,264,509</u>	<u>\$ 65,109,087</u>	<u>\$ 64,545,823</u>	<u>\$ 62,836,184</u>
Contributions as a percentage of covered employee payroll	8.7%	10.4%	9.8%	12.1%	13.0%

Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,657,552	\$ 1,595,562	\$ 1,632,538	\$ 1,486,385	\$ 1,649,090
Contributions in relation to the contractually required contribution	<u>1,657,552</u>	<u>1,595,562</u>	<u>1,632,538</u>	<u>1,486,385</u>	<u>1,649,090</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 11,769,234</u>	<u>\$ 11,621,696</u>	<u>\$ 10,849,457</u>	<u>\$ 10,449,005</u>	<u>\$ 10,059,774</u>
Contributions as a percentage of covered employee payroll	14.1%	13.7%	15.0%	14.2%	16.4%

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

KINGSTON CITY SCHOOL DISTRICT
 SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND
 THE REAL PROPERTY TAX LIMIT
 For Year Ended June 30, 2020

CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET

Original Budget		\$	180,813,057
Additions:			
Prior year's encumbrances	\$		739,869
Gifts and donations			16,236
Appropriated reserves			117,946
			874,051
Final Budget		\$	181,687,108

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 Voter-approved Expenditure Budget		\$	187,420,013
Maximum allowed (4% of 2020-2021 Budget)		\$	7,496,801

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:			
Committed fund balance	\$		-
Assigned fund balance			6,502,459
Unassigned fund balance			6,900,669
Total unrestricted fund balance		\$	13,403,128

Less:			
Appropriated fund balance			3,000,000
Encumbrances included in committed and assigned fund balance			3,502,459
Total adjustments		\$	6,502,459

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		\$	6,900,669
--	--	----	-----------

Actual percentage			3.68%
-------------------	--	--	-------

* 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.

KINGSTON CITY SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
For Year Ended June 30, 2020

PROJECT TITLE	Expenditures					Unexpended Balance	Methods of Financing				Fund Balance 30-Jun-20
	Original Budget	Revised Budget	Prior Years	Current Year	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
Asbestos Mgmt.	\$ 15,000	\$ 183,150	\$ 141,583	\$ 12,589	\$ 154,172	\$ 28,978	\$ -	\$ -	\$ 183,150	\$ 183,150	\$ 28,978
Blacktop-Districtwide	25,000	459,978	384,978	6,000	390,978	69,000	-	-	459,978	459,978	69,000
Carnegie Building	-	5,001	59	-	59	4,942	-	-	5,001	5,001	4,942
Carpet-Districtwide	60,000	71,033	67,932	-	67,932	3,101	-	-	71,033	71,033	3,101
Cafeteria Renovations	125,000	125,000	79,187	-	79,187	45,813	-	-	125,000	125,000	45,813
Oil Tank	48,000	409,584	204,527	100,000	304,527	105,057	-	-	409,584	409,584	105,057
Underground Storage Tanks	-	20,000	-	-	-	20,000	-	-	20,000	20,000	20,000
Health & Safety	4,588,000	4,585,000	4,585,000	-	4,585,000	-	4,585,000	-	-	4,585,000	-
Health & Safety Accessibility	33,500	33,500	33,500	-	33,500	-	-	-	33,500	33,500	-
Masonry-Roof	176,896	176,896	176,896	-	176,896	-	176,896	-	-	176,896	-
District Facilities Master Plan	370,000	545,000	542,559	-	542,559	2,441	-	-	545,000	545,000	2,441
Building Upkeep & Repair 07-08	31,400	514,000	449,367	64,632	513,999	1	-	-	514,000	514,000	1
Vehicles	75,000	877,000	710,374	159,094	869,468	7,532	-	-	877,000	877,000	7,532
Lease-Purchase Warehouse	-	247,135	247,135	-	247,135	-	-	-	247,135	247,135	-
KW Field House Roof	335,000	335,000	335,000	-	335,000	-	-	-	335,000	335,000	-
Repair Bond-EXCEL	21,133,079	21,132,410	21,132,410	-	21,132,410	-	15,130,000	6,002,410	-	21,132,410	-
KHS Fire Alarm System	-	100,052	100,052	-	100,052	-	-	-	100,052	100,052	-
Building Upkeep & Repair 08-09	225,000	225,000	225,000	-	225,000	-	-	-	225,000	225,000	-
Building Upkeep & Repair 10-11	-	125,000	125,000	-	125,000	-	-	-	125,000	125,000	-
Building Upkeep & Repair 13-14	-	248,000	-	248,000	248,000	-	-	-	248,000	248,000	-
Building Upkeep & Repair 19-20	-	100,000	-	-	-	100,000	-	-	100,000	100,000	100,000
Capital Outlay 2014-2015	100,000	100,000	3,000	-	3,000	97,000	-	-	100,000	100,000	97,000
Capital Outlay 2015-2016	100,000	100,000	100,000	-	100,000	-	-	-	100,000	100,000	-
Capital Outlay 2017-2018	-	100,000	100,000	-	100,000	-	-	-	100,000	100,000	-
Capital Outlay 2018-2019	-	100,000	-	-	-	100,000	-	-	100,000	100,000	100,000
Capital Outlay 2019-2020	-	100,000	-	12,000	12,000	88,000	-	-	100,000	100,000	88,000
Carnegie Library Renovation	-	3,580,000	3,574,418	-	3,574,418	5,582	2,930,000	500,000	150,000	3,580,000	5,582
Carnegie Library -LOWES Grant	-	100,000	95,634	-	95,634	4,366	-	-	100,000	100,000	4,366
Carnegie Library -City Block Gra	-	50,000	-	-	-	50,000	-	-	50,000	50,000	50,000
Anna Devine Boiler	-	459,000	411,552	-	411,552	47,448	-	-	459,000	459,000	47,448
Johnson Controls EPC	5,661,072	5,661,072	5,661,072	-	5,661,072	-	5,661,072	-	-	5,661,072	-
KHS Roof Repair	299,291	289,452	289,452	-	289,452	-	-	-	289,452	289,452	-
2012 Capital Upgrades	8,000,000	8,000,000	6,780,000	-	6,780,000	1,220,000	53,907	-	6,726,093	6,780,000	-
2014 Capital Upgrades	6,950,000	6,950,000	6,985,634	-	6,985,634	(35,634)	4,330,000	-	2,655,634	6,985,634	-
2018 Capital Upgrades	-	16,000,000	901,992	861,104	1,763,096	14,236,904	-	-	5,000,000	5,000,000	3,236,904
Meagher School Renovations	-	4,226,248	3,865,271	328,453	4,193,724	32,524	-	-	4,226,248	4,226,248	32,524
KHS Second Century	137,500,000	137,500,000	85,614,646	15,103,126	100,717,772	36,782,228	76,000,000	-	9,803,907	85,803,907	(14,913,865)
Totals	\$ 185,851,238	\$ 213,833,511	\$ 143,923,230	\$ 16,894,998	\$ 160,818,228	\$ 53,015,283	\$ 108,866,875	\$ 6,502,410	\$ 34,583,767	\$ 149,953,052	\$ (10,865,176)

See paragraph on required supplementary information included in auditors' report.

KINGSTON CITY SCHOOL DISTRICT
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2020

Capital assets, net			\$150,497,690
Deduct:			
Short-term portion of capital lease	\$	384,958	
Long-term portion of capital lease		2,534,348	
Short-term portion of bonds payable		4,530,000	
Long-term portion of bonds payable		71,395,000	
Less: unspent bond proceeds		<u>(5,582)</u>	<u>78,838,724</u>
Net investment in capital assets			<u><u>\$ 71,658,966</u></u>

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

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants
P.O. Box 538
Claverack, New York 12513

Telephone: (518) 851-6650
Fax: (518) 851-6675
www.rgpreusser-cpa.com

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

To the Board of Education of the
Kingston City School District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Kingston City School District as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated September 23, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Raymond G. Preusser, CPA, P.C.

Claverack, New York
September 23, 2020