

ARLINGTON CENTRAL
SCHOOL DISTRICT



MANAGEMENT'S
DISCUSSION AND
ANALYSIS

AND

BASIC FINANCIAL
STATEMENTS

For the Year Ended
June 30, 2021

**ARLINGTON CENTRAL SCHOOL DISTRICT
TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-12
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
• Statement of Net Position	13
• Statement of Activities	14
Fund Financial Statements	
• Balance Sheet – Governmental Funds	15
• Reconciliation of Total Governmental Fund Balances to District-wide Net Position	16
• Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds	17
• Reconciliation of the Statement of Revenues and Expenditures of the Governmental Funds to the Statement of Activities	18
Fiduciary Fund Financial Statements	
• Statement of Fiduciary Net Position	19
• Statement of Changes in Fiduciary Net Position	20
Notes to Basic Financial Statements	21-48
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund	49
Schedules of Changes in the School District's Total OPEB Liability and Related Ratios	50
Schedules of District Pension Contributions	51
Schedules of the District's Proportionate Share of the Net Pension Asset / Liability	52
OTHER SUPPLEMENTARY INFORMATION	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit	53
Schedule of Project Expenditures – Capital Projects Fund	54
Net Investment in Capital Assets	55
SINGLE AUDIT REPORTS AND SCHEDULES	
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	56
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	57-58
Schedule of Expenditures of Federal Awards	59
Notes to Schedule of Expenditures of Federal Awards	60
Schedule of Findings and Questioned Costs – Federal Compliance Requirements	61-62
Status of Prior Year's Findings and Questioned Costs – Federal Compliance Requirements	63

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Independent Auditor's Report

Board of Education
Arlington Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arlington Central School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

New Accounting Standard

As discussed in Note 1 to the financial statements, the District changed accounting policies related to the accounting and reporting of fiduciary activities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arlington Central School District's basic financial statements. The other supplementary information on pages 53 through 55 is presented for purposes of additional analysis as required by New York State Education Department and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2021, on our consideration of the Arlington Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Arlington Central School District's 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 Arlington Central School District's internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

October 8, 2021

Rome, New York

**ARLINGTON CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021**

(Continued)

The Arlington Central School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2021 and 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

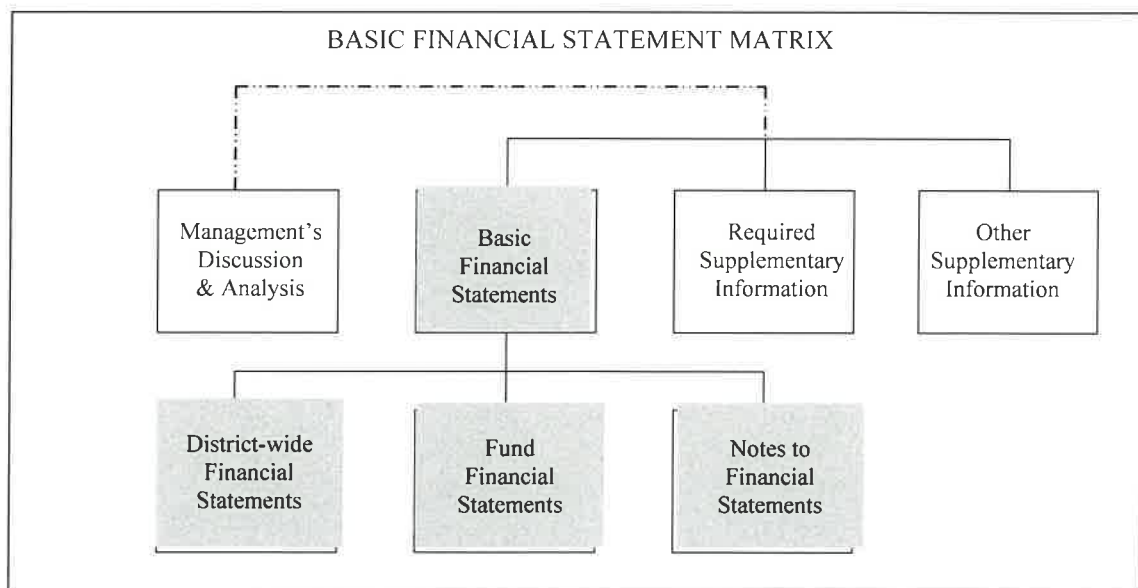
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2021 are as follows:

- The District's total net position, as reflected in the District-wide financial statements, decreased by \$105,701,727 to a deficit of \$719,932,324. This deficit is primarily due to the accrual of other postemployment benefits in the amount of \$958,373,382.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled \$328,344,778. Of this amount, \$2,595,665, \$5,746,403, and \$359,675 were offset by program charges for services, operating grants, and capital grants, respectively. General revenues of \$213,941,308 amount to 96.1% of total revenues. These revenues covered a significant portion of the remaining program expenses, leaving a deficit of \$105,701,727 for the year.
- State and federal revenue decreased by \$641,146 to \$63,408,521 in 2021 from \$64,049,667 in 2020. The decrease was mainly due to an accrual for payback on transportation aid in the amount of \$1,406,822 and a pandemic adjustment of \$939,879. The pandemic adjustment was partially replaced by federal CARES Act grants of \$845,890.
- The General Fund's total fund balance, as reflected in the fund financial statements on pages 15 and 17, increased by \$2,703,919 to \$31,675,278. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of District-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



See Independent Auditor's Report.

**ARLINGTON CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021**

(Continued)

A. District-wide Financial Statements

The District-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two District-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows with the difference between them reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources, and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds: General Fund, School Lunch Fund, Special Aid Fund, Misc. Special Revenue Fund, Debt Service Fund, and Capital Fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the District's District-wide financial statements because the District cannot use these assets to finance its operations.

**ARLINGTON CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021**

(Continued)

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position decreased by \$105,701,727 between fiscal year 2021 and 2020. A summary of the District's Statement of Net Position for June 30, 2021 and 2020 is as follows:

	2021	(Restated) 2020	Increase/ (Decrease)	Percentage Change
Current and Other Assets	\$ 52,235,888	\$ 47,278,148	\$ 4,957,740	10.5%
Net Pension Asset - Proportionate Share	0	12,105,728	(12,105,728)	(100.0%)
Capital Assets, Net of Accumulated Depreciation	<u>166,557,600</u>	<u>162,786,644</u>	<u>3,770,956</u>	2.3%
Total Assets	<u>218,793,488</u>	<u>222,170,520</u>	<u>(3,377,032)</u>	(1.5%)
Deferred Outflows of Resources	<u>244,073,478</u>	<u>316,480,688</u>	<u>(72,407,210)</u>	(22.9%)
Current and Other Liabilities	15,618,448	15,917,127	(298,679)	(1.9%)
Net Pension Liability - Proportionate Share	13,053,093	16,272,871	(3,219,778)	(19.8%)
Noncurrent Liabilities	<u>1,055,563,663</u>	<u>1,103,786,149</u>	<u>(48,222,486)</u>	(4.4%)
Total Liabilities	<u>1,084,235,204</u>	<u>1,135,976,147</u>	<u>(51,740,943)</u>	(4.6%)
Deferred Inflows of Resources	<u>98,564,086</u>	<u>16,905,658</u>	<u>81,658,428</u>	483.0%
Net Position				
Net Investment in Capital Assets	90,268,240	87,718,865	2,549,375	2.9%
Restricted	19,436,789	17,771,564	1,665,225	9.4%
Unrestricted (Deficit)	<u>(829,637,353)</u>	<u>(719,721,026)</u>	<u>(109,916,327)</u>	(15.3%)
Total Net Position (Deficit)	<u>\$ (719,932,324)</u>	<u>\$ (614,230,597)</u>	<u>\$ (105,701,727)</u>	(17.2%)

Current and other assets increased by \$4,957,740 during the current year. This increase is primarily due to an increase in cash in the General Fund of \$2.6 million and the Capital Projects Fund of approximately \$2.5 million.

The net pension asset - proportionate share represents the District's share of the TRS total pension asset, which decreased by \$12,105,728 as compared to the prior year due to the asset converting to a liability in the current year.

Capital assets, net of accumulated depreciation, increased by \$3,770,956 as compared to the prior year. The increase is due to capital additions exceeding depreciation for the current year. Note 7 to the Financial Statements provides additional information.

The net pension liability - proportionate share represents the District's share of the ERS and TRS total pension liability, which decreased by \$3,219,778 as compared to the prior year. This is due to a \$16.2 million reduction in the ERS pension liability offset by the addition of the TRS pension liability of \$13 million.

Noncurrent liabilities decreased by \$48,222,486 as compared to the prior year. This decrease is primarily due to a net decrease in the liability for other postemployment benefits (OPEB) in the amount of \$51,126,925.

The deferred outflows and inflows change resulted in a net decrease in net position of \$154,065,638. These financial statement elements mainly consist of actuarial determined adjustments to the School District's proportionate share of the net pension asset or liability and the OPEB liability for items such as changes in assumptions and differences between actual and projected System investment earnings.

The net investment in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations.

**ARLINGTON CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021**

(Continued)

The restricted portion of net position at June 30, 2021, is \$19,436,789, which represents the amount of the District's restricted reserves in the General Fund and other restricted funds for Debt Service and Capital Projects.

The unrestricted portion of net position at June 30, 2021, is a deficit of \$829,637,353, which represents the amount by which the District's liabilities and deferred inflows of resources, excluding debt related to capital construction, exceeded the District's assets and deferred outflows of resources, other than capital assets and restricted assets. This deficit is primarily due to the accrual of other postemployment benefits in the amount of \$958,373,382.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2021 and 2020 is as follows:

	2021	(Restated) 2020	Increase/ (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 2,595,665	\$ 3,546,887	\$ (951,222)	(26.8%)
Operating Grants	5,746,403	5,404,081	342,322	6.3%
Capital Grants	359,675	950,897	(591,222)	(62.2%)
General Revenues				
Property Taxes and STAR	146,150,093	142,589,318	3,560,775	2.5%
State and Federal Sources	63,408,521	64,049,667	(641,146)	(1.0%)
Other	4,382,694	3,527,922	854,772	24.2%
Total Revenues	<u>222,643,051</u>	<u>220,068,772</u>	<u>2,574,279</u>	1.2%
Expenses				
General Support	36,980,113	28,197,625	8,782,488	31.1%
Instruction	262,227,500	219,368,516	42,858,984	19.5%
Pupil Transportation	23,111,072	21,231,380	1,879,692	8.9%
Debt Service-Unallocated Interest	2,265,276	2,482,563	(217,287)	(8.8%)
Food Service Program	3,760,817	3,963,075	(202,258)	(5.1%)
Total Expenses	<u>328,344,778</u>	<u>275,243,159</u>	<u>53,101,619</u>	19.3%
Total Change in Net Position	<u><u>\$ (105,701,727)</u></u>	<u><u>\$ (55,174,387)</u></u>	<u><u>\$ (50,527,340)</u></u>	

The District's revenues increased by \$2,574,279 in 2021 or 1.2%. The major factors that contributed to the increase were:

- An increase in property taxes and STAR in the amount of \$3,560,775.
- An increase in other revenues of \$854,772.

The above amounts were offset by the following:

- A decrease in charges for services in the amount of \$951,222, primarily in the food service category.
- A decrease in non-grant state and federal aid in the General Fund in the amount of \$641,146, primarily due to an accrual of a \$1.4 million payback on transportation aid and a pandemic adjustment of \$939,879 by the State. The pandemic adjustment was partially replaced by federal CARES Act grants of \$845,890.
- A decrease in capital grants in the amount of \$591,222 representing a decrease in funds received and accrued for the Smart Schools Bond Act of 2014.

The District's expenditures increased by \$53,101,619 in 2021 or 19.3%, primarily in the instructional program category. The most significant factor that contributed to the increase was:

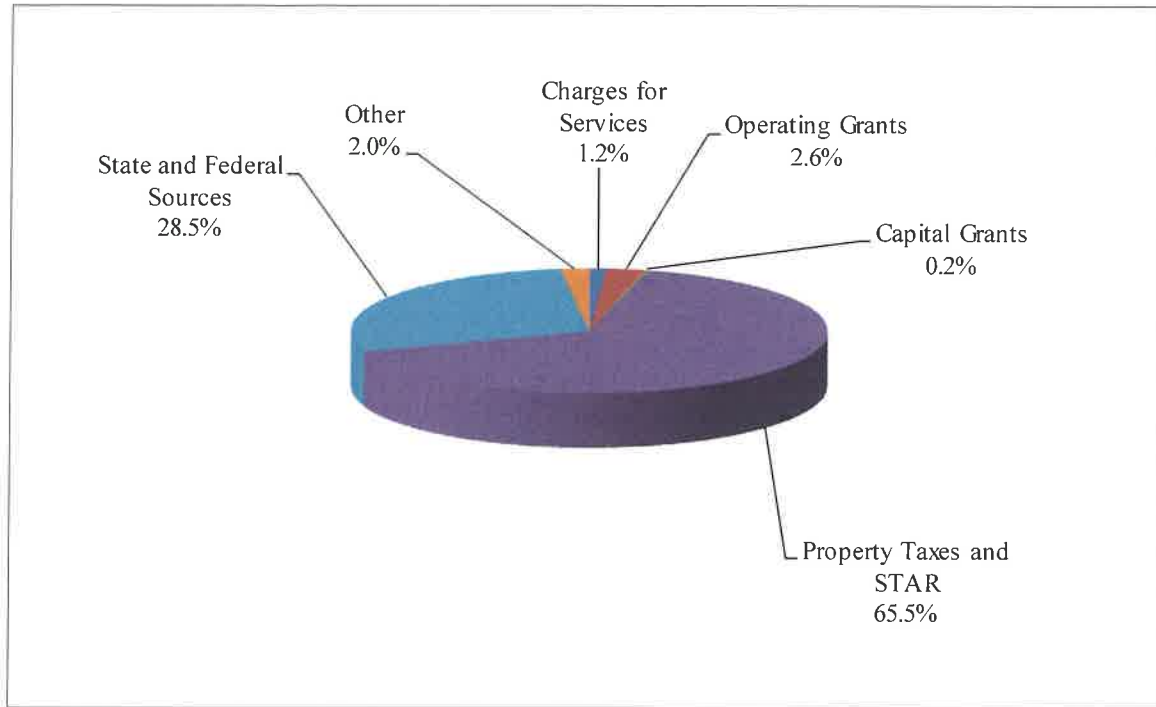
- There was approximately a \$47.4 million increase in OPEB expense and a \$8.3 million increase in pension expense under TRS and ERS, which are primarily allocated to the instructional category.

**ARLINGTON CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021**

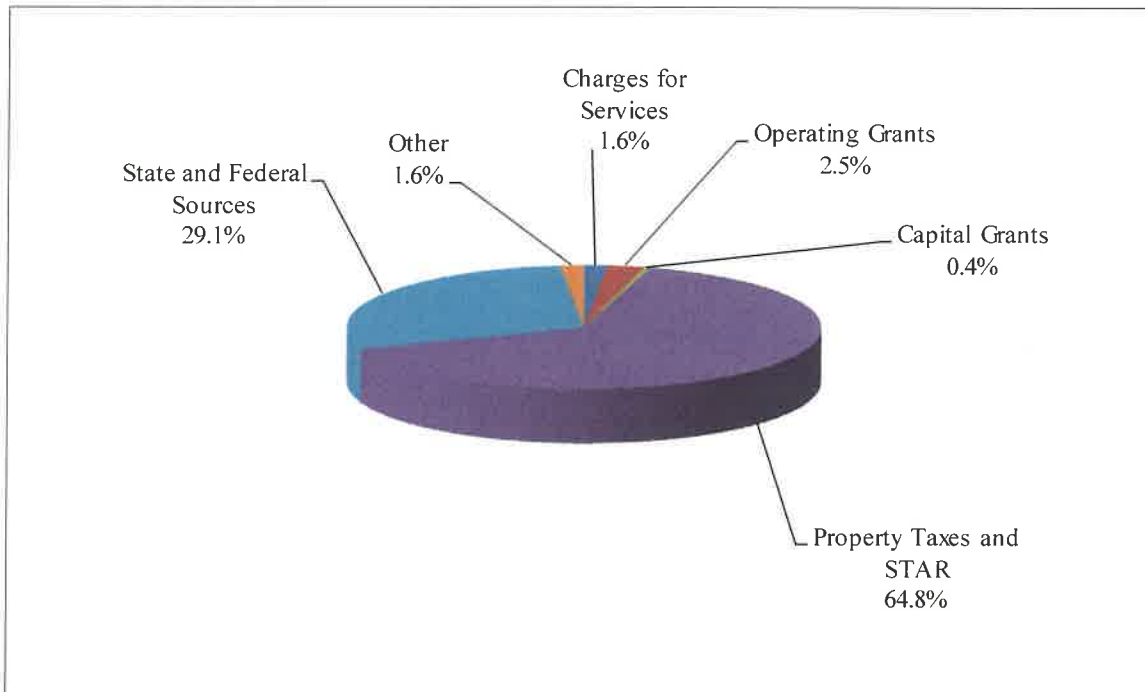
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A graphic display of the distribution of revenues for the two years follows:

For the Year Ended June 30, 2021



For the Year Ended June 30, 2020



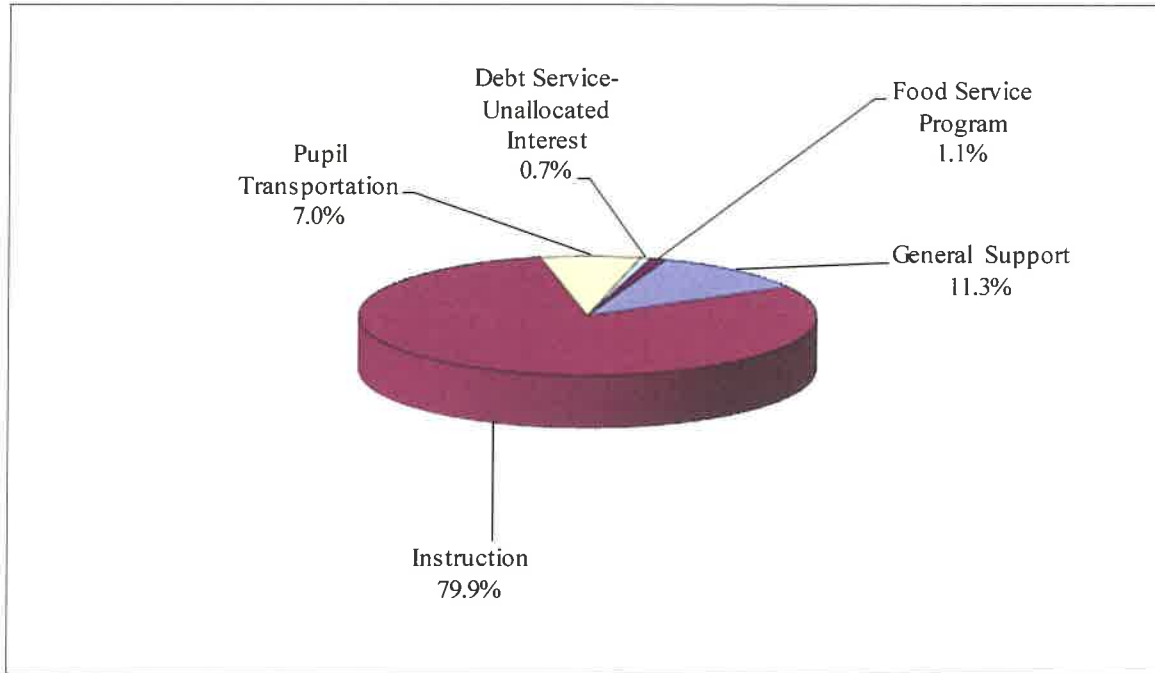
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**ARLINGTON CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021**

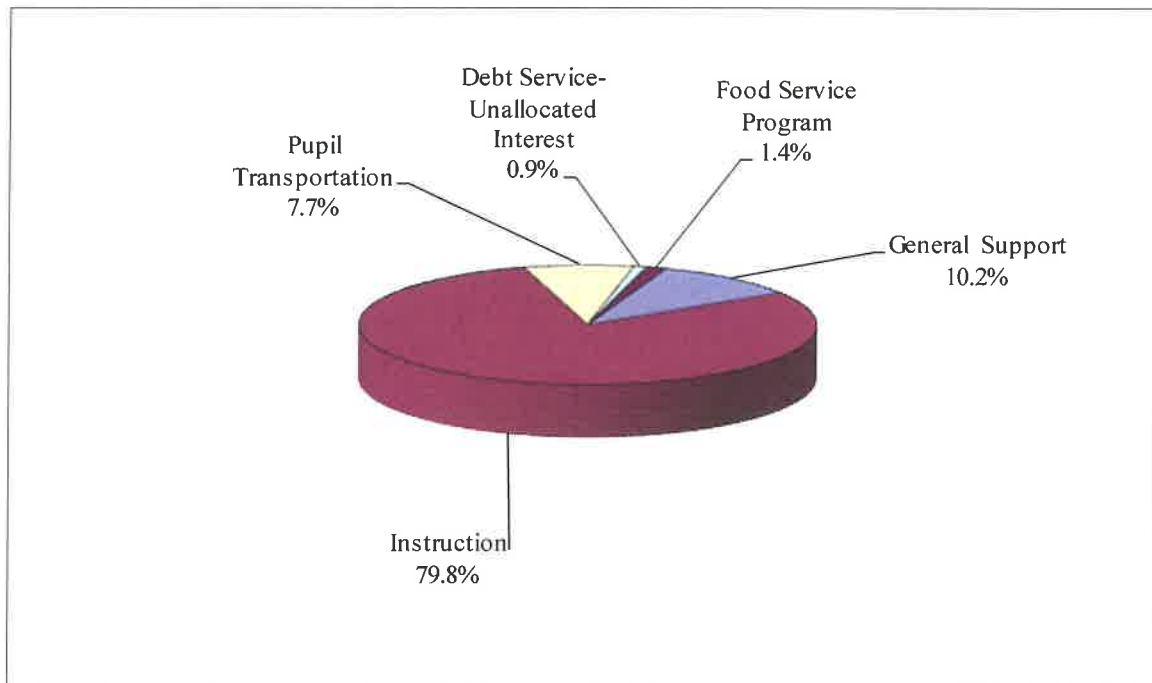
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A graphic display of the distribution of expenses for the two years follows:

For the Year Ended June 30, 2021



For the Year Ended June 30, 2020



See Independent Auditor's Report.

**ARLINGTON CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021**

(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUND BALANCES

At June 30, 2021, the District's governmental funds reported a combined fund balance of \$36,646,082 which is an increase of \$8,289,253 over the prior year. This increase is due to an excess of revenues over expenditures, primarily in the Capital Projects Fund. A summary of the change in fund balance by fund is as follows:

	2021	(Restated) 2020	Increase/ (Decrease)
General Fund			
Nonspendable	\$ 19,653	\$ 34,423	\$ (14,770)
Restricted			
Retirement Contribution - ERS	4,558,513	4,556,790	1,723
Retirement Contribution - TRS	2,059,817	1,280,786	779,031
Liability	54,001	53,980	21
Tax Certiorari	1,097,556	575,884	521,672
Employee Benefit Accrued Liability	919,940	919,593	347
Capital	<u>3,244,064</u>	<u>3,243,712</u>	<u>352</u>
Total Restricted	<u>11,933,891</u>	<u>10,630,745</u>	<u>1,303,146</u>
Assigned			
Appropriated for Subsequent Year's Budget	7,403,000	7,403,000	
Encumbrances	<u>1,277,182</u>	<u>1,250,762</u>	<u>26,420</u>
Total Assigned	<u>8,680,182</u>	<u>8,653,762</u>	<u>26,420</u>
Unassigned			
Tax Reduction	1,889,714	1,889,000	714
Unassigned	<u>9,151,838</u>	<u>7,763,429</u>	<u>1,388,409</u>
Total Unassigned	<u>11,041,552</u>	<u>9,652,429</u>	<u>1,389,123</u>
Total General Fund	<u>31,675,278</u>	<u>28,971,359</u>	<u>2,703,919</u>
School Lunch Fund			
Nonspendable	150,431	208,909	(58,478)
Assigned	<u>356,962</u>	<u>112,891</u>	<u>244,071</u>
Total School Lunch Fund	<u>507,393</u>	<u>321,800</u>	<u>185,593</u>
Special Aid Fund			
Unassigned (Deficit)	<u> </u>	<u>(159,260)</u>	<u>159,260</u>
Misc. Special Revenue Fund			
Assigned	<u>431,190</u>	<u>442,829</u>	<u>(11,639)</u>
Debt Service Fund			
Restricted	<u>4,319,332</u>	<u>4,319,332</u>	<u> </u>
Capital Projects Fund			
Restricted	3,183,566	2,821,486	362,080
Unassigned (Deficit)	<u>(3,470,677)</u>	<u>(8,360,717)</u>	<u>4,890,040</u>
Total Capital Projects Fund	<u>(287,111)</u>	<u>(5,539,231)</u>	<u>5,252,120</u>
Total Fund Balances	<u>\$ 36,646,082</u>	<u>\$ 28,356,829</u>	<u>\$ 8,289,253</u>

Combined increases of \$1,303,146 to the General Fund restricted fund balance during the year ended June 30, 2021 includes interest earnings on existing balances and Board approved transfers of \$778,546 to the retirement reserve for TRS and \$521,454 to the tax certiorari reserve.

**ARLINGTON CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021**

(Continued)

The unassigned deficits of \$3,470,677 and \$8,360,717 in the Capital Projects Fund at June 30, 2021 and 2020, respectively, were due to temporary financing for capital projects and bus and vehicle purchases and expenditures incurred on other projects where financing has not yet been received.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2020-2021 Budget

The District's General Fund adopted budget for the year ended June 30, 2021, was \$224,658,000. This is an increase of \$8,497,000 over the prior year's adopted budget.

The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was \$146,136,436 in estimated property taxes and STAR, and \$66,323,010 in state aid.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The General Fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 9,652,429
Revenues, Other Financing Sources, and Transfers over Budget	2,496,114
Expenditures, Encumbrances, and Transfers under Budget	7,584,385
Decrease in Nonspendable Fund Balance	14,770
Appropriated Fund Balance for 2021-2022	(7,403,000)
Net Increase to Restricted Funds	<u>(1,303,146)</u>
Closing, Unassigned Fund Balance	<u>\$ 11,041,552</u>

Opening, Unassigned Fund Balance

The \$9,652,429 shown in the table is the portion of the District's June 30, 2020, fund balance that was retained as unassigned. This was 3.46% of the District's 2020-2021 approved operating budget.

Revenues, Other Financing Sources, and Transfers Over Budget

The 2020-2021 final budget for revenues and transfers was \$217,255,000. The actual revenues, other financing sources, and transfers received for the year were \$219,751,114. The actual revenue, other financing sources, and transfers over estimated or budgeted revenue was \$2,496,114. This variance contributes directly to the change to the unassigned portion of the General Fund fund balance from June 30, 2020 to June 30, 2021.

Expenditures, Encumbrances and Transfers Under Budget

The 2020-2021 final budget for expenditures and transfers was \$225,908,762. The actual expenditures and transfers, including amounts encumbered, was \$218,324,377. The final budget was under expended by \$7,584,385. This under expenditure contributes directly to the change to the unassigned portion of the General Fund fund balance from June 30, 2020 to June 30, 2021.

Appropriated Fund Balance for 2021-2022

The District chose to use \$7,403,000 of its available June 30, 2021 fund balance to partially fund the 2021-2022 approved operating budget. This was the same amount appropriated for 2020-2021.

**ARLINGTON CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021**

(Continued)

Net Increase to Restricted Funds

Combined increases to the General Fund restricted fund balances represent interest earned of \$3,146 in 2020-2021 and Board approved transfers in of \$1.3 million.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District has an unassigned fund balance of \$11,041,552 at June 30, 2021. The unassigned fund balance is 3.92% of the 2021-2022 approved operating budget. This is an increase of \$1,389,123 over the unassigned balance from the prior year as of June 30, 2020. Unassigned fund balance includes a tax reduction reserve in the amount of \$1,889,714.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2021, the District had invested in a broad range of capital assets, including land, buildings and improvements, and equipment. The net increase in capital assets is due to amounts expended for capital additions exceeding depreciation recorded for the year ended June 30, 2021. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2021 and 2020, is as follows:

	2021	2020	Increase/ (Decrease)
Land	\$ 2,245,909	\$ 2,245,909	\$
Construction in Progress	20,536,129	16,731,009	3,805,120
Buildings and Improvements	133,295,301	133,311,897	(16,596)
Furniture, Equipment, and Vehicles	10,480,261	10,497,829	(17,568)
Capital Assets, Net	<u>\$ 166,557,600</u>	<u>\$ 162,786,644</u>	<u>\$ 3,770,956</u>

B. Debt Administration

At June 30, 2021, the District had total bonds payable and an energy performance contract of \$71,691,233. A summary of the outstanding debt at June 30, 2021 and 2020 is as follows:

Issue Date	Interest Rate	2021	2020	Increase (Decrease)
5/24/2012	2.0-5.0%	\$ 24,350,000	\$ 26,320,000	\$ (1,970,000)
11/7/2012	2.0-4.0%	2,035,000	3,030,000	(995,000)
4/2/2016	2.0-5.0%	21,050,000	24,450,000	(3,400,000)
8/24/2015	2.6-4.4%	14,654,233	15,909,215	(1,254,982)
6/5/2021	0.3-2.0%	9,602,000		9,602,000
		<u>\$ 71,691,233</u>	<u>\$ 69,709,215</u>	<u>\$ 1,982,018</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the School District was aware of the following existing circumstances that could significantly affect its financial health in the future:

The NYS legislature has imposed a real property tax cap on public school districts which may fail to acknowledge the true cost of increases in unfunded mandates, employee wages and benefits and utilities. Unless these issues are recognized in any new legislation, school districts may be forced to reallocate funds from instruction to these other areas. Another challenge is to maintain and upgrade the existing facilities and to plan for future enrollment sizes. Enrollment will continue to be an important factor in District financial planning. Over the past few years, total student enrollment has been decreasing following a period of significant growth. The District will continue to study, monitor, and trend our demographic data to better predict future enrollments. Any significant change in student enrollment will have implications for financial forecasting and budgeting.

**ARLINGTON CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021**

(Continued)

The unpredictability of health care costs due to the COVID-19 pandemic will be a concern for the District moving forward. Retirement system costs are strongly influenced by the success or failure of their investment portfolio and the uncertainty about the economy due to the effects of the COVID-19 pandemic will continue to be a budget concern for all Districts.

The Arlington School District receives approximately 29% of its funding through State and federal sources. The recent stimulus packages passed by the Federal and New York State governments will provide stability to the District for the next several years.

8. CONTACTING THE DISTRICT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office at 144 Todd Hill Road, LaGrangeville, NY 12540.

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

Assets

Cash and Cash Equivalents	\$ 23,773,475
Restricted Cash and Cash Equivalents	18,311,540
Receivables	
State and Federal Aid	3,979,064
Due From Other Governments	4,902,446
Other Receivables	1,099,279
Inventory	150,431
Prepaid Expenditures	19,653
Capital Assets, Not Being Depreciated	22,782,038
Capital Assets, Net of Accumulated Depreciation	<u>143,775,562</u>
Total Assets	<u>218,793,488</u>

Deferred Outflows of Resources

Unamortized Deferred Loss on Refunding	1,923,053
Pensions	57,926,418
Other Postemployment Benefits	<u>184,224,007</u>
Total Deferred Outflows of Resources	<u>244,073,478</u>

Total Assets and Deferred Outflows of Resources \$ 462,866,966

Liabilities

Accounts Payable	\$ 730,678
Retainage Payable	751,205
Accrued Liabilities	544,365
Due To	
Other Governments	1,407,123
Teachers' Retirement System	8,272,549
Employees' Retirement System	1,039,657
Short-Term Note Payable	
Bond Anticipation Note	2,734,237
Unearned Credits	
Overpayments and Collections in Advance	102,529
Unearned Revenues	36,105
Noncurrent Liabilities	
Due Within One Year	10,877,267
Due in More Than One Year	<u>1,057,739,489</u>
Total Liabilities	<u>1,084,235,204</u>

Deferred Inflows of Resources

Pensions	24,483,420
Other Postemployment Benefits	<u>74,080,666</u>
Total Deferred Inflows of Resources	<u>98,564,086</u>

Net Position

Net Investment in Capital Assets	90,268,240
Restricted	19,436,789
Unrestricted (Deficit)	<u>(829,637,353)</u>
Total Net Position (Deficit)	<u>(719,932,324)</u>

Total Liabilities, Deferred Inflows, and Net Position \$ 462,866,966

The Accompanying Notes are an Integral Part of These Financial Statements.

ARLINGTON CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
General Support	\$ 36,980,113	\$	\$	\$ (36,980,113)
Instruction	262,227,500	1,999,800	5,430,822	359,675 (254,437,203)
Pupil Transportation	23,111,072			(23,111,072)
Debt Service - Unallocated Interest	2,265,276			(2,265,276)
Food Service	3,760,817	595,865	315,581	(2,849,371)
Total Functions/Programs	<u>\$ 328,344,778</u>	<u>\$ 2,595,665</u>	<u>\$ 5,746,403</u>	<u>\$ (319,643,035)</u>
General Revenues				
Real Property Taxes				134,975,121
STAR and Other Real Property Tax Items				11,174,972
Use of Money and Property				126,743
Sale of Property and Compensation for Loss				41,217
State and Federal Sources				63,408,521
Miscellaneous				<u>4,214,734</u>
Total General Revenues				<u>213,941,308</u>
Change in Net Position				<u>(105,701,727)</u>
Net Position (Deficit), Beginning of Year				(614,673,426)
Cumulative Effect of Change in Accounting Principle				<u>442,829</u>
Net Position (Deficit), Beginning of Year (Restated)				<u>(614,230,597)</u>
Net Position (Deficit), End of Year				<u>\$ (719,932,324)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

ARLINGTON CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021

	General	School Lunch	Special Aid	Misc. Special Revenue	Debt Service	Capital Projects	Total
Assets							
Cash and Cash Equivalents	\$ 20,414,423	\$ 352,860	\$	\$ 431,192	\$	\$ 2,575,000	\$ 23,773,475
Restricted Cash and Cash Equivalents	13,823,605				4,319,332	168,603	18,311,540
Receivables							
Due From							
State and Federal	2,344,297	127,209	1,507,558				3,979,064
Other Governments	3,997,404					905,042	4,902,446
Other Funds	1,477,416						1,477,416
Other Receivables	1,098,931	348					1,099,279
Inventory		150,431					150,431
Prepaid Expenditures	19,653						19,653
Total Assets	\$ 43,175,729	\$ 630,848	\$ 1,507,558	\$ 431,192	\$ 4,319,332	\$ 3,648,645	\$ 53,713,304
Liabilities							
Payables							
Accounts Payable	\$ 412,274	\$ 118	\$ 21,809	\$	\$	\$ 296,477	\$ 730,678
Accrued Liabilities	341,377	20,509					361,886
Due To							
Other Governments	1,406,822	299					1,407,123
Other Funds			1,477,416				1,477,416
Teachers' Retirement System	8,272,549						8,272,549
Employees' Retirement System	1,039,657						1,039,657
Short-Term Note Payable							
Bond Anticipation Note						2,734,237	2,734,237
Unearned Credits							
Overpayments and Collections in Advance		102,529					102,529
Unearned Revenues	27,772		8,333				36,105
Total Liabilities	11,500,451	123,455	1,507,558	2		3,030,714	16,162,180
Deferred Inflows of Resources							
Unavailable Revenue - Grants						905,042	905,042
Fund Balance							
Nonspendable	19,653	150,431					170,084
Restricted	11,933,891				4,319,332	3,183,566	19,436,789
Assigned	8,680,182	356,962		431,190			9,468,334
Unassigned (Deficit)	11,041,552					(3,470,677)	7,570,875
Total Fund Balance (Deficit)	31,675,278	507,393		431,190	4,319,332	(287,111)	36,646,082
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 43,175,729	\$ 630,848	\$ 1,507,558	\$ 431,192	\$ 4,319,332	\$ 3,648,645	\$ 53,713,304

**ARLINGTON CENTRAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO DISTRICT-WIDE NET POSITION
June 30, 2021**

Total Governmental Fund Balances	\$ <u>36,646,082</u>
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Revenues that do not provide current financial resources that are recognized in the Statement of Net Position but not the fund financial statements.

Deferred Inflows - Grant Revenue	<u>905,042</u>
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The cost of building and acquiring capital assets (land, buildings, equipment) financed from the 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 School District as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	258,729,778
Accumulated Depreciation	<u>(92,172,178)</u>
	<u>166,557,600</u>

A deferred loss from refunding of debt is recorded as a deferred outflow of resources in the Statement of Net Position but recorded as an expenditure in the governmental funds.

Unamortized Deferred Loss on Refunding	<u>1,923,053</u>
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The proportionate share of long-term liabilities and related deferred outflows and inflows associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the funds.

Deferred Outflows - Pensions	57,926,418
Net Pension Liability - Proportionate Share	(13,053,093)
Deferred Inflows - Pensions	<u>(24,483,420)</u>
	<u>20,389,905</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities and related deferred inflows and outflows at year end consist of:

Bonds Payable	(57,037,000)
Energy Performance Contract Payable	(14,654,233)
Retainage Payable	(751,205)
Premiums on Debt	(3,955,546)
Accrued Interest on Bonds Payable	(182,479)
Other Postemployment Benefits	(958,373,382)
Deferred Outflows - OPEB	184,224,007
Deferred Inflows - OPEB	(74,080,666)
Compensated Absences Payable	<u>(21,543,502)</u>
	<u>(946,354,006)</u>

Total Net Position (Deficit)	\$ <u>(719,932,324)</u>
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The Accompanying Notes are an Integral Part of These Financial Statements.

ARLINGTON CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General	School Lunch	Special Aid	Misc Special Revenue	Debt Service	Capital Projects	Total
Revenues							
Real Property Taxes	\$ 134,975,121	\$	\$	\$	\$	\$	\$ 134,975,121
STAR and Other Real Property Tax Items	11,174,972						11,174,972
Charges for Services	1,999,800						1,999,800
Use of Money and Property	126,562	34		147			126,743
Sale of Property and Compensation for Loss	41,217						41,217
Miscellaneous	4,165,322	78		49,334			4,214,734
State Aid	64,319,780	13,853	1,495,771			2,016,503	67,845,907
Federal Aid	911,165	301,728	3,248,421				4,461,314
School Lunch Sales		595,865					595,865
Total Revenues	<u>217,713,939</u>	<u>911,558</u>	<u>4,744,192</u>	<u>49,481</u>		<u>2,016,503</u>	<u>225,435,673</u>
Expenditures							
General Support	21,139,011					7,194,560	28,333,571
Instruction	109,265,297		3,994,357	61,120		659,948	113,980,722
Pupil Transportation	9,301,976		116,411			1,866,423	11,284,810
Food Service Program		1,655,537					1,655,537
Employee Benefits	59,933,074	570,428	724,610				61,228,112
Debt Service - Principal	11,358,982						11,358,982
Debt Service - Interest	2,830,686						2,830,686
Total Expenditures	<u>213,829,026</u>	<u>2,225,965</u>	<u>4,835,378</u>	<u>61,120</u>		<u>9,720,931</u>	<u>230,672,420</u>
Excess (Deficit) Revenues Over Expenditures	<u>3,884,913</u>	<u>(1,314,407)</u>	<u>(91,186)</u>	<u>(11,639)</u>		<u>(7,704,428)</u>	<u>(5,236,747)</u>
Other Financing Sources (Uses)							
Proceeds of Serial Bonds						9,602,000	9,602,000
Premium on Obligations	185,000						185,000
BANs Redeemed from Appropriations						3,739,000	3,739,000
Transfers from Other Funds	1,852,175	1,500,000	254,223			1,463,946	5,070,344
Transfers to Other Funds	(3,218,169)		(3,777)			(1,848,398)	(5,070,344)
Total Other Financing Sources (Uses)	<u>(1,180,994)</u>	<u>1,500,000</u>	<u>250,446</u>			<u>12,956,548</u>	<u>13,526,000</u>
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources (Uses)	<u>2,703,919</u>	<u>185,593</u>	<u>159,260</u>	<u>(11,639)</u>		<u>5,252,120</u>	<u>8,289,253</u>
Fund Balance (Deficit), Beginning of Year	28,971,359	321,800	(159,260)		4,319,332	(5,539,231)	27,914,000
Cumulative Effect of Change in Accounting Principle				442,829			442,829
Fund Balance (Deficit), Beginning of Year (Restated)	<u>28,971,359</u>	<u>321,800</u>	<u>(159,260)</u>	<u>442,829</u>	<u>4,319,332</u>	<u>(5,539,231)</u>	<u>28,356,829</u>
Fund Balance (Deficit), End of Year	<u>\$ 31,675,278</u>	<u>\$ 507,393</u>	<u>\$</u>	<u>\$ 431,190</u>	<u>\$ 4,319,332</u>	<u>\$ (287,111)</u>	<u>\$ 36,646,082</u>

ARLINGTON CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Net Changes in Fund Balance - Total Governmental Funds		\$ 8,289,253
Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their useful lives as depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceed depreciation in the current period.		
	Depreciation Expense	(6,454,825)
	Capital Outlays	<u>10,284,711</u>
		3,829,886
Proceeds from the disposal of assets are recorded as revenue in the Governmental Funds, while net gains or losses are reported in the Statement of Activities.		
	Loss on Disposal of Assets	<u>(58,930)</u>
		(58,930)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayments of bond principal and obligations on an energy performance contract are expenditures in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which the proceeds of new bonds (including premiums) exceeds the payments on the energy performance contract and repayments of bond principal, as well as the amortization of bond premiums in the current year.		
	Proceeds of Serial Bonds	(9,602,000)
	Premium on Bonds	(185,000)
	Amortization of Premiums on Bonds	864,452
	Repayment Bond Principal	6,365,000
	Payments on Energy Performance Contract	<u>1,254,982</u>
		(1,302,566)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
	Grant and State Aid Revenue	(2,792,622)
Certain expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
	Amortized Interest Expense for Deferred Loss on Refunding	(320,509)
	Change in Retainage Payable	(261,679)
	Change in Accrued Interest	21,467
	Change in Compensated Absences	(1,601,873)
	Change in Other Postemployment Benefits	<u>(103,212,172)</u>
		(105,374,766)
(Increases) decreases in the proportionate share of the 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	(9,787,349)
	Employees' Retirement System	<u>1,495,367</u>
		(8,291,982)
Change in Net Position Governmental Activities		<u>\$ (105,701,727)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

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

	Private Purpose Trusts	Custodial Funds
Assets		
Cash and Cash Equivalents - Restricted	\$ 284,585	\$
Cash and Cash Equivalents - Unrestricted		<u>247,364</u>
Total Assets	<u>\$ 284,585</u>	<u>\$ 247,364</u>
Liabilities		
Accounts Payable	\$	\$ 5,808
Net Position		
Nonspendable	280,329	
Restricted for Individuals and Organizations	<u>4,256</u>	<u>241,556</u>
Total Net Position	<u>284,585</u>	<u>241,556</u>
Total Liabilities and Net Position	<u>\$ 284,585</u>	<u>\$ 247,364</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

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

	Private Purpose Trusts	Custodial Funds
Additions		
Use of Money and Property	\$ 111	\$
Gifts and Contributions		<u>210,072</u>
Total Additions	<u>111</u>	<u>210,072</u>
Deductions		
Scholarships and Awards	1,750	
Extracurricular Activities		<u>223,187</u>
Change in Net Position	<u>(1,639)</u>	<u>(13,115)</u>
Net Position, Beginning of Year	<u>729,053</u>	
Cumulative Effect of Change in Accounting Principle	<u>(442,829)</u>	<u>254,671</u>
Net Position, Beginning of Year (Restated)	<u>286,224</u>	<u>254,671</u>
Net Position, End of Year	<u>\$ 284,585</u>	<u>\$ 241,556</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Arlington Central School District (the School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as they apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the School District are described below:

Reporting Entity

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of nine 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 School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by GASB. 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 School District. The School 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 description of certain entities included in the School District's reporting entity.

Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the 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. The School District accounts for assets held as an agent for various student organizations in a Fiduciary Custodial Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the School District's business office.

Joint Venture

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

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

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

**ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

Basis of Presentation

(a) District-Wide Statements

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

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

(b) Fund Financial Statements

The fund statements provide information about the School 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. All funds of the School District are displayed as major funds. The School District reports the following major governmental funds:

General Fund: This is the School District's primary operating fund used to account for and report all financial resources not accounted for in another fund.

Special Revenue Funds:

Special Aid Fund: This fund accounts for and reports the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes.

School Lunch Fund: This fund is used to account for and report transactions of the School District's food service operations.

Miscellaneous Special Revenue Fund: This fund is used to account for and report transactions of the School District's programs funded by local grants and donations. The District has both custody and administrative control over the various programs.

Debt Service Fund: This fund accounts for and reports the accumulation of financial resources that are restricted to expenditures for principal and interest on long-term general obligation debt of governmental activities. Debt service funds should be used to report resources if legally mandated.

Capital Projects Fund: This fund is used to account for and report financial resources that are restricted or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

(c) Fiduciary Funds

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

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Private Purpose Trust Funds: These funds are used to account for and report 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 School District or representatives of the donors may serve on committees to determine who benefits.

Custodial Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the School District as agent for extraclassroom activity funds.

Measurement Focus and Basis of Accounting

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

The District-wide 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 School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, state aid, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is appropriated by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, other postemployment benefits, 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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses 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, other postemployment benefits, pension assets and liabilities, potential contingent liabilities, and useful lives of long-lived assets.

Property Taxes

Real property taxes are levied annually by the Board of Education and become a lien on September 1. Taxes are collected during the period September 1 to October 31. Dutchess County subsequently enforces uncollected real property taxes. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the School District no later than the following April 1.

Restricted Resources

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

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Interfund Transactions

The operations of the School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The School 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.

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 the funds, except those due from or to the fiduciary funds. Refer to Note 13 for a detailed disclosure by individual fund for interfund receivables, payables, and interfund transactions activity.

Cash and Cash Equivalents

The School 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 School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and districts.

Receivables

Receivables 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.

Inventories and Prepaid Items

The inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food donated by the U.S. Department of Agriculture, at the government's assigned value, which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

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

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Land, construction in progress, and buildings held for sale are not depreciated. The School District uses a capitalization threshold of \$5,000, (the dollar value above which asset acquisitions are added to the capital asset accounts). Depreciation methods and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Estimated Useful Life	Depreciation Method
Buildings and Improvements	20-50 Years	Straight Line
Furniture, Equipment, and Vehicles	5-15 Years	Straight Line

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Deferred Outflows/Inflows of Resources

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

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

In addition to liabilities in the governmental funds balance sheet, the School District will also sometimes report a separate section for deferred inflow of resources. The School District has one item that qualifies for report in this category, which only arises under the modified accrual basis of accounting, which is unavailable revenue for grants. Accordingly, this item is only reported in the governmental funds balance sheet.

Short-Term Debt

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

Unearned Revenue

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

Compensated Absences

Compensated absences consist of unpaid accumulated sick leave and vacation 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 payments of unused accumulated sick leave.

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

Consistent with GASB, the liability has been calculated using the vesting method and an accrual for that liability is included in the District-wide financial statements. The liability is calculated based on the pay rates in effect at year end.

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

In the fund statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Other Benefits

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

In addition to providing pension benefits, the School District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if School District employees are eligible for these benefits. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the School District and the retired employee. The School District recognizes the costs of providing health insurance by recording its share of insurance premiums as an expenditure.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund 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 within one year or due in more than one year in the Statement of Net Position. In the District-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Equity classifications

(a) District-wide Financial Statements

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

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

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

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

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

(b) Fund Financial Statements

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

Nonspendable

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. This category consists of the inventories in the School Lunch Fund, prepaid amounts in the General Fund, and the principal portion of private purpose trust funds.

Restricted

This category 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. Generally, the School District's policy is to use restricted resources only when appropriated by the Board of Education. The School District has established the following restricted fund balances:

- ***Retirement Contribution Reserve***

The Retirement Contribution Reserve Fund (GML §6-r) (Chapter 260 of the NYS Laws of 2004) is used to reserve funds for the payment of retirement contributions to the New York State and Local Employees' Retirement System. This reserve was established by a Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. A detailed report of the operation and condition of the fund must be provided to the Board. The reserve is accounted for in the General Fund. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, not to exceed a total of 10%. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r.

- ***Liability Claims Reserve***

The Property Loss Reserve and Liability Reserve [Education Law §1709(8-c)] are used to accumulate funds to pay for liability claims incurred. This reserve may not in total exceed 3% of the annual budget, or \$15,000, whichever is greater. This reserve is accounted for in the General Fund.

- ***Tax Certiorari Reserve***

The Tax Certiorari Reserve [Education Law §3651(1-a)] is used to accumulate funds to pay judgments and claims resulting from tax certiorari proceedings. Voter approval is not required provided that the monies held do not exceed the anticipated needs of the School District. If no voter approval is obtained, then 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.

- ***Reserve for Employee Benefit Accrued Liability***

The Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

- ***Buildings and Improvements Capital Projects Reserve***

According to General Municipal Law §6-c, §6-g, this reserve must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of reserve, the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The reserve is accounted for in the General Fund.

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

On May 15, 2018, voters authorized a capital reserve with a maximum amount of \$20,000,000 (plus accrued interest and investment earnings thereon) and a maximum term of 20 years. The School District has provided \$3,232,303 in funding in total to this reserve to date.

- ***Debt Service Fund***

This fund is used to account for and report the financial resources that are restricted to pay debt service. The funds include unused debt proceeds and interest and earnings on the temporary investment of debt proceeds.

- ***Capital Projects Fund***

This fund is used to account for and report the financial resources that are restricted by a voter approved proposition for acquisition, construction or major repair of capital facilities.

- ***Endowment and Scholarships***

The School District maintains funds restricted by donors in trusts for the benefit of the School and its students. This reserve is accounted for in the Private Purpose Trust Fiduciary Fund. A significant portion of the trusts are classified as nonspendable.

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 authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2021.

Assigned – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Education or (b) the designated official, such as the School District's Purchasing Agent, to which the Board has delegated the authority to assign amounts to be used for specific purposes. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget of the General Fund, as well as encumbrances not classified as restricted at the end of the fiscal year.

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 School 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 from overspending for specific purposes for which amounts had been restricted or assigned. In accordance with state guidelines, unassigned fund balance in the General Fund includes the following reserve:

- ***Reserve for Tax Reduction***

Reserve for Tax Reduction (Education Law §1604(36) and §1709(37)) is used for the gradual use of the proceeds of the sale of School District real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. The reserve is accounted for in the General Fund.

(c) Order of Use of Fund Balance

The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, 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.

**ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

New Accounting Standards

GASB Statement No. 84 – Fiduciary Activities was implemented effective July 1, 2020. The School District previously accounted for certain miscellaneous small donation and grant program funds in an Expendable Trust Fund. They are now reported in a Miscellaneous Special Revenue fund. Due to the School District’s administrative involvement over these funds, the new standard requires these funds to also be accounted for in the governmental funds. The School District also uses a Custodial Fund to account for Extraclassroom Activities, which were previously reported in a Trust and Agency Fund.

Future Changes in Accounting Standards

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

The School District will evaluate the impact this pronouncement may have on its financial statements and will implement it as applicable and when material.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

Total Fund Balances of Governmental Funds Compared to Net Position of Governmental Activities

Total fund balances of the School 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 Sheet.

Statement of Revenues, Expenditures, and Changes in Fund Balance Compared to Statement of Activities

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

(a) Long-Term Revenue/Expenditure Differences

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

(b) Capital Related Differences

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

(c) Long-Term Debt Transaction Differences

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

(d) Pension Differences

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

**ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

(e) OPEB Differences

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

(f) Employee Benefit Allocation

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Equity based on the requirements of New York State. These costs have been allocated to functional areas based on total salary for each function in the Statement of Activities.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures and Budgetary Accounting

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

The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the number 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 School District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for certain borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

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.

General Fund – Statutory Unassigned Fund Balance Limit

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds, excluding the reserve for tax reduction, 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.

At June 30, 2021, the School District's unassigned fund balance was 3.92% of the 2021-2022 budget.

Statutory Debt Limit

At June 30, 2021, the School District was in compliance with the statutory debt limit.

**ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NYS Real Property Tax Cap

Chapter 97 of the Laws of 2011 established a property tax levy limit (generally referred to as the tax cap) that restricts the amount of property taxes local governments (including school districts) can levy. The School District was in compliance with the tax cap for the year ended June 30, 2021.

4. CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. In accordance with the School District's deposit policy, all deposits of the School District in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) are required to be collateralized fully.

As of June 30, 2021, the School District's bank balances of \$38,140,164 were collateralized by FDIC insurance of \$1,000,000 and securities held by an agent of the pledging financial institution but not in the School District's name of \$37,128,806, while \$12,058 was considered uninsured and uncollateralized.

Investment and Deposit Policy

The School District follows an investment policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; minimize risk; ensure that investments mature when cash is required to finance operations; and ensure a competitive rate of return in order to supplement other district revenues for the support of the educational program of the school system.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents of \$13,823,605 in the General Fund represents amounts in the following reserves:

<u>Description</u>	<u>Amount</u>
Retirement Contribution Reserve – ERS	\$ 4,558,513
Retirement Contribution Reserve – TRS	2,059,817
Liability Reserve	54,001
Tax Certiorari Reserve	1,097,556
Employee Benefit Accrued Liability Reserve	919,940
Building and Improvements Capital Reserve	3,244,064
Tax Reduction Reserve	1,889,714
	<u>\$ 13,823,605</u>

Restricted cash and cash equivalents of \$4,319,332 in the Debt Service Fund represents reserves for future debt service.

Restricted cash and cash equivalents of \$168,603 in the Capital Projects Fund represents cash from bond anticipation note proceeds used for buses and vehicles.

Restricted cash and cash equivalents of \$284,585 in the Private Purpose Trust Fund represents funds gifted to the School District for scholarships and awards.

Investment Pool

Arlington Central School District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, as amended, and Article 3-A of the General Municipal Law (Chapter 623 of the Laws of 1998), whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

The School District has \$8,774,497 included as unrestricted cash equivalents. This amount represents the cost of the investment pool share and is considered to approximate market value.

The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of NYLAF available by writing to NYLAF Administration, 2135 CityGate Lane, 7th Floor, Naperville, IL 60563.

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

5. PARTICIPATION IN BOCES

During the year, the School District was billed \$20,212,542 for BOCES' administrative and program costs. The School District's share of BOCES' aid amounted to \$6,591,057.

Financial statements of the BOCES are available from the Dutchess BOCES administrative office located in Poughkeepsie, New York.

6. RECEIVABLES

The amounts due for state and federal aid and from other governments at June 30, 2021, consisted of:

General Fund		
Due from State and Federal		
New York State – August Excess Cost Aid	\$	1,723,548
New York State – September Excess Cost Aid		620,749
	\$	<u>2,344,297</u>
General Fund		
Due from Other Governments		
September BOCES Aid	\$	<u>3,997,404</u>
School Lunch Fund		
Due from State and Federal		
Federal – June Claims	\$	121,528
New York State – June Claims		5,681
	\$	<u>127,209</u>
Special Aid Fund		
Due from State and Federal		
Federal Grants	\$	457,498
New York State Aid and Grants		1,050,060
	\$	<u>1,507,558</u>
Capital Projects Fund		
Due from Other Governments		
New York State – Smart Schools Bond Act	\$	<u>905,042</u>

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 2,245,909	\$	\$	\$ 2,245,909
Construction in Progress	16,731,009	8,116,187	4,311,067	20,536,129
Total	<u>18,976,918</u>	<u>8,116,187</u>	<u>4,311,067</u>	<u>22,782,038</u>
Capital Assets Being Depreciated				
Buildings and Improvements	205,528,748	4,428,812	277,707	209,679,853
Furniture, Equipment and Vehicles	26,534,838	2,050,779	2,317,730	26,267,887
Total	<u>232,063,586</u>	<u>6,479,591</u>	<u>2,595,437</u>	<u>235,947,740</u>
Accumulated Depreciation				
Buildings and Improvements	72,216,851	4,439,895	272,194	76,384,552
Furniture, Equipment and Vehicles	16,037,009	2,014,930	2,264,313	15,787,626
Total	<u>88,253,860</u>	<u>6,454,825</u>	<u>2,536,507</u>	<u>92,172,178</u>
Net Capital Assets Being Depreciated	143,809,726	24,766	58,930	143,775,562
Net Capital Assets	<u>\$ 162,786,644</u>	<u>\$ 8,140,953</u>	<u>\$ 4,369,997</u>	<u>\$ 166,557,600</u>

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Depreciation expense of \$6,454,825 was allocated based on estimated usage by function as follows:

<u>Function/Program</u>	<u>Amount</u>
General Support	\$ 1,177,989
Instruction	4,738,832
Pupil Transportation	469,174
Food Service Program	68,830
Total Depreciation	<u>\$ 6,454,825</u>

8. SHORT-TERM NOTES PAYABLE

The School District has outstanding bond anticipation notes (BANs) as follows:

<u>Payable From/Description</u>	<u>Date of Original Issue</u>	<u>Original Amount</u>	<u>Date of Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding Amount</u>
General Fund					
2020 Bus BAN	11/20	\$ 2,734,237	11/21	1.00	<u>\$ 2,734,237</u>

Changes in the School District's short-term notes payable for the year ended June 30, 2021, are as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Refinanced / Paid / Redeemed</u>	<u>Ending Balance</u>
2015 BAN for Buses	\$ 418,500		\$ 418,500	\$
2017 BAN for Buses	500,000		500,000	
2018 BAN for Buses	270,000		270,000	
2019 BAN for Buses	1,975,500		1,095,500	880,000
2020 BAN for Buses		1,854,237		1,854,237
Construction Bus Garage		8,000,000	8,000,000	
Construction Athletic Project		1,757,000	1,757,000	
	<u>\$ 3,164,000</u>	<u>\$ 11,611,237</u>	<u>\$ 12,041,000</u>	<u>\$ 2,734,237</u>

Interest expense on the BANs was \$176,511 for the year ended June 30, 2021.

9. NONCURRENT LIABILITIES

Noncurrent liability balances and activity are as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
Serial Bonds	\$ 53,800,000	\$ 9,602,000	\$ 6,365,000	\$ 57,037,000	\$ 8,852,000
Unamortized Bond Premiums	4,634,998	185,000	864,452	3,955,546	735,280
Energy Performance Contract	15,909,215		1,254,982	14,654,233	1,289,987
Other Liabilities					
Other Postemployment Benefits	1,009,500,307		51,126,925	958,373,382	
Net Pension Liability - Proportionate Share	16,272,871		3,219,778	13,053,093	
Compensated Absences	19,941,629	1,601,873		21,543,502	
Total Noncurrent Liabilities	<u>\$ 1,120,059,020</u>	<u>\$ 11,388,873</u>	<u>\$ 62,831,137</u>	<u>\$ 1,068,616,756</u>	<u>\$ 10,877,267</u>

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Serial Bonds

The School District borrows funds on a long-term basis for the purpose of financing acquisitions of land and equipment and construction of buildings and improvements. This policy enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities for governmental funds are maintained separately and represent a reconciling item between the fund and District-wide statements. Interest associated with long-term debt is recorded as an expenditure when such amounts are due.

Details relating to general obligation (serial) bonds of the School District outstanding at June 30, 2021, are summarized as follows:

<u>Payable From/Description</u>	<u>Original Issue</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding Amount</u>
General Fund					
Refunding Serial Bond	05/24/12	\$ 37,365,000	2031	2.0-5.0	\$ 24,350,000
Refunding Serial Bond	11/07/12	\$ 18,615,000	2023	2.0-4.0	2,035,000
Refunding Serial Bond 2009A	04/02/16	\$ 28,540,000	2027	2.0-5.0	21,050,000
Reconstruction Serial Bond	06/05/21	\$ 9,602,000	2041	0.3-2.0	9,602,000
Total					<u>\$ 57,037,000</u>

Principal and interest payments due on the serial bonds are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2022	\$ 8,852,000	\$ 2,112,276	\$ 10,964,276
2023	9,480,000	1,810,587	11,290,587
2024	6,045,000	1,463,400	7,508,400
2025	6,060,000	1,176,588	7,236,588
2026	6,365,000	879,837	7,244,837
2027-2031	18,125,000	1,683,431	19,808,431
2032-2036	1,275,000	157,600	1,432,600
2037-2041	835,000	50,500	885,500
	<u>\$ 57,037,000</u>	<u>\$ 9,334,219</u>	<u>\$ 66,371,219</u>

Special Provisions Affecting Remedies Upon Default

In the event of a default in the payment of the principal of and/or interest of the Bonds, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the School District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Bonds.

Other Debt – Energy Performance Contract

The School District entered into an energy performance contract during the year ended June 30, 2016. The contract is defined in Section 9-102(4) of the New York State Energy Law as: “an agreement for the provision of energy services, including but not limited to electricity, heating, ventilation, cooling, steam, or hot water, in which a person agrees to install, maintain, or manage energy systems or equipment to improve the energy efficiency of, or produce energy in connection with a building or facility in exchange for a portion of the energy savings or revenues.” The contract is accounted for as a capital lease. The total net present value of the lease at June 30, 2021, is \$14,654,233.

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

The following is a schedule of future principal and interest payments of the capital lease as of June 30, 2021:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,289,987	\$ 399,832	1,689,819
2023	1,326,011	363,808	1,689,819
2024	1,363,087	326,732	1,689,819
2025	1,401,247	288,572	1,689,819
2026	1,440,524	249,295	1,689,819
2027-2031	7,833,377	615,718	8,449,095
	<u>\$ 14,654,233</u>	<u>\$ 2,243,957</u>	<u>\$ 16,898,190</u>

Interest expense on the district-wide financial statements is calculated as follows:

Interest Paid on Long Term Debt	\$ 2,654,175
Interest on BANs	176,511
Amortization of Deferred Loss	320,509
Amortization of Bond Premiums	(864,452)
Less: Interest Accrued in the Prior Year	(203,946)
Plus: Interest Accrued in the Current Year	182,479
Total Interest Expense	<u>\$ 2,265,276</u>

Prior-Year Defeasance of Debt

In prior years, the School District defeased certain general obligation 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 School District's financial statements. On June 30, 2021, \$50,420,000 of bonds outstanding are considered defeased.

Deferred Loss on Refunding

During 2016, the District issued \$28,540,000 in general obligation bonds to advance refund \$30,140,000 of outstanding 2009 serial bonds. The refunding resulted in a deferred loss of \$3,846,107 due to the reacquisition price exceeding the carrying value of the refunded bond. This amount was classified as a deferred outflow of resources in accordance with GASB 63 and GASB 65. The loss is being amortized using the straight-line method over 12 years, the remaining time to maturity of the respective bond issue. The remaining unamortized balance of this loss at June 30, 2021 is \$1,923,053 and is reported as a deferred outflow of resources on the District-wide financial statements.

The amortization charged to interest expense for the year ended June 30, 2021, was \$320,509.

10. PENSION PLANS

A. New York State and Local Employees' Retirement System (ERS)

(a) Plan Description

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer public employee 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

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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 School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. 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](http://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.

(b) Contributions

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010, but prior to April 1, 2012, are required to contribute 3% of their annual salary for their entire working career. Employees who joined on or after April 1, 2012 must contribute at a specific percentage of earnings (between 3 and 6%) for their entire career. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2021, were paid.

The required contributions for the current year and two preceding years were:

	<u>Amount</u>
2019	\$ 2,858,028
2020	\$ 2,860,797
2021	\$ 2,898,585

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the School District reported a liability of \$59,469 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2020. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in a report provided to the School District.

At June 30, 2021 and 2020, the School District's proportion was .0597235 and .0614521 percent, respectively.

For the year ended June 30, 2021, the School District recognized pension expense of \$1,648,520. At June 30, 2021, the School District reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 726,278	\$
Change of assumptions	10,934,443	206,227
Net difference between projected and actual earnings on		
Pensions plan investments		17,083,018
Changes in proportion and differences between contributions		
and proportionate share of contributions	873,834	331,418
Contributions subsequent to the measurement date	<u>1,039,657</u>	
Total	<u>\$ 13,574,212</u>	<u>\$ 17,620,663</u>

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

At June 30, 2021, \$1,039,657 was reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension asset or liability in the year ended June 30, 2022. 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>Year ended June 30:</u>	<u>Amount</u>
2022	\$ (767,817)
2023	\$ (227,396)
2024	\$ (849,508)
2025	\$ (3,241,387)

(d) Actuarial Assumptions

The total pension liability at March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. The actuarial valuation used the following significant actuarial assumptions:

Investment rate of return (net of investment expense, including inflation)	5.90%
Cost of living adjustments	1.40%
Salary scale	4.40%
Inflation rate	2.70%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020.

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

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2021 are summarized below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic equity	32%	4.05%
International equity	15%	6.30%
Private equity	10%	6.75%
Real estate	9%	4.95%
Opportunistic/ARS portfolio	3%	4.50%
Credit	4%	3.63%
Real assets	3%	5.95%
Fixed Income	23%	0.00%
Cash	1%	0.50%
	<u>100%</u>	

*The real rate of return is net of the long-term inflation assumption of 2.00 percent.

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

(e) Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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 System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 5.9 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.9 percent) or 1-percentage-point higher (6.9 percent) than the current rate:

	Decrease (4.9%)	Discount (5.9%)	Increase (6.9%)
Proportionate share of the net pension liability (assets)	\$ 16,506,312	\$ 59,469	\$ (15,108,370)

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

(h) Payables to the Pension Plan

The School District has recorded an amount due to ERS in amount of \$1,039,657 at June 30, 2021. This amount represents the three months of the School District's fiscal year that will be covered in the ERS 2021-2022 billing cycle and has been accrued as an expenditure in the current year.

B. New York State Teachers' Retirement System (TRS)

(a) Plan Description

The School District participates in the New York Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten-member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by the New York State Law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and membership class (6 tiers). The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System. For additional plan information, please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

(b) Contributions

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Tier 5 members are required by

**ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

law to contribute 3.5% of salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

The required employer contributions for the current year and two preceding years were:

	Amount
2019	\$ 8,259,937
2020	\$ 7,064,154
2021	\$ 7,750,650

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the School District reported a liability of \$12,993,624 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2019. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS System in reports provided to the School District.

At June 30, 2021 and 2020, the School District's proportion was .470226 percent and .465962 percent, respectively.

For the year ended June 30, 2021, the School District recognized pension expense of \$17,549,278. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,385,015	\$ 665,898
Changes of assumptions	16,433,911	5,857,830
Net difference between projected and actual earnings on Pensions plan investments	8,485,976	
Changes in proportion and differences between contributions and proportionate share of contributions	296,654	339,029
Contributions subsequent to the measurement date	7,750,650	
Total	<u>\$ 44,352,206</u>	<u>\$ 6,862,757</u>

At June 30, 2021, \$7,750,650 was reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension asset or liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

<u>Year ended June 30:</u>	<u>Amount</u>
2021	\$ 5,117,018
2022	\$ 10,273,210
2023	\$ 8,404,201
2024	\$ 5,190,136
2025	\$ 190,835
Thereafter	\$ 563,399

(d) Actuarial Assumptions

The total pension liability at June 30, 2020 measurement date was determined by using an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The actuarial valuation used the following significant actuarial assumptions:

Investment Rate of Return	7.10% compounded annually, net of pension plan investment expense, including inflation.
Salary scale	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.3% compounded annually.
Inflation rate	2.20%

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on the Society of Actuaries Scale MP2019, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the measurement date of June 30, 2020 are summarized in the following table:

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	33.0%	7.1%
International equity	16.0%	7.7%
Global equity	4.0%	7.4%
Real estate equity	11.0%	6.8%
Private equity	8.0%	10.4%
Domestic fixed income securities	16.0%	1.8%
Global bonds	2.0%	1.0%
Private debt	1.0%	5.2%
Real estate debt	7.0%	3.6%
High-yield bonds	1.0%	3.9%
Cash Equivalents	1.0%	0.7%
	<u>100.0%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.2% for 2020.

(e) Discount Rate

The discount rate used to calculate the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Proportionate share of the net pension liability (asset)	\$ 82,076,247	\$ 12,993,624	\$ (44,984,203)

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued TRS financial report.

(h) Payables to the Pension Plan

The School District has recorded an amount due to TRS in the amount of \$7,750,650, excluding the employees' share, in the General Fund at June 30, 2021. This amount represents contributions for the 2020-2021 fiscal year that will be made in 2021-2022 and has been accrued as an expenditure in the current year.

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

11. OTHER POSTEMPLOYMENT BENEFITS

(a) *Plan Description*

Arlington Central School District provides postemployment medical benefits to eligible retirees and dependents on a fully insured basis through multiple insurance plans, in accordance with the provisions of various employment contracts. The plans are considered single-employer defined benefit OPEB plans 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 all of the criteria in GASB Statement No. 75, paragraph 4.

(b) *Benefits Provided*

The School District provides medical and prescription drug benefits to its eligible retirees. Dental and life insurance benefits are available with select classes of employees. The benefit levels, employee contributions and employer contributions are governed by the School District's contractual agreements. The Plans can be amended by action of the School District through agreements with the bargaining units. The specifics of each contract are on file at the School District offices and are available upon request.

(c) *Employees Covered by Benefit Terms*

	<u>Total</u>
Inactive employees currently receiving benefit payments	943
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>1,483</u>
Total	<u>2,426</u>

(d) *Total OPEB Liability*

The District's total OPEB liability of \$958,373,382 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020.

(e) *Changes in the Total OPEB Liability*

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

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	<u>\$ 1,009,500,307</u>
Changes recognized for the year:	
Service cost	29,984,762
Interest on total OPEB liability	20,948,996
Changes of Assumptions and Other Inputs	(87,748,686)
Benefit payments	<u>(14,311,997)</u>
Net changes	<u>(51,126,925)</u>
Balance at June 30, 2021	<u>\$ 958,373,382</u>

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

(f) Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.1 percent) or 1 percentage point higher (3.1 percent) than the current discount rate:

	1% Decrease (1.1%)	Current Assumption (2.1%)	1% Increase (3.1%)
Total OPEB liability	\$ 1,223,155,085	\$ 958,373,382	\$ 765,174,066

Sensitivity analysis for discount (interest) rate is illustrated as of end of year.

(g) 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 (6.0 percent decreasing to 3.5 percent) or 1 percentage point higher (8.0 percent decreasing to 5.5 percent) than the current healthcare cost trend rate:

	1% Decrease (6.0%-3.5%)	Current Assumption (7.0%-4.5%)	1% Increase (8.0%-5.5%)
Total OPEB liability	\$ 752,500,525	\$ 958,373,382	\$ 1,244,298,740

Sensitivity analysis for healthcare cost inflation (trend) rate is illustrated as of end of year.

(h) OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$68,597,090. At June 30, 2021, the School District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ 184,224,007	\$ 74,080,666

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

**ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

Year ended June 30:

	Amount
2022	\$ 34,528,942
2023	\$ 34,528,942
2024	\$ 34,528,942
2025	\$ 17,821,135
2026	\$ (5,524,054)
Thereafter	\$ (5,740,566)

(i) Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare Cost Trend Rates	7.0 percent for 2022, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent for 2032 and later years	
Salary Changes	3.00%	
Discount Rate	2.09%	(2021)
	2.60%	(2020)

Retirees contribution rate, as a percentage of premium, vary based on class of employee and coverage tier election.

<u>Class of Employee</u>	<u>Single Rate</u>	<u>Dependent Portion of Family Rate *</u>
AAA (before 7/1/18), ADMIN NU, Cabinet	0%	0%
AAA (On/After 7/1/18)	0%-10%	0%-10%
ADSA, AESA (before 7/1/18), ATA (before 7/1/19), ATAA, CSEA (before 7/1/19), CWA, NON-UNION, NYSNA, NU-AT	0%	65%
AESA (On/After 7/1/18), ATA (On/After 7/1/19), CSEA (On/After 7/1/19)	0%-15%	65%
OT/PT/AT	20%	80%

* The dependent portion of the family rate is the difference between the family rate and single rate.

The selected discount rate of 2.09% is based on the prescribed discount interest rate methodology under GASB 75 based on an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of June 30, 2021.

The mortality tables used for this valuation are based on the Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables using Employee and Healthy Annuitant Tables for both pre- and post-retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2019.

Assumptions used were not based on a formal actuarial experience study performed.

12. RISK MANAGEMENT

General Information

The School District is exposed to various risks of loss related to tax certioraris, torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. Except for tax certiorari, 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. Sufficient reserves exist to cover any unfavorable settlements of the tax certiorari. The School District continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance.

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

Workers' Compensation Insurance

The School District participates with 12 other school districts in the Dutchess County Schools Worker's Compensation Self-Insured Consortium for its workers' compensation insurance coverage. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers Compensation claims. Entities joining the plan must remain members for a minimum of five years; a member may withdraw from the plan after that time by providing 180 days written notice. Plan members are subject to a supplemental assessment in the event of deficiencies. If the plan's assets were to be exhausted, members would be responsible for the plan's liabilities.

The premiums are computed based on an established rate of covered payroll. During the year ended June 30, 2021, the School District paid premiums of \$1,153,368 to the plan.

13. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

The following is a summary of interfund transactions and balances during the year ended June 30, 2021:

Fund Type	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	\$ 1,477,416	\$	\$ 1,852,175	\$ 3,218,169
Special Aid		1,477,416	254,223	3,777
School Lunch			1,500,000	
Capital Projects			1,463,946	1,848,398
Total	<u>\$ 1,477,416</u>	<u>\$ 1,477,416</u>	<u>\$ 5,070,344</u>	<u>\$ 5,070,344</u>

- The School District typically transfers from the General Fund to the Special Aid Fund as a local match for federal and state grants.
- The School District transferred \$1,463,946 from the General Fund to the Capital Projects Fund to provide additional funding for the local share of the Dutchess BOCES Capital Project.
- The School District transferred \$1,848,398 from the Capital Projects Fund back to the General Fund to cover the current year portion of the billing for the Dutchess BOCES Capital Project.
- The School District transferred \$1,500,000 from the General Fund to the School Lunch Fund to assist with financing the School Lunch Program.
- Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position. These balances are short-term and expected to be repaid within the subsequent year.

14. FUND BALANCE

- (a) The following is a summary of the change in General Fund restricted and unassigned reserve funds during the year ended June 30, 2021:

General Fund Reserves	Beginning Balance	Increases	Ending Balance
Retirement Contribution Reserve ERS	\$ 4,556,790	\$ 1,723	\$ 4,558,513
Retirement Contribution Reserve - TRS	1,280,786	779,031	2,059,817
Liability Claims	53,980	21	54,001
Tax Certiorari Reserve	575,884	521,672	1,097,556
Employee Benefit Accrued Liability Reserve	919,593	347	919,940
Buildings and Improvements Capital Reserve	<u>3,243,712</u>	<u>352</u>	<u>3,244,064</u>
Total General Fund Restricted	<u>10,630,745</u>	<u>1,303,146</u>	<u>11,933,891</u>
Tax Reduction	<u>1,889,000</u>	<u>714</u>	<u>1,889,714</u>
Total General Fund Unassigned	<u>1,889,000</u>	<u>714</u>	<u>1,889,714</u>
Total General Fund Reserves	<u>\$ 12,519,745</u>	<u>\$ 1,303,860</u>	<u>\$ 13,823,605</u>

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

(b) The following is the disaggregation of the fund balance that is reported in summary on the governmental fund's Balance Sheet at June 30, 2021:

	General	School Lunch	Misc Special Revenue	Debt Service	Capital Projects	Total
Nonspendable						
Prepaid Expenditures	\$ 19,653	\$	\$	\$	\$	\$ 19,653
Inventory		150,431				150,431
Total Nonspendable	<u>19,653</u>	<u>150,431</u>				<u>170,084</u>
Restricted						
Retirement Contribution Reserve - ERS	4,558,513					4,558,513
Retirement Contribution Reserve - TRS	2,059,817					2,059,817
Liability Reserve	54,001					54,001
Tax Certiorari Reserve	1,097,556					1,097,556
Reserve for Employee Benefit Accrued Liability	919,940					919,940
Buildings and Improvements Capital Reserve	3,244,064					3,244,064
Debt Service Fund				4,319,332		4,319,332
Capital Projects Fund					3,183,566	3,183,566
Total Restricted	<u>11,933,891</u>			<u>4,319,332</u>	<u>3,183,566</u>	<u>19,436,789</u>
Assigned						
Unappropriated	1,277,182					1,277,182
School Lunch Fund		356,962				356,962
Miscellaneous Special Revenue Fund			431,190			431,190
Appropriated for Subsequent Year's Budget	7,403,000					7,403,000
Total Assigned	<u>8,680,182</u>	<u>356,962</u>	<u>431,190</u>			<u>9,468,334</u>
Unassigned (Deficit)						
Reserve for Tax Reduction	1,889,714					1,889,714
Unassigned (Deficit)	9,151,838				(3,470,677)	5,681,161
Total Unassigned	<u>11,041,552</u>				<u>(3,470,677)</u>	<u>7,570,875</u>
Total Fund Balance	<u>\$ 31,675,278</u>	<u>\$ 507,393</u>	<u>\$ 431,190</u>	<u>\$ 4,319,332</u>	<u>\$ (287,111)</u>	<u>\$ 36,646,082</u>

15. COMMITMENT AND CONTINGENCIES

Potential Grantor Liability

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Litigation

The School District has been named as a defendant in certain other actions. The School District intends to defend itself vigorously in each of these cases. Accordingly, no loss contingency has been accrued.

Construction Commitments

The School District had various open capital projects during the year ended June 30, 2021, with a total authorization of \$39,113,904.

At June 30, 2021, the School District has expended \$31,748,919 of the authorizations. The School District also had outstanding construction commitments in the amount of \$1,400,518, which are contingent on performance of contractors.

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

16. FUND DEFICIT – GOVERNMENTAL FUNDS

The Capital Projects Fund has an unassigned deficit of \$3,470,677 and a total fund deficit of \$287,111 at June 30, 2021. A portion of this deficit is due to funds expended for bus and vehicle purchases exceeding the amounts of bond anticipation notes redeemed from appropriations to date in the amount of \$2,565,635. This portion of the deficit will be eliminated when the current bus BANs are paid from appropriations, or refinanced with long term debt.

The fund has also incurred \$4,856,048 in expenditures under the Smart Schools Bond Act of which \$3,951,006 has been reimbursed to date, leaving a deficit of \$905,042. The deficit will be eliminated once the School District is reimbursed from New York State.

17. DISTRICT-WIDE NET POSITION DEFICIT

The District-wide Statement of Net Position has a total net position deficit of \$719,932,324 and an unrestricted net position deficit of \$829,637,353 at June 30, 2021. This is the result of having long-term commitments that are greater than currently available resources, primarily due to the accrual of other postemployment benefits of \$958,373,382.

18. TAX ABATEMENTS

The District is subject to tax abatements that are granted by the Dutchess County Industrial Development Agency (DCIDA) and with a not-for-profit organization.

The agreement with the not-for-profit organization is to assist with a local senior citizens project to develop a nursing home, an assisted living facility, a low income rent subsidized housing project, and an independent senior living project. The not-for-profit organization has agreed to pay a percentage of the annual payment in lieu of the School District real estate taxes that would be paid for the projects that are exempt (the low-income project and the independent project). The agreement is in effect until the latest maturity date for any issue of permanent bonds or debt instruments issued in connection with the aforementioned projects.

Article 18-A of the New York State Municipal Law, "New York State Industrial Development Agency Act" was enacted to provide for the creation of Industrial Development Agencies (IDA's) to facilitate economic development in specific localities, and delineate their powers and status as public benefit corporations. The legislation establishes the power of New York IDA's, including the authority to grant tax abatements and enter into agreements to require payments in lieu of taxes. Each IDA must adopt and follow a tax exemption policy with input from the effected taxing jurisdictions, however once created the IDA can independently grant abatements in conformity with their policy. The DCIDA enters into agreements to abate property tax for the purpose of economic development in the County.

Property abatements may be partially offset by an agreement that requires payments in lieu of taxes. These agreements specify the annual amount to be remitted by the property owner and are allocated to the effected jurisdiction based on the proportion of taxes abated. The District has chosen to disclose information about its tax abatement by purpose. It established a quantitative threshold of 10 percent of the total dollar amount of taxes abated during the year.

Abatement agreements of DCIDA and the not-for-profit resulted in a revenue impact to the District for the year ended June 30, 2021 as follows:

<u>Purpose</u>	<u>Gross Tax Reduction</u>	<u>Payments in Lieu of Taxes</u>	<u>Net Revenue Reduction</u>
Economic Development	\$ 568,361	\$ 178,990	\$ 389,392
Low-income Housing to Senior Citizens	\$ 103,602	\$ 51,801	\$ 51,801

19. LEASE OBLIGATIONS (OPERATING LEASES):

The District, as lessor, leases certain facilities under the terms of single year non-cancelable lease to Dutchess BOCES. Rental income for the year was \$92,890.

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

20. CUMULATIVE EFFECT OF IMPLEMENTING NEW ACCOUNTING STANDARD

The following adjustments were made to the prior year's net position and fund balance due to implementation of GASB 84, Fiduciary Activities.

- The District-wide and Miscellaneous Special Revenue Fund's prior year net position and fund balance were increased by \$442,829 for certain miscellaneous small donation and grant program funds previously accounted for in a Private Purpose Trust Fund. The Private Purpose Trust Fund was decreased by this same amount to remove these items.
- The Fiduciary Custodial Fund is a new fund required by the new accounting standard. The beginning net position was increased by \$254,671. This beginning balance consisted of Extraclassroom activity funds held by the District but administered by the student clubs within the District.

ARLINGTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
Revenues					
Local Sources					
Real Property Taxes	\$ 135,090,115	\$ 135,090,115	\$ 134,975,121		\$ (114,994)
STAR and Other Real Property Tax Items	11,046,321	11,046,321	11,174,972		128,651
Charges for Services	1,928,000	1,928,000	1,999,800		71,800
Use of Money and Property	469,156	469,156	126,562		(342,594)
Sale of Property and Compensation for Loss	20,000	20,000	41,217		21,217
Miscellaneous	405,000	405,000	4,165,322		3,760,322
State Aid	66,323,010	66,323,010	64,319,780		(2,003,230)
Federal Aid	125,000	125,000	911,165		786,165
Total Revenues	215,406,602	215,406,602	217,713,939		2,307,337
Other Financing Sources					
Premium on Obligations			185,000		185,000
Transfers from Other Funds	1,848,398	1,848,398	1,852,175		3,777
Appropriated Fund Balance	8,653,762	8,653,762			(8,653,762)
Total Revenues and Other Financing Sources	\$ 225,908,762	\$ 225,908,762	219,751,114		\$ (6,157,648)
Expenditures					
General Support					
Board of Education	\$ 91,935	\$ 92,423	64,844	\$ 2,736	\$ 24,843
Central Administration	381,427	518,174	485,677	2,493	30,004
Finance	1,652,226	1,594,840	1,443,436	18,975	132,429
Staff	1,385,212	1,474,826	1,393,690	12,180	68,956
Central Services	13,310,575	13,772,790	11,762,960	465,667	1,544,163
Special Items	6,188,181	6,254,314	5,988,404	14,344	251,566
Total General Support	23,009,556	23,707,367	21,139,011	516,395	2,051,961
Instruction					
Instruction, Administration, and Improvement	7,106,624	7,185,463	6,992,377	9,456	183,630
Teaching - Regular School	61,001,115	58,820,392	57,433,030	94,219	1,293,143
Programs for Children With Special Needs	29,216,403	29,219,028	28,445,111	404,358	369,559
Occupational Education	1,251,000	1,252,720	1,252,720		
Teaching - Special School	663,240	413,240	169,195	3,384	240,661
Instructional Media	5,134,152	6,963,548	6,748,308	109,959	105,281
Pupil Services	9,077,798	9,232,009	8,224,556	26,123	981,330
Total Instruction	113,450,332	113,086,400	109,265,297	647,499	3,173,604
Pupil Transportation	11,157,968	10,917,920	9,301,976	113,288	1,502,656
Employee Benefits	63,742,529	60,684,752	59,933,074		751,678
Debt Service - Principal	11,138,982	11,358,982	11,358,982		
Debt Service - Interest	3,099,395	2,879,395	2,830,686		48,709
Total Expenditures	225,598,762	222,634,816	213,829,026	1,277,182	7,528,608
Other Financing Uses					
Transfers to Other Funds	310,000	3,273,946	3,218,169		55,777
Total Expenditures and Other Financing Uses	\$ 225,908,762	\$ 225,908,762	217,047,195	\$ 1,277,182	\$ 7,584,385
Net Change in Fund Balance			2,703,919		
Fund Balance - Beginning of Year			28,971,359		
Fund Balance - End of Year			\$ 31,675,278		

Notes to Required Supplementary Information:

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget.

The budget is 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.

ARLINGTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2021

	2021*	2020*	2019*	2018*
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability				
Service cost	29,984,762	\$ 15,106,582	\$ 13,359,967	\$ 18,718,024
Interest	20,948,996	25,361,009	20,006,377	22,800,895
Changes in assumptions or other inputs	(87,748,686)	124,486,354	184,938,141	
Expected benefit payments	<u>(14,311,997)</u>	<u>(12,781,446)</u>	<u>(12,687,371)</u>	<u>(12,097,261)</u>
Net change in total OPEB liability	(51,126,925)	152,172,499	205,617,114	29,421,658
Total OPEB liability - beginning	<u>1,009,500,307</u>	<u>857,327,808</u>	<u>651,710,694</u>	<u>622,289,036</u>
Total OPEB liability - ending	<u>\$ 958,373,382</u>	<u>\$1,009,500,307</u>	<u>\$ 857,327,808</u>	<u>\$ 651,710,694</u>
Covered employee payroll	\$ 97,829,154	\$ 95,541,663	\$ 95,541,663	\$ 87,958,107
Total OPEB liability as a percentage of covered payroll	979.64%	1056.61%	897.33%	740.93%

* 10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

Notes to Schedule:

Changes of benefit terms: Not Applicable.

Change in assumptions: Driven by a reduction in starting claims cost and trend (i.e., favorable premium rate increases and elimination of Cadillac tax since prior valuation) partially offset by a decrease in discount rate assumption from 2.60% to 2.09%.

Plan Assets: No assets are accumulated in a trust that meets all of the criteria of GASBS No. 75, paragraph 4, to pay benefits.

ARLINGTON CENTRAL SCHOOL DISTRICT
SCHEDULES OF DISTRICT PENSION CONTRIBUTIONS
For the Year Ended June 30, 2021

ERS Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 2,898,585	\$ 2,860,797	\$ 2,858,028	\$ 3,004,083	\$ 2,768,583	\$ 3,264,802	\$ 3,690,751	\$ 3,688,809	\$ 3,870,949	\$ 2,981,142
Contributions in Relation to the Contractually Required Contribution	<u>2,898,585</u>	<u>2,860,797</u>	<u>2,858,028</u>	<u>3,004,083</u>	<u>2,768,583</u>	<u>3,264,802</u>	<u>3,690,751</u>	<u>3,688,809</u>	<u>3,870,949</u>	<u>2,981,142</u>
Contribution Deficiency (Excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
School District's Covered-ERS Employee Payroll	\$ 21,043,727	\$ 20,480,308	\$ 19,941,691	\$ 20,173,068	\$ 18,452,035	\$ 18,750,124	\$ 19,161,719	\$ 19,111,550	\$ 20,011,546	\$ 18,777,316
Contributions as a Percentage of Covered-Employee Payroll	13.77%	13.97%	14.33%	14.89%	15.00%	17.41%	19.26%	19.30%	19.34%	15.88%

TRS Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 7,750,650	\$ 7,064,154	\$ 8,259,937	\$ 7,433,181	\$ 8,694,743	\$ 9,506,198	\$ 12,317,992	\$ 11,452,537	\$ 8,374,046	\$ 7,320,806
Contributions in Relation to the Contractually Required Contribution	<u>7,750,650</u>	<u>7,064,154</u>	<u>8,259,937</u>	<u>7,433,181</u>	<u>8,694,743</u>	<u>9,506,198</u>	<u>12,317,992</u>	<u>11,452,537</u>	<u>8,374,046</u>	<u>7,320,806</u>
Contribution Deficiency (Excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
School District's Covered-TRS Employee Payroll	\$ 81,328,961	\$ 79,730,858	\$ 77,777,185	\$ 75,848,786	\$ 74,187,227	\$ 71,690,784	\$ 70,268,066	\$ 70,477,152	\$ 70,726,740	\$ 65,893,842
Contributions as a Percentage of Covered-Employee Payroll	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%	11.11%

ARLINGTON CENTRAL SCHOOL DISTRICT
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET / LIABILITY
For the Year Ended June 30, 2021

ERS Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset or liability	0.0597235%	0.0614521%	0.0659997%	0.0662863%	0.0634701%	0.0680750%	0.0710705%	0.0710705%
District's proportionate share of the net pension asset (liability)	\$ (59,469)	\$ (16,272,871)	\$ (4,676,282)	\$ (2,139,355)	\$ (5,963,788)	\$ (10,926,228)	\$ (2,400,936)	\$ (3,211,577)
District's covered-employee payroll	\$ 21,043,727	\$ 20,480,308	\$ 19,941,691	\$ 20,173,068	\$ 18,452,035	\$ 18,750,124	\$ 19,161,719	\$ 19,111,550
District's proportionate share of the net pension asset or liability as a percentage of its covered-employee payroll	0.28%	79.46%	23.45%	10.61%	32.32%	58.27%	12.53%	16.80%
Plan fiduciary net position as a percentage of total pension asset or liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%	97.20%

TRS Pension Plan

	2020	2019	2018	2017	2016	2015	2014	2013
District's Proportion of the net pension asset or liability	0.470226%	0.465962%	0.465648%	0.468157%	0.464589%	0.467788%	0.477114%	0.482848%
District's proportionate share of the net pension asset (liability)	\$ (12,993,624)	\$ 12,105,728	\$ 8,420,138	\$ 3,558,458	\$ (4,975,944)	\$ 48,588,238	\$ 53,147,514	\$ 3,178,363
District's covered-employee payroll	\$ 79,730,858	\$ 77,777,185	\$ 75,848,786	\$ 74,187,227	\$ 71,690,784	\$ 70,268,066	\$ 70,477,152	\$ 70,726,740
District's proportionate share of the net pension asset or liability as a percentage of its covered-employee payroll	16.30%	15.56%	11.10%	04.80%	06.94%	69.15%	75.41%	04.49%
Plan fiduciary net position as a percentage of total pension asset or liability	97.80%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

Information is presented only for the years available.

ARLINGTON CENTRAL SCHOOL DISTRICT
SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
For the Year Ended June 30, 2021

Change from Adopted Budget to Revised Budget

Adopted Budget	\$ 224,658,000
Add: Prior Year's Encumbrances	<u>1,250,762</u>
Original Budget	<u>225,908,762</u>
Final Budget	<u>\$ 225,908,762</u>

Section 1318 of Real Property Tax Law Limit Calculation

2021-22 voter-approved expenditure budget	<u>\$ 233,582,000</u>
Maximum allowed (4% of 2021-22 budget)	<u>\$ 9,343,280</u>

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

Unrestricted fund balance:

Assigned fund balance	8,680,182
Unassigned fund balance	<u>11,041,552</u>
Total unrestricted fund balance	<u>19,721,734</u>

Less:

Appropriated fund balance	7,403,000
Tax Reduction Reserve	1,889,714
Encumbrances included in assigned fund balance	<u>1,277,182</u>
Total adjustments	<u>10,569,896</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 9,151,838</u>
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Actual Percentage	3.92%
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ARLINGTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2021

PROJECT TITLE	Original Authorization	Revised Authorization	Expenditures		Unexpended Balance	Methods of Financing			Fund Balance (Deficit) June 30, 2021
			Prior Years	Current Year		Total	State Aid	Local Sources	
Bus and Vehicle Purchases 2018	\$ 2,008,500	\$ 2,008,500	\$ 1,996,244	\$	\$ 12,256	\$	\$	\$ 2,008,500	\$ 12,256
Bus and Vehicle Purchases 2019	2,008,500	2,008,500	1,949,085		59,415			2,008,500	59,415
Bus and Vehicle Purchases 2020	1,975,500	1,975,500	1,866,383	55,872	53,245			1,095,500	(826,755)
Bus and Vehicle Purchases 2021	1,854,237	1,854,237		1,810,551	43,686				(1,810,551)
Water Improvement Projects & Other	50,000	2,680,750	3,391,499	121,260	(832,009)			3,625,123	112,364
Smart Schools Bond Act	5,200,000	5,200,000	4,496,373	359,675	343,952		3,951,006		(905,042)
Transportation and Maintenance Projects	18,495,000	18,495,000	9,775,008	6,750,003	1,969,989		1,455,000	8,500,000	1,274,989
High School Athletic Complex Project	3,275,000	3,275,000	3,332,728	573,197	(630,925)			2,148,925	3,905,925
Roofing Projects & Other	1,086,000	1,086,000	926,461	50,373	109,166			986,000	9,166
Ventilator Controls and Water Connection	350,000	350,000	123,944		226,056			350,000	226,056
Dutchess BOCES Capital Project - Local Share	7,831,040	7,831,040		1,848,398	5,982,642			3,316,847	1,468,449
Overlook HVAC	500,000	196,114			196,114			92,542	92,542
Totals	\$ 44,633,277	\$ 46,960,641	\$ 27,857,725	\$ 11,569,329	\$ 7,533,587	\$ 39,427,054	\$ 5,406,006	\$ 24,131,937	\$ (287,111)

ARLINGTON CENTRAL SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
June 30, 2021

Capital Assets, Net	\$ <u>166,557,600</u>
Add:	
Unamortized Loss on Defeasance of Bonds	<u>1,923,053</u>
Deduct:	
Bond Anticipation Notes	2,734,237
Less: Unspent Bond Anticipation Note Proceeds	(168,603)
 Bonds Payable	 57,037,000
Energy Performance Contract	14,654,233
Unamortized Bond Premiums	<u>3,955,546</u>
	<u>78,212,413</u>
 Net Investment in Capital Assets	 <u><u>\$ 90,268,240</u></u>

See Independent Auditor's Report.

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
315-336-9220 Fax: 315-336-0836

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

Board of Education
Arlington Central School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Arlington Central School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Arlington Central School District's basic financial statements, and have issued our report thereon dated October 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arlington Central School District's internal control over financial reporting (internal control) as a basis for designing 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 Arlington Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Arlington Central School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District'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 Arlington Central School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

D'Arcangelo + Co., LLP

October 8, 2021

Rome, New York

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
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**Independent Auditor's Report on Compliance For Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education
Arlington Central School District

Report on Compliance for Each Major Federal Program

We have audited Arlington Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Arlington Central School District's major federal programs for the year ended June 30, 2021. Arlington Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Arlington Central School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

D'Arcangelo + Co., LLP

October 8, 2021

Rome, New York

ARLINGTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Number	Federal Expenditures	Subrecipient
<u>United States Department of Agriculture</u>				
Passed Through New York State Department of Education:				
Child Nutrition Cluster				
Cash Assistance				
School Breakfast Program	10.553	N/A	\$ 46,190	\$
National School Lunch Program	10.555	N/A	255,538	
Total Child Nutrition Cluster			301,728	
Total Department of Agriculture			301,728	
<u>United States Department of Education</u>				
Passed Through New York State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	0021210675	681,837	
Title I Grants to Local Educational Agencies	84.010	0021200675	28,093	
School Improvement Grant	84.010	0011213002	73,880	
Total			783,810	
Special Education Cluster (IDEA)				
Special Education - Grants to States	84.027	0032210184	2,103,342	
Special Education - Preschool Grants	84.173	0033210184	56,085	
Total Special Education Cluster (IDEA)			2,159,427	
English Language Acquisition State Grants	84.365	0293210675	25,638	
English Language Acquisition State Grants	84.365	0293200675	43	
Total			25,681	
Supporting Effective Instruction State Grants	84.367	0147210675	151,220	
Supporting Effective Instruction State Grants	84.367	0147200675	56,635	
Total			207,855	
Student Support and Academic Enrichment Program	84.424	0204210675	71,198	
Student Support and Academic Enrichment Program	84.424	0204200675	450	
Total			71,648	
COVID-19 Education Stabilization Fund				
Governor's Emergency Education Relief (GEER) Fund	84.425C	5895210675	122,587	
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	5890210675	723,303	
Total Education Stabilization Fund			845,890	
Total Department of Education			4,094,311	
Total Federal Awards Expended			\$ 4,396,039	\$

ARLINGTON CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Arlington Central School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Cluster Programs

The following programs are identified by "OMB Compliance Supplement" to be part of a cluster of programs:

U.S. Department of Agriculture

Nutrition Cluster

CFDA #10.553	School Breakfast Program
CFDA #10.555	National School Lunch Program

U.S. Department of Education

Special Education Cluster

CFDA #84.027	Special Education - Grants to States (IDEA, Part B)
CFDA #84.173	Special Education - Preschool Grants (IDEA Preschool)

De Minimis Indirect Cost Rate

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Personal Protective Equipment (PPE)

The District did not receive any donated PPE from a federal agency.

ARLINGTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2021

Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR Section 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	<u>U.S. Department of Agriculture</u> Child Nutrition Cluster CFDA #10.553 School Breakfast Program CFDA #10.555 National School Lunch Program <u>U.S. Department of Education</u> COVID-19 Education Stabilization Fund CFDA #84.425C Governor's Emergency Education Relief (GEER) Fund CFDA #84.425D Elementary and Secondary School Emergency Relief (ESSER) Fund
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

(Continued)

**ARLINGTON CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2021**

(Continued)

Findings – Financial Statement Audit

None noted.

Findings and Questioned Costs – Major Federal Award Programs Audit

None noted.

**ARLINGTON CENTRAL SCHOOL DISTRICT
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2021**

Findings – Financial Statement Audit

None noted.

Findings and Questioned Costs – Major Federal Award Programs Audit

None noted.