

SHERMAN CENTRAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION,  
SUPPLEMENTARY INFORMATION AND  
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2021

# SHERMAN CENTRAL SCHOOL DISTRICT

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## **Independent Auditor's Report**

The Board of Education of the  
Sherman Central School District  
Sherman, New York

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

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

## ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during the year ended June 30, 2021, the District implemented Governmental Accounting Standards Board ("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 *Sherman Central School District's* basic financial statements. The accompanying supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

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



Bahgat & Laurito-Bahgat,  
Certified Public Accountants, P.C.  
Fredonia,

October 14, 2021

**Sherman Central School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021**

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2021. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section. Certain prior period numbers in the tables for the condensed statement of net position and net cost of governmental activities have been re-allocated to enhance comparability to the current year report.

## **FINANCIAL HIGHLIGHTS**

**Enrollment:** Over the past year, the enrollment District-wide has increased to 426 students.

**Significant capital projects:**

Capital Outlay project

The District completed a \$94,620 capital outlay project. The project consisted of new padding on the gym walls along with updating tile in the locker rooms.

Capital Project

The District substantially completed a \$3,628,583 capital project that includes various improvements including security, new roofing, a main office conversion and several minor maintenance projects to the building.

The District funded the projected with \$200,000 from its capital reserve, \$101,195 from state and local sources and issued \$3,133,063 of debt obligations. The District spent \$3,479,010 on the project to date and anticipate the final costs to be less than \$200,000, which will be paid from local sources.

Smart Schools Bond Act Project

During 2019 the District began implementing its Smart Schools Investment Plan (SSIP) by beginning to replace its camera system within the District. The District's SSIP can be found on the District website. To date the District has completed most of the installation of the new camera systems along with the door access controls. The District is still working on the wireless access and six cameras on the ball fields.

**Changes in Revenue:** Property taxes and state aid accounted for most of the District's general revenues, together contributing 90% of total general revenues. The remaining 10% of general revenues came from Medicaid assistance, monies earned for use of district money and property and other miscellaneous revenues for services provided to neighboring school districts.

**Sherman Central School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021**

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

**Sherman Central School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Figure A-1**

**Major Features of the District-Wide and Fund Financial Statements**

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



<p style="text-align: center;"><b>Sherman Central School District</b> <b>Management's Discussion and Analysis</b> <b>For the Fiscal Year Ended June 30, 2021</b></p>
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## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **District-Wide Statements**

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

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

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

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

### **Fund Financial Statements**

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

- Some funds are required by State law and by bond covenants.
- The School District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

<p style="text-align: center;"><b>Sherman Central School District</b> <b>Management's Discussion and Analysis</b> <b>For the Fiscal Year Ended June 30, 2021</b></p>
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## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **Fund Financial Statements (Continued)**

The District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

## **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The following chart depicts the School District's statement of net position. This statement combines all funds of the District as required by GASB Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This is a change from reporting each fund individually in the financial statements.



<p align="center"><b>Sherman Central School District</b>  <b>Management's Discussion and Analysis</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

### Condensed Statement of Net Position (in thousands of dollars)

	Governmental Activities and Total School District		
	Ending 6/30/21	Beginning 6/30/20	Percentage Change
Current and Other Assets	\$3,037	\$3,068	(1%)
Capital Assets			
	20,915	18,250	15%
Total Assets	23,952	21,318	12%
Deferred Outflows of Resources	3,279	2,898	13%
Total Assets and Deferred Outflows of Resources	27,231	24,216	12%
Long-Term Debt Outstanding	9,222	7,173	29%
Other Liabilities	1,895	2,568	(26)%
Total Liabilities	11,117	9,741	14%
Deferred Inflows of Resources	2,591	1,389	87%
Total Liabilities and Deferred Inflows of Resources	13,708	11,130	23%
Net Position			
Net Investment in Capital Assets	13,035	12,895	1%
Restricted	937	1,786	(48)%
Unrestricted	(449)	(1,595)	72%
Total Net Position	\$13,523	\$13,086	3%

**Sherman Central School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT  
AS A WHOLE (Continued)**

The following chart depicts the School District's changes in net position from operating results. This statement combines all funds of the District as required by GASB Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This is a change from reporting each fund individually in the financial statements. Additionally, revenues that are received as a direct result of expenses are stated separately.

As depicted in the following table,

Charges for Services decreased 46% due to a reduction in School food services caused from the pandemic

Federal revenues decreased 83% due to a reduction in Medicaid reimbursements as less Medicaid eligible services were provided during the pandemic.

General Support decreased 12% due to a reduction in travel expenses during the 20-21 school year.

<p align="center"><b>Sherman Central School District</b>  <b>Management's Discussion and Analysis</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

### Changes in Net Position from Operating Results (in thousands of dollars)

	Governmental Activities and Total School District		Percentage Change
	Fiscal Year Ended 6/30/21	Fiscal Year Ended 6/30/20	
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 59	\$ 110	(46%)
Operating Grants and Contributions	1,578	1,452	9%
General Revenues			
Property Taxes	2,324	2,235	4%
Other Tax Items	404	429	(6%)
State Formula Aid	6,687	6,394	5%
Federal Aid	1	6	(83%)
Interest Earnings	17	14	21%
Sales of Property	9	4	125%
Miscellaneous	175	90	94%
Total Revenues	11,254	10,734	5%
<b>Expenses</b>			
General Support	2,015	2,302	(12%)
Instruction	7,848	7,720	2%
Pupil Transportation	438	654	(33%)
Community Service	-	2	(100%)
Debt Service – Interest	211	219	(4%)
Cost of Sales – Food	306	288	6%
Total Expenses	10,818	11,185	(3%)
<b>Decrease in Net Position</b>	<b>\$ 436</b>	<b>\$ (451)</b>	<b>197%</b>

<p align="center"><b>Sherman Central School District</b>  <b>Management's Discussion and Analysis</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

### Governmental Activities

The following chart shows the difference between total cost of services and net cost of services. This difference results from revenues that relate to certain expenditures reducing the expense total as required by GASB Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." The difference between the total cost and net cost for general support consists of amounts charged for services, which include admission and other fees charged, and Federal grants received. The difference between the total cost and net cost for instruction consists of amounts charged for services which include tuition charged to other School Districts and fees charged for adult education, and Federal and State grants received. The difference between the total cost and net cost for the school lunch program includes amounts charged to the students for the purchase of lunches and snacks and Federal and State grants received.

#### Net Cost of Governmental Activities (in thousands of dollars)

	Total Cost of Services			Net Cost of Services		
	Fiscal Year Ended 6/30/21	Fiscal Year Ended 6/30/20	Percentage Change	Fiscal Year Ended 6/30/21	Fiscal Year Ended 6/30/20	Percentage Change
General Support	\$ 2,015	\$2,302	-12%	\$ 2,015	\$2,302	-12%
Instruction	7,848	7,720	2%	6,793	7,004	-3%
Pupil Transportation	438	654	-33%	15	222	-93%
Community Service	-	2	-100%	-	2	-100%
Debt Service – Interest	211	219	-4%	54	14	286%
Cost of Sales – Food	306	288	6%	304	-31	1081%
Total	\$10,818	\$11,185	-3%	\$ 9,181	\$9,513	-3%

**Sherman Central School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021**

## **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

As of June 30, 2021, the District had an unassigned fund balance of \$1,268,739. This represents 11.93% of the next fiscal year's budget. The District set aside \$377,528 to reduce the tax levy for the 2021-2022 fiscal year. It continued a Reserve for Employee Benefit Accrued Liabilities in the amount of \$150,737. The Reserve for Workers' Compensation is currently at \$50,071, Reserve for Unemployment is currently at \$134,043, Reserve for Retirement Contributions - ERS is currently at \$212,987, Reserve for Retirement Contributions - TRS is currently at \$54,351 and the Capital Reserve is currently at \$3,228. The debt service fund additionally includes a reserve for debt in the amount of \$153,794. Total reserves are currently at \$759,211.

### **General Fund Budgetary Highlights**

During the 2020-2021 school year, significant changes between the original budget and the actual expenditures occurred in a few areas in the General Fund (Non-GAAP Basis):

- ✓ Central Services had final expenditures of \$484,392 compared to a final budget of \$662,684. The favorable variance of \$138,906 after encumbrances of \$39,386 resulted from spending less in utilities than expected.
- ✓ Teaching-Regular School had final expenditures of \$2,722,225 as compared to a final budget of \$2,865,208. The favorable variance of \$134,355 after \$8,628 of encumbrances resulted from having to use less substitute teachers and less travel due to COVID.
- ✓ Pupil Services had final expenditures of \$396,516, compared to a final budget of \$463,916. The favorable variance of \$62,781 after encumbrances of \$4,619 resulted from spending less in extra-curricular non-instructional salaries due to our fitness room not reopening yet since COVID and spending less on supplies for extra-curricular.
- ✓ Pupil Transportation had final expenditures of \$343,853, compared to a final budget of \$457,372. The favorable variance of \$100,120 after encumbrances of \$13,399 resulted from the District budgeting for higher fuel costs than were incurred.
- ✓ Employee benefits had a final expenditure of \$2,270,363, compared to a final budget of \$2,412,501. The favorable variance of \$142,138 resulted from paying less in ERS, TRS, Social Security and Health Insurance due to retirements.

<p style="text-align: center;"><b>Sherman Central School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021</b></p>
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**FINANCIAL ANALYSIS OF THE  
SCHOOL DISTRICT'S FUNDS (Continued)**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District purchased two busses, a suburban and conducted a capital outlay project for new gym wall padding and updating tile in the locker rooms. Additionally, it substantially completed its capital project that was approved by the voters during 2018-2019.

**Long-Term Debt**

**Constitutional debt limit:** Per the last Official Statement issued by the Sherman Central School District, the limit was \$18,588,250. At October 19, 2021, the District's net indebtedness subject to the limit totaled \$6,918,000.

**Bond Rating:** The Sherman Central School District had an A+ rating from Standard & Poor's when it was last rated in December 2014.

**Debt Retired:** The District retired \$787,787 of debt in the fiscal year 2020-2021.

**Other types of debt:** Sherman Central School District has \$344,333 outstanding debt in an energy performance contract.

See Notes 7 and 8 for additional information on the debt of the District.

**Sherman Central School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021**

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- ❖ Proposed changes in educational standards that could materially affect programs provided by the District and the District's financial position.
- ❖ Retirement system contribution rates for the New York State Teachers' Retirement System (TRS) and the New York State Employees' Retirement System (ERS) have fluctuated dramatically over the last several years. In the coming year, the TRS average rate will be 9.8% and the ERS average rate will be 16.2% of the applicable payroll.
- ❖ The District anticipates increased costs in future years related to the Novel Coronavirus including increasing costs for technology, personal protective equipment, and additional sanitation requirements.
- ❖ On June 24, 2011 Chapter 97 of the laws of 2011 was signed into law creating a limit on school District and local government tax levies. Chapter 97 took effect for fiscal years beginning in January 2012. Chapter 97 limits the *tax levy growth factor* to the lesser of 2% or CPI of the adjusted prior year tax levy. The calculation of the adjusted tax levy limit also includes a tax base growth factor, certain exclusions; for example, increases in retirement plan required contributions of 2 percentage points over the previous year's required contribution, and allows for a carryover of the amount under the tax levy limit in the previous fiscal year. The District complied with the Tax Cap since inception.

<p style="text-align: center;"><b>Sherman Central School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021</b></p>
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## **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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, Sherman Central School District, Sherman, New York.



## FINANCIAL STATEMENTS

**Sherman Central School District**  
**Statement of Net Position**  
**June 30, 2021**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>ASSETS</b>	
Cash	
Unrestricted	\$ 1,328,234
Restricted	747,335
Receivables	
State and Federal aid	944,758
Due from fiduciary funds	-
Other receivables	4,756
Inventories	11,876
Capital assets, net	20,915,148
Net pension asset-proportionate share	-
Total Assets	23,952,107
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	3,053,158
Refunding Bond	181,991
Other postemployment benefits	43,514
Total Deferred Outflows of Resources	3,278,663
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 27,230,770</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
<b>LIABILITIES</b>	
Payables	
Accounts payable	\$ 12,780
Accrued liabilities	97,785
Retainage payable	-
Due to other governments	181
Notes payable	
Bond anticipation	665,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	695,972
Due to Employees' Retirement System	44,173
Due to Teachers' Retirement System	379,071
Due and payable after one year	
Other postemployment benefits payable	679,770
Compensated absences payable	1,238,084
Net pension liability-proportionate share	630,665
Bonds payable	6,673,410
Total Liabilities	11,116,891
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	2,244,697
Other postemployment benefits	346,147
Total Deferred Inflows of Resources	2,590,844
<b>NET POSITION</b>	
Net investment in capital assets	13,034,560
Restricted	937,007
Unrestricted (Deficit)	(448,532)
Total Net Position	13,523,035
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 27,230,770</b>

*See Accompanying Independent Auditors' Report and Notes to Financial Statements.*

**Sherman Central School District  
Statement of Activities  
For the Year Ended June 30, 2021**

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 2,014,801	\$ -	\$ -	\$ (2,014,801)
Instruction	7,847,805	56,724	998,307	(6,792,774)
Pupil transportation	437,946	-	423,066	(14,880)
Community Service	-	-	-	-
Debt service	210,669	-	156,705	(53,964)
School lunch program	306,476	2,549	-	(303,927)
Total Functions and Programs	\$ 10,817,697	\$ 59,273	\$ 1,578,078	(9,180,346)
<b>GENERAL REVENUES</b>				
Real property taxes				2,324,061
Other tax items				403,756
Use of money and property				16,967
Sale of property and compensation for loss				8,812
Miscellaneous				174,987
State sources				6,687,096
Medicaid reimbursement				1,297
Total General Revenues				9,616,976
<b>Change in Net Position</b>				<b>436,630</b>
Total Net Position - Beginning of year				13,086,405
<b>Total Net Position - End of year</b>				<b>\$ 13,523,035</b>

**Sherman Central School District**  
**Balance Sheet - Governmental Funds**  
**June 30, 2021**

	Major				Non-Major	
	General	Special Aid	School Lunch	Capital Project	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 1,102,013	\$ 38,031	\$ 79,308	\$ 108,882	\$ -	\$ 1,328,234
Restricted	605,417	-	-	-	141,918	747,335
Receivables						
Due from other funds	780,570	-	-	238,735	11,876	1,031,181
State and Federal aid	624,916	176,032	51,705	92,105	-	944,758
Other	-	-	4,756	-	-	4,756
Inventories	-	-	11,876	-	-	11,876
<b>Total Assets</b>	<b>\$ 3,112,916</b>	<b>\$ 214,063</b>	<b>\$ 147,645</b>	<b>\$ 439,722</b>	<b>\$ 153,794</b>	<b>\$ 4,068,140</b>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 12,780	\$ -	\$ -	\$ -	\$ -	\$ 12,780
Accrued liabilities	95,191	2,594	-	-	-	97,785
Due to other funds	255,291	211,469	5,889	558,532	-	1,031,181
Due to other governments	-	-	181	-	-	181
Due to Teachers' Retirement System	379,071	-	-	-	-	379,071
Due to Employees' Retirement System	44,173	-	-	-	-	44,173
Notes payable						
Bond Anticipation	-	-	-	665,000	-	665,000
<b>Total Liabilities</b>	<b>786,506</b>	<b>214,063</b>	<b>6,070</b>	<b>1,223,532</b>	<b>-</b>	<b>2,230,171</b>
<b>FUND BALANCES</b>						
<b>Reserved:</b>						
Nonspendable	-	-	11,876	-	-	11,876
Restricted	605,417	-	-	-	153,794	759,211
Assigned	452,254	-	129,699	-	-	581,953
Unassigned	1,268,739	-	-	(783,810)	-	484,929
<b>Total Fund Balances (deficit)</b>	<b>2,326,410</b>	<b>-</b>	<b>141,575</b>	<b>(783,810)</b>	<b>153,794</b>	<b>1,837,969</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,112,916</b>	<b>\$ 214,063</b>	<b>\$ 147,645</b>	<b>\$ 439,722</b>	<b>\$ 153,794</b>	<b>\$ 4,068,140</b>

**Sherman Central School District**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2021**

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>				
Cash - unrestricted	\$ 1,328,234	\$ -	\$ -	\$ 1,328,234
Cash - restricted	747,335	-	-	747,335
Due from other funds	1,031,181	-	(1,031,181)	-
Due from fiduciary funds	-	-	-	-
State & Federal aid receivable	944,758	-	-	944,758
Other receivables	4,756	-	-	4,756
Inventories	11,876	-	-	11,876
Land, buildings and equipment (net)	-	20,915,148	-	20,915,148
Net pension asset-proportionate share	-	-	-	-
Total Assets	4,068,140	20,915,148	(1,031,181)	23,952,107
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	-	3,053,158	-	3,053,158
Bond refunding	-	181,991	-	181,991
OPEB (GASB 75)	-	43,514	-	43,514
Total Deferred Outflows of Resources	-	3,278,663	-	3,278,663
Total Assets and Deferred Outflows of Resources	\$ 4,068,140	\$ 24,193,811	\$ (1,031,181)	\$ 27,230,770
<b>LIABILITIES</b>				
Accounts payable	\$ 12,780	\$ -	\$ -	\$ 12,780
Accrued liabilities	97,785	-	-	97,785
Retainage Payable	-	-	-	-
Bond anticipation notes payable	665,000	-	-	665,000
Bonds payable	-	7,369,382	-	7,369,382
Compensated absences payable	-	1,238,084	-	1,238,084
Due to other funds	1,031,181	-	(1,031,181)	-
Due to fiduciary funds	-	-	-	-
Due to Teachers' Retirement System	379,071	-	-	379,071
Due to Employees' Retirement System	44,173	-	-	44,173
Due to other governments	181	-	-	181
Other postemployment benefits	-	679,770	-	679,770
Net pension liability-proportionate share	-	630,665	-	630,665
Total Liabilities	2,230,171	9,917,901	(1,031,181)	11,116,891
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	-	2,244,697	-	2,244,697
OPEB (GASB 75)	-	346,147	-	346,147
Total Deferred Inflows of Resources	-	2,590,844	-	2,590,844
<b>FUND BALANCE/NET POSITION</b>				
Total Fund Balance/Net Position	1,837,969	11,685,066	-	13,523,035
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ 4,068,140	\$ 24,193,811	\$ (1,031,181)	\$ 27,230,770

**Sherman Central School District  
Reconciliation of the Balance Sheet  
to the Statement of Net Position- Governmental Funds  
For the Year Ended June 30, 2021**

Fund Balances - total governmental funds		\$ 1,837,969
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 31,926,447	
Less accumulated depreciation	(11,011,299)	
		20,915,148
The School District's proportionate share of the Employee Retirement Systems' collective net pension (asset) or liability is not reported in the funds.		
TRS net pension liability - proportionate share	(626,068)	
ERS net pension liability - proportionate share	(4,597)	
		(630,665)
Deferred outflows of resources, including deferred charges on defeasance debt, OPEB, and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds.		
Deferred inflows of resources, including OPEB, and pensions, represents an acquisition of net position that applies to future periods, and therefore, is not reported in the funds.		
ERS deferred outflows of resources - pension	\$917,132	
ERS deferred inflows of resources - pension	(1,876,675)	
TRS deferred outflows of resources - pension	2,136,026	
TRS deferred inflows of resources - pension	(368,022)	
Deferred outflows of resources - OPEB	43,514	
Deferred inflows of resources - OPEB	(346,147)	
Deferred inflows - premium on serial bonds	181,991	
		687,819
Long-term liabilities including bonds payable, compensated absences and post-employment benefits are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(1,238,084)	
Other post employment benefits	(679,770)	
Retainage Payable	-	
Governmental bonds payable	(7,369,382)	
		(9,287,236)
Net position of governmental activities		\$ 13,523,035

**Sherman Central School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	Major				Non-Major	
	General	Special Aid	School Lunch	Capital Project	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 2,324,061	\$ -	\$ -	\$ -	\$ -	\$ 2,324,061
Other tax items	403,756	-	-	-	-	403,756
Charges for services	56,724	-	-	-	-	56,724
Use of money and property	2,028	-	-	-	-	2,028
Sale of property and compensation for loss	8,812	-	-	-	-	8,812
Miscellaneous	170,084	4,561	342	-	-	174,987
State sources	6,841,997	104,590	9,626	354,459	-	7,310,672
Medicaid reimbursement	1,297	-	-	-	-	1,297
Federal sources	279,265	393,080	282,157	-	-	954,502
Sales - school lunch	-	-	2,549	-	-	2,549
<b>Total Revenues</b>	<b>10,088,024</b>	<b>502,231</b>	<b>294,674</b>	<b>354,459</b>	<b>-</b>	<b>11,239,388</b>
<b>EXPENDITURES</b>						
General support	1,289,689	-	-	-	-	1,289,689
Instruction	4,801,632	490,412	-	-	-	5,292,044
Pupil transportation	343,853	-	-	-	-	343,853
Community Service	-	-	-	-	-	-
Employee benefits	2,270,363	11,819	-	-	-	2,282,182
Debt service						
Principal	782,787	-	-	-	-	782,787
Interest	219,757	-	-	-	-	219,757
Cost of sales	-	-	254,513	-	-	254,513
Capital outlay	-	-	-	3,660,316	-	3,660,316
<b>Total Expenditures</b>	<b>9,708,081</b>	<b>502,231</b>	<b>254,513</b>	<b>3,660,316</b>	<b>-</b>	<b>14,125,141</b>
Excess/(Deficiency) of Revenues over Expenditures	379,943	-	40,161	(3,305,857)	-	(2,885,753)
<b>Other Financing Sources and (Uses):</b>						
Premium on obligation	-	-	-	-	11,876	11,876
Proceeds of debt	-	-	-	3,133,063	-	3,133,063
Payments to escrow agent	-	-	-	-	-	-
BANs redeemed from appropriations	-	-	-	220,000	-	220,000
Transfers to other funds	(94,620)	-	-	-	-	(94,620)
Transfers from other funds	-	-	-	94,620	-	94,620
<b>Total Other Sources (Uses)</b>	<b>(94,620)</b>	<b>-</b>	<b>-</b>	<b>3,447,683</b>	<b>11,876</b>	<b>3,364,939</b>
<b>Excess/(Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)</b>	<b>285,323</b>	<b>-</b>	<b>40,161</b>	<b>141,826</b>	<b>11,876</b>	<b>479,186</b>
Fund Balances(deficit), Beginning of Year	2,041,087	-	101,414	(925,636)	141,918	1,358,783
<b>Fund Balances (deficit), End of Year</b>	<b>\$ 2,326,410</b>	<b>\$ -</b>	<b>\$ 141,575</b>	<b>\$ (783,810)</b>	<b>\$ 153,794</b>	<b>\$ 1,837,969</b>

**Sherman Central School District**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2021**

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Eliminations and Reclassifications	Statement of Activities Totals
<b>REVENUES</b>						
Real property taxes	\$ 2,324,061	\$ -	\$ -	\$ -	\$ -	\$ 2,324,061
Other tax items	403,756	-	-	-	-	403,756
Charges for services	56,724	-	-	-	-	56,724
Use of money and property	2,028	-	-	-	14,939	16,967
Sale of property and compensation for loss	8,812	-	-	-	-	8,812
Miscellaneous	174,987	-	-	-	-	174,987
State sources	7,310,672	-	-	-	-	7,310,672
Medicaid reimbursement	1,297	-	-	-	-	1,297
Federal sources	954,502	-	-	-	-	954,502
Sales - school lunch	2,549	-	-	-	-	2,549
Total Revenues	11,239,388	-	-	-	14,939	11,254,327
<b>EXPENDITURES/EXPENSES</b>						
General support	1,289,689	-	259,776	-	465,336	2,014,801
Instruction	5,292,044	-	37,191	-	2,518,570	7,847,805
Pupil transportation	343,853	-	(25,506)	-	119,599	437,946
Community Service	-	-	-	-	-	-
Employee benefits	2,282,182	873,286	-	-	(3,155,468)	-
Debt service	1,002,544	-	-	(571,875)	(220,000)	210,669
Capital outlay	3,660,316	(723,998)	(2,936,318)	-	-	-
Cost of sales	254,513	-	-	-	51,963	306,476
Total Expenditures	14,125,141	149,288	(2,664,857)	(571,875)	(220,000)	10,817,697
Excess (Deficiency) of Revenues Over Expenditures	(2,885,753)	(149,288)	2,664,857	571,875	234,939	436,630
<b>OTHER SOURCES AND USES</b>						
Proceeds of debt	3,133,063	-	-	-	(3,133,063)	-
Payments to escrow agent	-	-	-	-	-	-
Operating transfers in	94,620	-	-	-	(94,620)	-
Operating transfers (out)	(94,620)	-	-	-	94,620	-
Proceeds from debt	11,876	-	-	-	(11,876)	-
BANs redeemed from appropriations	220,000	-	-	-	(220,000)	-
Total Other Sources (Uses)	3,364,939	-	-	-	(3,364,939)	-
<b>Net Change for the Year</b>	<b>\$ 479,186</b>	<b>\$ (149,288)</b>	<b>\$ 2,664,857</b>	<b>\$ 571,875</b>	<b>\$ (3,130,000)</b>	<b>\$ 436,630</b>



**Sherman Central School District**  
**Statement of Fiduciary Net Position**  
**June 30, 2021**

	Private Purpose Trusts	Custodial
<b>ASSETS</b>		
Unrestricted cash	\$ -	\$ -
Restricted cash	86,511	22,865
Due from other funds	-	-
Total Assets	\$ 86,511	\$ 22,865
<b>LIABILITIES</b>		
Due to governmental funds	\$ -	\$ -
Extraclassroom activity balances	-	22,865
Other liabilities	-	-
Total Liabilities	-	22,865
<b>NET POSITION</b>		
Reserved for scholarships	86,511	-
<b>TOTAL LIABILITIES AND NET POSITION</b>		
Total liabilities and net position	\$ 86,511	\$ 22,865

**Sherman Central School District**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2021**

	Private Purpose Trusts
<b>ADDITIONS</b>	
Gifts and contributions	\$ 50,176
Investment earnings	241
Total Additions	50,417
<b>DEDUCTIONS</b>	
Scholarships and awards	1,694
Change in Net position	48,723
Net Position, Beginning of Year	37,788
<b>Net Position, End of Year</b>	<b>\$ 86,511</b>

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 1 - Summary of Certain Significant Accounting Policies**

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

Significant accounting principles and policies used by the District are described below:

**A. Reporting Entity**

The Sherman Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of five members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units, and GASB Statement 61, The Financial Reporting Entity. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

**1. Extraclassroom Activity Funds**

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found on page 81 of this report. The District accounts for assets held as an agent for various student organizations in a custodial fund.

<p style="text-align: center;"><b>Sherman Central School District</b> <b>Notes to Financial Statements</b> <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**B. Joint Venture**

The Sherman Central School District is one of 27 component School Districts in the Erie 2 - Chautauqua/Cattaraugus Board of Cooperative Educational Services (BOCES). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs that 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 Section 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 Section 1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation, Section 1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n (a) of the 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, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$1,155,393 for BOCES administrative and program costs.

Participating school districts issue debt on behalf of BOCES. During the year, the District issued no serial bonds on behalf of BOCES. As of year-end, the District had no outstanding BOCES debt.

The District's share of BOCES aid amounted to \$649,541.

Financial statements for the BOCES are available from the BOCES administrative office.

**C. Basis of Presentation**

**1. District-wide statements:**

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

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

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

**2. Fund statements:**

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

The District reports the following major governmental funds:

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

**Special Revenue Funds:** These funds account for the proceeds of specific revenue sources such as Federal and State grants that are legally restricted to expenditures for specified purposes, child nutrition and school store operations or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. The Special Revenue Funds classified as major are:

**Special Aid Fund:** Used to account for special operating projects or programs supported in whole, or in part, with federal Funds or State or Local Grants.

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

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

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

2. Fund statements (Continued):

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

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

The District reports the following fiduciary funds:

**Fiduciary Funds:** Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used.

The District has two classes of fiduciary funds:

**Private purpose trust funds:** These funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. A scholarship is an example of a Private-Purpose Trust Fund. Established criteria govern the use of funds and members of the 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 District as an agent for various student groups or extraclassroom activity.

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**D. Measurement Focus and Basis of Accounting**

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of 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. Non-exchange transactions, in which the 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 District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year as it matches the liquidation of related obligations except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until available. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

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



<p style="text-align: center;"><b>Sherman Central School District</b> <b>Notes to Financial Statements</b> <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**E. Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 4, and became a lien on September 3, 2020. Taxes were collected during the period September 3, through November 10, 2020.

Uncollected real property taxes are subsequently enforced by Chautauqua County, in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

**F. Restricted Resources**

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

**G. Interfund Transactions**

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

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

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

Refer to Note 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.



<p style="text-align: center;"><b>Sherman Central School District</b> <b>Notes to Financial Statements</b> <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**H. Estimates**

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

**I. Cash (and cash equivalents)/Investments**

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

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

Investments are stated at fair value.

**J. Accounts Receivable**

Receivables are shown net of an allowance for uncollectible accounts, when applicable. An allowance for uncollectible accounts represents the portion of accounts receivable that is not expected to be collected within 365 days.

<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**K. Inventories and Prepaid Items**

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value 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 an expense/expenditure is reported in the year the goods or services are consumed.

**L. Other Assets/Restricted Assets**

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

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

**M. Capital Assets**

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2003. For assets acquired prior to July 1, 2003, 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 and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$50,000	Straight - line	15-40 years
Building improvements	\$50,000	Straight - line	15-40 years
Site improvements	\$ 5,000	Straight - line	15-40 years
Furniture and equipment	\$ 5,000	Straight - line	5-20 years

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**N. Deferred Outflows and Inflows of Resources**

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

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has 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. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

**O. Vested Employee Benefits**

Compensated absences consist of unpaid accumulated annual 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 a payment based on unused accumulated sick leave.

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

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**O. Vested Employee Benefits (Continued)**

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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.

**P. Other Benefits**

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

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

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure. District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457. Upon retirement, eligible employees may use accumulated sick leave to pay for retiree health insurance. The District does not share in the cost of retiree health insurance.

**Q. Short-term Debt**

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

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

<p style="text-align: center;"><b>Sherman Central School District</b> <b>Notes to Financial Statements</b> <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**Q. Short-term Debt (Continued)**

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

**R. Accrued Liabilities and Long-term Obligations**

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in full, in a timely manner, from current financial resources. Claims and judgments, other postemployment benefits payable and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

**S. Equity Classifications**

**District-wide statements:**

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

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

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

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



**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**S. Equity Classifications (Continued)**

**Funds statements:**

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

**Non-spendable** - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Food Service Fund of \$11,876.

**Restricted** - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Debt Service Reserve Fund

According to General Municipal Law §6-I, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

Employee Benefit Accrued Liability Reserve Fund

According to General Municipal Law §6-p, expenditures made from the employee benefit accrued liability reserve fund must be used 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. This reserve is accounted for in the General Fund.

Retirement Contributions Reserve Fund

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York

<p style="text-align: center;"><b>Sherman Central School District</b> <b>Notes to Financial Statements</b> <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**S. Equity Classifications (Continued)**

**Funds statements (Continued):**

**Restricted (Continued)**

Retirement Contributions Reserve Fund (Continued)

State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the subfund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r.

Unemployment Insurance Payment Reserve Fund

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

Workers' Compensation Reserve Fund

According to General Municipal Law §6-j, all expenditures made from the workers' compensation reserve must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**S. Equity Classifications (Continued)**

**Funds statements (Continued):**

**Restricted (Continued)**

Capital Reserve Fund

According to Education Law §3651, expenditures made from the capital 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 the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

Encumbrances

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

Restricted fund balance includes the following:

General Fund:	
Workers' Compensation	\$ 50,071
Unemployment Insurance	134,043
Retirement Contribution – NYSERS	212,987
Retirement Contribution – NYSTRS	54,351
Employee Benefit Accrued Liability	150,737
Capital	3,228
Debt Service Fund	153,794
Total Restricted Funds	<u>\$ 759,211</u>



<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**S. Equity Classifications (Continued)**

**Funds statements (Continued):**

**Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Districts highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2021.

**Assigned** - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the general fund, and in funds other than the general fund. Assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$74,726. Appropriated fund balance in the General Fund amounted to \$377,528. Any remaining fund balance in other funds is considered assigned. The school lunch fund also reports assigned fund balance of \$129,699. As of June 30, 2021, the District's General Fund encumbrances were classified as follows:

General support:	\$ 46,195
Instruction	15,132
Pupil Transportation	13,399
Total	<u>\$ 74,726</u>

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

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserve for tax reduction, a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year, encumbrances and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**S. Equity Classifications (Continued)**

**Funds statements (Continued):**

Net Position/Fund Balance

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

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

Order of Use of Fund Balance:

The Board of Education will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

**T. Implementation of New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2021, the District implemented the following new standards issued by GASB. These standards had no significant impact on the District.

GASB Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2021.

GASB Statement No. 90, *Accounting and Financial Reporting for Majority Equity Interest*, effective for the year ending June 30, 2021.

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 1 - Summary of Certain Significant Accounting Policies (Continued)**

**U. Future Changes in Accounting Standards**

The following standards will be implemented when and if applicable in the future:

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

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

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

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

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

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

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

GASB has issued Statement No. 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, effective for the year ending June 30, 2022 (the requirements in paragraph 4, as they apply to defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans, and paragraph 5 were effective as of June 2020).

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

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 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 funds statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the District-wide statements, compared with the current financial resources focus of the governmental funds.

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

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

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

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of four broad categories. The amounts shown below represent:

1. Long-term revenue and expense differences:

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

2. Capital related differences:

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

**Sherman Central School District  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2021**

**Note 2 – Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements (Continued)**

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

3. Long-term debt transaction differences:

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

4. Pension differences:

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

5. OPEB differences:

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

**Note 3 – Stewardship, Compliance and Accountability**

**Budgets**

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

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

Appropriations are adopted at the program line item level.

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

<p style="text-align: center;"><b>Sherman Central School District</b> <b>Notes to Financial Statements</b> <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 3 – Stewardship, Compliance and Accountability (Continued)**

**Budgets (Continued)**

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

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

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

**Encumbrances**

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

The portion of the District's fund balance subject to the New York State Real Property Tax Law §1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include continuing to monitor long term spending and the impact of State aid reductions.

The Capital Projects Fund had a deficit fund balance of \$783,810. This will be funded when the District pays for bus bond anticipation notes.



**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 4 – Cash (and cash equivalents) - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks**

**Cash and Investments**

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution or its trust department or agent, but not in the District's name	\$ 1,074,257

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$605,417 restricted for various fund balance reserves in the general fund, \$141,918 restricted for debt service in the debt service fund, \$22,865 restricted for extraclassroom in the fiduciary fund and \$86,511 restricted for scholarships in the fiduciary funds.

**Deposits**

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

**Investment and Deposit Policy**

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

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

<p style="text-align: center;"><b>Sherman Central School District</b> <b>Notes to Financial Statements</b> <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 4 – Cash (and cash equivalents) - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks (Continued)**

**Cash and Investments (Continued)**

**Credit Risk**

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

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

**Custodial Credit Risk**

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

The District restricts the securities to the following eligible items:

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

**Investments**

The District does not typically purchase investments for long enough duration to cause it to purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.



<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 4 – Cash (and cash equivalents) - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks (Continued)**

**Investments (Continued)**

The District participates in Cooperative Liquid Assets Security System – New York (NYCLASS), a multi-municipal investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2021, the District held \$941,622 in these investments consisting of various investments in securities issued by the United States and its agencies. The following valuation inputs are included as investments: The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investments and collateral policies are in accordance with New York State General Municipal Law, Sections 10 and 11.

Total investments of the cooperative as of year-end are \$3,351,327,110 which consists of \$291,229,070 in repurchase agreements, \$1,941,000,000 in U.S. Government Guaranteed Securities, and \$1,119,098,040 in collateralized bank deposits with various interest rate and due dates.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instructions could result in a different fair value measurement at the reporting date.

The following amounts on deposit at NYCLASS are included as cash and cash equivalents:

<u>Fund</u>	<u>Carrying Amount</u>
General Fund	\$941,622

The above amounts represent the fair value of the investment pool shares the District invested in. For the year ended June 30, 2021, the portfolio did not have significant unobservable inputs (Level 3) used in determining fair value. Thus a reconciliation of assets in which significant unobservable inputs (Level 3) which were used in determining fair value is not applicable.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period. The portfolio recognizes transfers between the levels as of the beginning of the fiscal year.

The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning NYCLASS, including the annual report can be found on its website at [www.newyorkclass.org](http://www.newyorkclass.org).

<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 5 – Receivables**

Receivables at year-end for individual major funds and non-major funds are as follows:

<b><u>Governmental Activities</u></b>					
	General	Special Aid	School Food Service	Capital Project	Total
<b>Description:</b>					
Accounts receivable	\$ -	\$ -	\$ 4,756	\$ -	\$ 4,756
State and federal aid	624,916	176,032	51,705	92,105	944,758
Total	\$ 624,916	\$ 176,032	\$ 56,461	\$ 92,105	\$ 949,514

District management has deemed the amounts to be fully collectible.

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 6 – Capital Assets**

Capital asset balances and activity for the year ended June 30, 2021 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
<b>Governmental activities:</b>				
Capital assets that are not depreciated:				
Land	\$ 48,120	\$ -	\$ -	\$ 48,120
Construction in progress	1,174,013	-	(304,259)	869,754
Total nondepreciable assets	1,222,133	-	(304,259)	917,874
Capital assets that are depreciated:				
Buildings	24,308,123	3,723,203	-	28,031,326
Land improvements	503,226	-	-	503,226
Vehicles	1,142,950	241,372	(232,590)	1,151,732
Furniture and equipment	1,327,448	-	(5,159)	1,322,289
Total depreciable historical cost	27,281,747	3,964,575	(237,749)	31,008,573
Less accumulated depreciation:				
Buildings	8,379,172	727,537	-	9,106,709
Land improvements	328,152	14,865	-	343,017
Vehicles	454,100	170,076	(186,800)	437,376
Furniture and equipment	1,092,165	37,191	(5,159)	1,124,197
Total accumulated depreciation	10,253,589	949,669	(191,959)	11,011,299
Net depreciable assets	17,028,158	3,014,906	(45,790)	19,997,274
Total capital asset balances	\$18,250,291	\$3,014,906	\$ (350,049)	\$20,915,148

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 742,402
Instruction	37,191
Pupil Transportation	170,076
	<u>\$ 949,669</u>

<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 7 – Short-term Debt**

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	06/2021	2.50%	\$ 675,000	\$ 210,000	\$ 220,000	\$ 665,000

Interest on short-term debt for the year was composed of interest paid of \$13,130.

**Note 8 – Long-term Debt Obligations**

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

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

Serial Bonds

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

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 8 – Long-term Debt Obligations (Continued)**

Noncurrent liability balances and activity are as follows:

	Beginning Balance	Additions	Refunding/ Reductions	Ending Balance	Amounts Due Within One Year
Government activities:					
Bonds and notes payable:					
General obligation debt:					
Building serial bonds					
	\$4,140,000	\$3,130,000	\$ 485,000	\$6,785,000	\$ 615,000
Energy performance contract	422,120	-	77,787	344,333	80,972
Total bonds & notes payable	4,562,120	3,130,000	562,787	7,129,333	695,972
Other liabilities					
Compensated absences & health care	1,230,084	8,000	-	1,238,084	-
Total long-term liabilities	\$5,792,204	\$3,138,000	\$ 562,787	\$8,367,417	\$ 695,972

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

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 8 – Long-term Debt Obligations (Continued)**

Bonds payable is comprised of the following:

<b>Description of Issue</b>	<b>Issue Date</b>	<b>Final Maturity</b>	<b>Interest Rate</b>	<b>Outstanding June 30, 2021</b>
Serial Bonds	6/2021	6/2036	3.75%	\$ 3,130,000
Refunding Serial Bond	11/9/2017	6/30/2039	2.00-3.375%	2,490,000
Qualified School Construction Bonds	4/1/2013	6/15/2028	0.90-4.55%	1,050,000
Serial Bonds	11/24/2013	6/15/2028	3.75-4.375%	115,000
Energy Performance Contract	10/10/2014	6/15/2025	4.043%	344,333
Total Serial Bonds				7,129,333
Premium on bond payable				240,726
Total Bonds Payable				<u>\$ 7,370,059</u>

The following is a summary of debt service requirements for bonds payable:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 695,972	\$ 312,151	\$ 1,008,123
2023	759,288	230,451	989,739
2024	782,741	220,574	1,003,315
2025	656,332	189,481	845,813
2026	435,000	162,033	597,033
2027-2030	1,780,000	551,004	2,331,004
2031-2036	1,700,000	240,247	1,940,247
2037-2039	320,000	21,638	341,638
Total	<u>\$ 7,129,333</u>	<u>\$ 1,927,579</u>	<u>\$ 9,056,912</u>

Defeased debt – Years subsequent to Defeasance:

In prior years, the District defeased certain obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$2,490,000 of bonds outstanding are considered defeased.

<p style="text-align: center;"><b>Sherman Central School District</b> <b>Notes to Financial Statements</b> <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 9 – Pension Obligations**

General information:

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits, as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York.

Provisions and administration:

The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a Statute. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

Employees' Retirement System (ERS)

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



<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 9 – Pension Obligations (Continued)**

Funding policies:

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

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

<u>Contributions</u>	<u>TRS</u>	<u>ERS</u>
2021	\$362,515	\$153,543
2020	\$340,718	\$147,076
2019	\$398,942	\$139,279

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

At June 30, 2021, the District reported the following (asset)/liability for its proportionate share of the net pension (asset) /liability for each of the Systems. The net pension (asset)/liability was measured as of June 30, 2020 for TRS and March 31, 2021 for ERS. The total pension (asset)/liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The District's proportion of the net pension (asset)/liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2020	March 31, 2021
District's proportionate share of the net pension (asset)/liability	\$ 626,068	\$ 4,597
District's portion of the Plan's total net pension (asset)/ liability	.022657%	.0046162%
Change in proportion since the prior measurement date	\$ 1,226,811	\$ (1,129,923)



<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 9 – Pension Obligations (Continued)**

For the year ended June 30, 2021, the District recognized its proportionate share of pension expense of \$832,944 for TRS and \$99,496 for ERS. At June 30, 2021, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 548,562	\$ 11,076	\$ 32,085	\$ -
Changes of assumptions	791,831	828,746	282,247	-
Net difference between projected and actual earnings on pension plan investments	408,878	-	-	1,859,124
Changes in proportion and differences between the District's contributions and proportionate share of contributions	24,240	29,935	53,690	17,551
District's contributions subsequent to the measurement date	362,515	47,375	-	-
Total	<u>\$2,136,026</u>	<u>\$ 917,132</u>	<u>\$ 368,022</u>	<u>\$1,876,675</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	TRS	Year Ended	ERS
2021	\$ 233,924	2022	\$ (83,234)
2022	\$ 482,363	2023	\$ (27,482)
2023	\$ 394,059	2024	\$ (69,586)
2024	\$ 249,927	2025	\$ (251,730)
2025	\$ 12,270	2026	\$ -
Thereafter	\$ 32,947	Thereafter	\$ -

<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 9 – Pension Obligations (Continued)**

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2020	March 31, 2021
Actuarial valuation date	June 30, 2019	April 1, 2020
Interest Rate	7.1%	5.9%
Salary Scale	Rates of increase Differ based on service	4.4%
	Service      Rate	
	5              4.72%	
	15             3.46%	
	25             2.37%	
	35             1.90%	
Decrement tables	July 1, 2013-June 30, 2018 System's Experience	April 1, 2015-March 31, 2020 System's Experience
Inflation Rate	2.2%	2.7%

For ERS, annuitant mortality rates are based on April 1, 2015, - March 31, 2020, the ERS System's experience with adjustments for mortality improvements based on MP-2020. For TRS, annuitant mortality rates are based on July 1, 2013 – June 30, 2018, the TRS System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018.

For ERS, the actuarial assumptions used in the April, 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 9 – Pension Obligations (Continued)**

Actuarial Assumptions (Continued)

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

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

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

	Target Allocation	Long-term expected Real rate of return*
ERS	2021	2021
Asset Class:		
Domestic equities	32%	4.05%
International equities	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
Domestic fixed income securities	23	-
Cash	1	.50
Total	100%	
*Real rates of returns are net of the long-term inflation assumption of 2.0% for 2020.		
(1)Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equities and international equities, respectively.		

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 9 – Pension Obligations (Continued)**

Actuarial Assumptions (Continued)

	Target Allocation	Long-term expected Real rate of return*
TRS	2020	2020
Asset Class:		
Domestic equities	34.9%	7.1%
International equities	16.4	7.7
Global equities	3	7.4
Real estate	10	6.8
Private equities	8	10.4
Domestic fixed income securities	15.9	1.8
Global fixed income securities	2.4	1.0
Private debt	.6	5.2
Real estate debt	6	3.6
High-yield fixed income securities	.5	3.9
Short-term	2.3	.7
Total	100%	
*Real rates of returns are net of the long-term inflation assumption of 2.2% for 2020.		

Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2021 calculated using the discount rate of 5.90% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (4.90% for ERS and 6.10% for TRS) or 1-percentage point higher (6.90% for ERS and 8.10% for TRS) than the current rate:

<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 9 – Pension Obligations (Continued)**

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

<b>TRS</b>	<b>1% Decrease (6.10%)</b>	<b>Current Assumption (7.10%)</b>	<b>1% Increase (8.10%)</b>
District's proportionate Share of the net pension (asset) liability	\$ 3,954,661	\$ 626,068	\$ (2,167,464)

<b>ERS</b>	<b>1% Decrease (4.90%)</b>	<b>Current Assumption (5.90%)</b>	<b>1% Increase (6.90%)</b>
District's proportionate Share of the net pension (Asset) liability	\$1,275,820	\$ 4,597	\$ (1,167,769)

*Changes of Assumptions*

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

*Collective Pension Expense*

Collective pension expense includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2021 is \$99,496 for ERS and \$832,944 for TRS.

<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 9 – Pension Obligations (Continued)**

*Pension Plan Fiduciary Net Position*

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

	(Dollars in Thousands)	
	TRS	ERS
Valuation date	June 30, 2020	March 31, 2021
Employers' total pension liability	\$ 123,242,776	\$ 220,680,157
Plan fiduciary net position	120,479,505	220,580,583
Employer's net pension liability	\$ 2,763,271	\$ 99,574
System fiduciary net position as a percentage of total pension liability	97.8%	99.95%

*Payables to the Pension Plan*

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through March 31, 2022 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$44,173.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2021 amounted to \$379,071.

**Note 10 – Unrestricted Net Position:**

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

Designated for subsequent year's expenditures	\$ 377,528
Reserve for encumbrances	74,726
Unreserved	1,268,739
Total unrestricted net position general fund	<u>\$ 1,720,993</u>

<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 11 – Interfund Transactions – Governmental Funds**

Interfund transactions and balances are as follows:

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>	<b>Interfund Revenues</b>	<b>Interfund Expenditures</b>
General Fund	\$ 780,570	\$ 255,291	\$ -	\$ 94,620
Special Aid Funds	-	211,469	-	-
School Food Service	-	5,889	-	-
Capital Fund	238,735	558,532	94,620	-
Debt Service	11,876	-	-	-
Total Government Activities	1,031,181	1,031,181	94,620	94,620
Fiduciary	-	-	-	-
<b>Totals</b>	<b>\$ 1,031,181</b>	<b>\$ 1,031,181</b>	<b>\$ 94,620</b>	<b>\$ 94,620</b>

During 2020-21, the General Fund transferred \$94,620 to the Capital Projects Fund for the capital outlay project.

**Note 12 – Risk Management**

**General**

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

**Self-insured Plans**

The District participates in Chautauqua County School Districts Medical Health Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 19 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members up to \$300,000 coverage per insured event. The pool obtains independent coverage for insured events in excess of the \$300,000 limit, and the District has essentially transferred all related risk to the pool.



<p style="text-align: center;"><b>Sherman Central School District</b> <b>Notes to Financial Statements</b> <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 12 – Risk Management (Continued)**

**Self-insured Plans (Continued)**

The District participates in Erie #2 Area Schools Self Funded Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The Erie#2 Area Schools Self Funded Workers' Compensation Plan is considered a self-sustaining risk pool that will provide coverage for its members up to \$450,000 per insured event. The Plan obtains independent coverage for insured events in excess of the \$450,000 limit and the District has essentially transferred all related risk to the Plan. The District has no liability for unbilled and open claims in excess of their reserves.

**Note 13 – Commitments and contingencies**

**Federal and State Grants**

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

**Note 14 – Post-employment (Health Insurance) Benefits**

A. General Information about the OPEB Plan

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

*Funding Policy*

The obligations of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute 100% of the premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 5 to 10 years of services to qualify for other post-employment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis.



<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 14 – Post-employment (Health Insurance) Benefits (Continued)**

A. General Information about the OPEB Plan (Continued)

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

	Participant Count
Inactive plan members or beneficiaries currently receiving benefit payments	19
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	92
Total plan members	111

B. Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2020; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

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

Long-term bond rate	2.27% (Based on Fidelity Municipal Go AA 20year bond rate)
Salary Scale	3.11% (Rate of expected payroll increases)
Single Discount Rate	2.27% (Blending of investment rate of return and long-term bond rate)
Healthcare Cost Trend Rates	4.00% for 2020 decrease to an ultimate rate of 4.08% by 2075
Retirees' Share of Benefit-Related Costs	100 percent of projected health insurance premiums for retirees

Mortality rates were based on Pub – 2010 Public Retirement Plan's mortality tables, headcount – weighted, distinct for teachers, general, and safety, without separate contingent survivor mortality. If retiree classifications are not available, retiree mortality is weighted at a rate of 60% teachers, 40% general, 0% safety.

<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 14 – Post-employment (Health Insurance) Benefits (Continued)**

Total OPEB Liability (Continued)

Participation rate is assumed that 100% of all active employees currently enrolled in the OPEB plan will continue coverage into retirement. 10% of retirees are assumed to continue medical coverage after age 65. Employees who have currently waived coverage are assumed not to re-enter the plan prior to retirement.

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

The discount rate was based on a blending of investment rate of return and the long term bond rate using expected plan benefit payments.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2021.

C. Changes in the Total OPEB Liability

Balance at June 30, 2020	\$ 721,852
Changes for the Year	
Service Cost	46,409
Interest	18,414
Changes of benefit terms	-
Differences between expected and actual experience	(102,107)
Changes in assumptions or other inputs	20,956
Benefit payments	(25,754)
Net Changes	(42,082)
<b>Balance at June 30, 2021</b>	<b><u>\$ 679,770</u></b>

<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Notes to Financial Statements</b>  <b>For the Fiscal Year Ended June 30, 2021</b></p>
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**Note 14 – Post-employment (Health Insurance) Benefits (Continued)**

C. Changes in the Total OPEB Liability (Continued)

**Changes of benefit terms reflect:**

Changes of assumptions and other inputs reflect a change in the discount rate from 2.48 percent in 2020 to 2.27 percent in 2021.

*Sensitivity of the total OPEB liability to changes in the Discount Rate* – The following presents the District's 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 (1.27 percent) or 1 percentage point higher (3.27 percent) than the current discount rate:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	(1.27%)	(2.27%)	(3.27%)
Total OPEB Liability	\$744,550	\$679,770	\$620,386

*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 (3.00 – 3.08 percent) or 1 percentage point higher (5.00 – 5.08 percent) than the current health care cost trend rate:

	<b>Health Care Cost Trend Rates</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	3.00% increase to 3.08%	4.00% increase to 4.08%	5.00% increase to 5.08%
Total OPEB Liability	\$588,881	\$679,770	\$788,220

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 14 – Post-employment (Health Insurance) Benefits (Continued)**

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

For the year ended June 30, 2021, the District recognized OPEB expense of (\$84,067). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,850	\$ 91,555
Changes of assumptions or other inputs	15,664	254,592
Contributions subsequent to the measurement period	-	-
<b>TOTAL</b>	<b>\$ 43,514</b>	<b>\$ 346,147</b>

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

Fiscal Year Ending June 30,	Amount
2022	\$ (190,911)
2023	(102,172)
2024	(9,550)
2025	-
2026	-
Thereafter	-

The District provides retiree health insurance up to the amount of accrued sick leave with a set maximum number of days multiplied by the retiree's per diem rate. The total accrued amount is recorded as expenditure in the year of retirement and held in the trust and agency fund until exhausted.

**Note 15 -Tax Abatements**

The District negotiates property tax abatement agreements on an individual basis. The District has no tax abatement agreements as of June 30, 2021.

**Sherman Central School District**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**Note 16 – Subsequent Events**

The District has reviewed events and transactions that occurred between June 30, 2021 and October 14, 2021 which is the date the financial statements were available to be issued. No events or transactions were noted.

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of the situation on the District and its future results and financial position are not presently determinable.

## REQUIRED SUPPLEMENTARY SCHEDULES

*Required Supplemental Schedule #1*

**Sherman Central School District**  
**Schedules of Changes in the District's Total OPEB Liability and Related Ratios**  
**For the Years Ended June 30, 2021, 2020 and 2021**

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Measurement Date	July 1, 2017	July 1, 2017	July 1, 2017
Total OPEB Liability	\$ 679,770	\$ 721,852	\$ 986,322
Service Cost	46,409	76,771	63,456
Interest	18,414	46,141	36,787
Changes in benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(102,107)	(47,307)	236,734
Changes of assumptions or other inputs	20,956	(618,296)	7,409
Benefit payments	<u>(25,754)</u>	<u>(35,422)</u>	<u>(30,743)</u>
Net change in total OPEB liability	(42,082)	(578,113)	313,643
Total OPEB liability-beginning	721,852	1,299,965	986,322
Total OPEB liability - ending	679,770	721,852	1,299,965
Covered Payroll	4,925,828	4,713,610	4,560,381
Total OPEB liability as a percentage of covered payroll	13.80%	15.31%	28.51%

Notes to schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of the discount rate each period. The following are the discount rates used in each period.

6/30/2021	2.27%
6/30/2020	2.48%
6/30/2019	3.44%



**Sherman Central School District**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance-**  
**Budget (Non-GAAP Basis) and Actual - General Fund**  
**For the Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 2,721,344	\$ 2,721,344	\$ 2,324,061	\$ (397,283)
Other tax items	7,000	7,000	403,756	396,756
Charges for services	60,703	60,703	56,724	(3,979)
Use of money and property	11,500	11,500	2,028	(9,472)
Sale of property and compensation for loss	2,250	2,250	8,812	6,562
Miscellaneous	96,000	96,000	170,084	74,084
Total Local Sources	2,898,797	2,898,797	2,965,465	66,668
State sources	6,874,758	6,874,758	6,841,997	(32,761)
Medicaid reimbursements	-	-	1,297	1,297
Federal sources	46,332	46,332	279,265	232,933
Total Revenues	9,819,887	9,819,887	10,088,024	268,137
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	-	-		
Encumbrances	-	121,022		
Appropriated reserves	460,447	676,742		
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 10,280,334</b>	<b>\$ 10,617,651</b>	<b>\$ 10,088,024</b>	

Sherman Central School District  
Required Supplementary Information  
Schedule of Revenues, Expenditures and Changes in Fund Balance-  
Budget (Non-GAAP Basis) and Actual - General Fund  
For the Year Ended June 30, 2021

EXPENDITURES	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances
General Support					
Board of Education	\$ 18,988	\$ 21,564	\$ 4,655	\$ 718	\$ 16,191
Central Administration	222,869	221,869	218,144	-	3,725
Finance	202,194	210,569	205,941	2,050	2,578
Staff	8,500	11,609	3,825	4,041	3,743
Central Services	633,942	662,684	484,392	39,386	138,906
Special Items	349,010	380,517	372,732	-	7,785
Total General Support	1,435,503	1,508,812	1,289,689	46,195	172,928
Instruction					
Instruction, Administration & Improvement	261,796	267,893	259,389	-	8,504
Teaching - Regular School	2,703,409	2,865,208	2,722,225	8,628	134,355
Programs for Children with Handicapping Conditions	595,554	597,871	596,015	-	1,856
Occupational Education	351,642	352,910	338,389	1,245	13,276
Teaching - Special School	2,000	2,000	-	-	2,000
Instructional Media	456,155	509,892	489,098	640	20,154
Pupil Services	457,015	463,916	396,516	4,619	62,781
Total Instruction	4,827,571	5,059,690	4,801,632	15,132	242,926
Pupil Transportation	432,877	457,372	343,853	13,399	100,120
Community Services	2,500	2,500	-	-	2,500
Employee Benefits	2,405,107	2,412,501	2,270,363	-	142,138
Debt Service	1,076,776	1,076,776	1,002,544	-	74,232
Total Expenditures	10,180,334	10,517,651	9,708,081	74,726	734,844
OTHER FINANCING USES					
Transfers to Other Funds	100,000	100,000	94,620	-	5,380
Total Expenditures & Other Uses	10,280,334	10,617,651	9,802,701	74,726	\$ 740,224
Net Change in Fund Balance	-	-	285,323		
Fund Balance - Beginning			2,041,087		
Fund Balance - Ending	\$ -	\$ -	\$ 2,326,410		

Note to required Supplementary Information

Budget Basis of Accounting

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

Sherman Central School District  
Schedule of Contributions  
For the Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
TRS											
Contractually required contribution	\$ 362,515	\$ 340,718	\$ 409,893	\$ 365,287	\$ 425,021	\$ 445,139	\$ 545,740	\$ 511,367	\$ 356,541	\$ 338,749	\$ 264,176
Contributions in relation to the contractually required contribution	362,515	340,718	409,893	365,287	425,021	445,139	545,740	511,367	356,541	338,749	264,176
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	3,819,279	3,887,582	4,182,582	3,727,418	3,626,459	3,357,014	3,415,215	3,307,438	3,352,395	3,433,186	3,350,822
Contributions as a percentage of covered-employee payroll	9%	9%	10%	10%	12%	13%	16%	15%	11%	10%	8%
ERS											
Contractually required contribution	165,590	164,507	157,960	171,084	173,312	197,482	199,542	196,740	215,957	181,153	59,702
Contributions in relation to the contractually required contribution	165,590	164,507	157,960	171,084	173,312	197,482	199,542	196,740	215,957	181,153	59,702
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	1,195,584	1,183,330	1,214,856	1,167,080	1,182,632	1,157,087	1,159,460	1,142,147	1,101,976	1,054,510	1,049,444
Contributions as a percentage of covered-employee payroll	14%	14%	13%	15%	15%	17%	17%	17%	20%	17%	6%

**Sherman Central School District**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2021**

NYSLRS Pension Plan  
Last 10 Fiscal Years

TRS	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	-	-
Proportion of the Net Position Asset	.022657%	.023123%	.022883%	.022885%	.0121758%	0.021672%	0.021311%	0.021855%	N/A	N/A
Proportionate Share of the Net Position (Asset) liability	626,069	(600,742)	(413,789)	(173,946)	233,041	(2,250,983)	(2,373,936)	(14,361)	N/A	N/A
Covered-employee Payroll	3,819,279	3,887,582	4,182,582	3,727,418	3,626,459	3,357,014	3,415,215	3,307,438	N/A	N/A
Proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	16.39%	-15.45%	-9.89%	-4.67%	6.43%	-67.05%	-69.51%	-0.43%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset or liability	97.80%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%	N/A	N/A	N/A
ERS	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Measurement Date	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014	-	-
Proportion of the Net Position Liability	.0046162%	.0042843%	.0042374%	.0042699%	.0048250%	.0047557%	.004584%	N/A	N/A	N/A
Proportionate Share of the Net Position Liability	4,597	1,134,520	300,235	137,810	453,371	630,665	154,860	207,147	N/A	N/A
Covered-employee Payroll	1,195,584	1,183,330	1,214,856	1,167,080	1,182,632	1,157,087	1,159,460	1,142,147	N/A	N/A
Proportionate share of the net pension liability/asset as a percentage of its covered-employee payroll	0.38%	95.88%	24.71%	11.81%	38.34%	54.50%	13.36%	18.14%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.7%	90.7%	97.9%	N/A	N/A	N/A

See paragraph on supplementary schedules included in auditors' report.

## SUPPLEMENTARY SCHEDULES

**Sherman Central School District**  
**Schedule of Change from Adopted Budget to Final Budget**  
**And the Real Property Tax Limit - General Fund**  
**For the Year Ended June 30, 2021**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 10,280,334
Add: Prior year's encumbrances	121,022
Original Budget	10,401,356
Budget Revisions:	
Workers compensation reserve	38,947
Capital Reserve	
Employee Benefit Reserve	3,325
Unemployment Reserve	8,433
Retirement reserve	165,590
Total Budget Revisions	216,295
<b>Final Budget</b>	<b>\$ 10,617,651</b>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2021-22 voter approved expenditure budget	\$ 10,638,560
Maximum allowed 4% of 2021-2022 budget	\$ 425,542
General Fund Balance Subject to Section 1318 of Real Property Tax Law*:	
Unrestricted fund balance:	
Assigned fund balance	\$ 452,254
Unassigned fund balance	1,268,739
Total Unrestricted fund balance	<u>1,720,993</u>
Less:	
Appropriated fund balance	377,528
Encumbrances included in assigned fund balance	74,726
Total adjustments	<u>\$ 452,254</u>
<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law</b>	<b><u>\$ 1,268,739</u></b>
<b>Actual percentage</b>	<b>11.93%</b>

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

Sherman Central School District  
Schedule of Capital Projects Fund - Project Expenditures and Financing Resources  
For the Year Ended June 30, 2021

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2021
			Prior Years'	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Capital Outlay project	100,000	94,620	-	94,620	94,620	-	-	-	94,620	94,620	-
Reconstruction of school facilities	3,628,583	3,628,583	246,791	3,232,219	3,479,010	149,573	3,133,063	101,195	200,000	3,434,258	(44,752)
Smart Schools Bond Act	384,322	384,322	203,226	92,105	295,331	88,991	-	253,264	-	253,264	(42,067)
Buses & Suburban	892,944	1,134,316	675,619	241,372	916,991	217,325	-	-	220,000	220,000	(696,991)
Totals	\$ 5,005,849	\$ 5,241,841	\$ 1,125,636	\$ 3,660,316	\$ 4,785,952	\$ 455,889	\$ 3,133,063	\$ 354,459	\$ 514,620	\$ 4,002,142	\$ (783,810)



*Supplemental Schedule #3*

**Sherman Central School District  
Net Investment in Capital Assets  
For the Year Ended June 30, 2021**

Capital Assets, net		\$ 20,915,148
Deduct:		
Bond anticipation notes payable	(665,000)	
Short-term portion of bonds payable	(695,972)	
Long-term portion of bonds payable	(6,673,410)	
Less unspent proceeds:		
Reserve for debt	153,794	
		(7,880,588)
Net Investment in Capital Assets		\$ 13,034,560

SHERMAN CENTRAL SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUNDS  
YEAR ENDED JUNE 30, 2021



### **Independent Auditor's Report**

The Board of Education of the  
Sherman Central School District

We have audited the statement of receipts and disbursements of the Extraclassroom Activity Funds, a component unit of the *Sherman Central School District* for the year ended June 30, 2021, and the related notes to the financial statement.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Basis for Qualified Opinion***

The records of the Extraclassroom Activity Fund of the Sherman Central School District were not adequate to permit the application of adequate auditing procedures to indicate whether all receipts were recorded. As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

### ***Opinion***

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the recorded cash transactions of the Extraclassroom Activity Fund of the Sherman Central School District, as of June 30, 2021, arising from the revenue it received and expenditures it paid, for the year then ended in accordance with the basis of accounting as described in Note 1.

### ***Basis of Accounting***

The Sherman Central School District's policy is to prepare the financial statement of the Extraclassroom Activity Funds on the basis of receipts and disbursements as explained in Note 1 to the financial statements. Accordingly, the accompanying statement of receipts and disbursements is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.



Bahgat & Laurito-Bahgat,  
Certified Public Accountants, P.C.  
Fredonia, New York

October 14, 2021

**Sherman Central School District  
Extraclassroom Activity Funds  
Statement of Receipts and Disbursements  
For the Year Ended June 30, 2021**

	<b>Balance 6/30/2020</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Balance 6/30/2021</b>
Class of 2021	\$ 5,985	\$ 983	\$ 6,968	\$ -
Class of 2022	4,104	59	1,630	2,533
Class of 2023	489	120	559	50
Class of 2024	-	1,936	318	1,618
Band	4	1	-	5
Battle of the Books	-	-	-	-
Choir	1,944	14,536	15,943	537
National Honor Society	489	-	24	465
Post Prom (SADD)	1,124	25	1	1,148
Volleyball - Girls	139	1	-	140
5-8 Art Club	1,861	508	300	2,069
5k Fund Run	218	1	-	219
Drama Club	1,555	830	896	1,489
Future Farmers of America	4,940	2,800	3,657	4,083
Musical Productions	2,592	976	2,455	1,113
Softball - Girls	128	1	-	129
Spanish Club	-	-	-	-
SSIM	1,307	-	80	1,227
Student Council	5,475	352	770	5,057
Wildcat Nation	113	226	100	239
Yearbook	4,112	2,081	5,741	452
5th & 6th History Club SHIP	384	-	384	-
P.E.	336	-	44	292
<b>Totals</b>	<b>\$ 37,299</b>	<b>\$ 25,436</b>	<b>\$ 39,870</b>	<b>\$ 22,865</b>

**Sherman Central School District  
Extraclassroom Activity Funds  
Notes To Financial Statements  
For the Year Ended June 30, 2021**

**Note 1 - Summary of Certain Significant Accounting Policies**

The extraclassroom activity funds of the Sherman Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The transactions of the Extraclassroom Activity Funds are independent with respect to its financial transactions, and the designation of student management and the cash and investment balances are reported in the agency fund of the District.

The books and records of the School District's Extraclassroom Activity funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received, and expenditures are recognized when cash is disbursed.

**A. Reporting Entity**

The Extraclassroom Activity Funds is a component unit of the Sherman Central School District.

SHERMAN CENTRAL SCHOOL DISTRICT

FINANCIAL REPORTS  
FEDERAL FUNDS

YEAR ENDED JUNE 30, 2021



# SHERMAN CENTRAL SCHOOL DISTRICT

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

The Board of Education of the  
Sherman Central School District

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

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control as described in the accompanying schedule of findings and responses that we consider to be a material weakness, as item 2021-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sherman Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed a significant deficiency in compliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs, as item 2021-002.

## **Sherman Central School District's Response to Findings**

Sherman Central School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Sherman Central School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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



Bahgat & Laurito-Bahgat,  
Certified Public Accountants, P.C.  
Fredonia, New York

October 14, 2021



**Independent Auditor's Report on Compliance For Each Major  
Program and Internal Control Over Compliance Required By Uniform Guidance**

The Board of Education of the  
Sherman Central School District

**Report on Compliance For Each Major Federal Program**

We have audited *Sherman 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 *Sherman Central School District's* major federal programs for the year ended June 30, 2021. *Sherman 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 *Sherman 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 *Sherman 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 *Sherman Central School District's* compliance.

## **Opinion on Each Major Federal Program**

In our opinion, *Sherman 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.

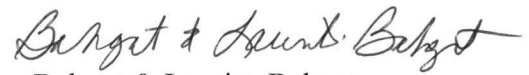
## **Report on Internal Control Over Compliance**

Management of *Sherman 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 *Sherman 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 *Sherman 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.



Bahgat & Laurito-Bahgat,  
Certified Public Accountants, P.C.  
Fredonia, New York

October 14, 2021

**Sherman 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	Pass-Through Grantor's Number	Project Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Passed through NYS Education Department:				
Child Nutrition Cluster				
Non-Cash Assistance (food distribution):				
Commodity Foods	10.555	062601-04-0000		\$ 15,813
Non-Cash Assistance Subtotal				15,813
Cash Assistance:				
School Lunch	10.555	062601-04-0000		266,344
Cash Assistance Subtotal				266,344
<b>Total U. S. Department of Agriculture</b>				<b>282,157</b>
<b>U.S. Department of Education</b>				
Rural Education Achievement Program	84.358A			15,239
Passed through NYS Education Department:				
Education Stabilization Fund				
Elementary and Secondary School Emergency Relief Fund	84.425D	062601-04-0000	5890-21-0400	199,091
Governor's Emergency Education Relief Fund	84.425C	062601-04-0000	5895-21-0400	33,743
Total Education Stabilization Fund				232,834
Special Education Cluster:				
IDEA Part B, Section 611	84.027A	062601-04-0000	0032-21-0116	129,911
IDEA Part B, Section 619	84.173A	062601-04-0000	0033-21-0116	4,667
Total Special Education Cluster				134,578
Title I	84.010A	062601-04-0000	0021-21-0400	212,681
Title IIA	84.367A	062601-04-0000	0147-20-0400	3,296
Title IIA	84.367A	062601-04-0000	0147-21-0400	3,566
Title IV	84.424A	062601-04-0000	0204-21-0400	16,504
Title V	84.358B	062601-04-0000	0006-21-0400	7,216
<b>Total U.S. Department of Education</b>				<b>625,914</b>
<b>Total Federal Awards Expended</b>				<b>\$ 908,071</b>

See Notes to Schedule of Expenditures of Federal Awards.



<p style="text-align: center;"><b>Sherman Central School District</b> <b>Notes to Schedule of Expenditures of Federal Awards</b> <b>Year Ended June 30, 2021</b></p>
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**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Note 2 – Summary of Certain Significant Accounting Policies**

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.

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

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

**Note 2 – Subrecipients**

No amounts were provided to subrecipients.

**Note 3 – Other Disclosures**

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

<p style="text-align: center;"><b>Sherman Central School District</b>  <b>Schedule of Findings and Questioned Costs</b>  <b>Year Ended June 30, 2021</b></p>
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**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditor's opinion(s) issued: *Unqualified*

Internal control over financial reporting:

Material weakness(es) identified? ☒ yes ☐ no

Significant deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's opinion(s) issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a) ☐ yes ☒ no

Identification of major programs:

<u>Name of federal program</u>	<u>CFDA Number</u>
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<b><i>Title I</i></b>	84.010
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<b><i>Elementary and Secondary School Emergency Relief Fund</i></b>	84.425D
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<b><i>Governor's Emergency Education Relief Fund</i></b>	84.425C
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Dollar threshold used to distinguish between Type A and Type B Programs *\$750,000*

Auditee qualified as low risk? ☐ yes ☒ no

<p style="text-align: center;"><b>Sherman Central School District</b> <b>Schedule of Findings and Questioned Costs</b> <b>Year Ended June 30, 2021</b></p>
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**Section II – Findings – Financial Statement Audit**

**Significant Deficiencies considered Material Weaknesses:**

**2021-001 – Preparation of District Financial Statements, Note Disclosures and Adjusting Journal Entries**

*Condition:* The external auditors prepared a draft of the financial statements, proposed adjusting journal entries and note disclosures, which were accepted by the District for the fiscal year ended June 30, 2021. Some of the adjustments and note disclosures are related to converting to the full accrual method of accounting for GASB 34 reporting purposes.

*Criteria:* The District should review and accept all proposed adjusting journal entries, note disclosures and draft of the financial statements.

*Effect:* In October 2008, the American Institute of Certified Public Accountants issued Statement on Auditing Standards (SAS) No. 115, Communicating Internal Control Related Matters in an Audit. The standard requires the auditor to communicate significant deficiencies and material weaknesses to management and those charged with governance. The standard considers significant adjusting journal entries and assistance in preparing financial statements and related notes to be indicative of a material weakness in the internal control over financial reporting.

*Recommendation:* We recommend that while the external auditors may continue providing assistance with the preparation of the financial statements, the District should continue to review and accept all proposed adjusting journal entries, financial statements and note disclosures.

*District Response:* The District will continue to review and accept all proposed adjusting journal entries, note disclosures and draft of the financial statements.

<p style="text-align: center;"><b>Sherman Central School District</b> <b>Schedule of Findings and Questioned Costs</b> <b>Year Ended June 30, 2021</b></p>
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**Compliance and other matters:**

**2021-002 – Unassigned Fund Balance**

*Condition:* The District's unassigned fund balance as of June 30, 2021 amounted to \$1,268,739. This amount constitutes approximately 11.93% of the 2021-2022 school budget.

*Criteria:* Section 1318 of the New York State Real Property Tax Law limits the amount of unexpended surplus funds a school district can retain to no more than 4 percent of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4 percent limitation. Under GASB fund balance classifications, the 4 percent limitation is interpreted to be applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recover, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

*Cause:* The District's unrestricted General Fund fund balance minus appropriated fund balance and amounts assigned for encumbrances is in excess of the 4 percent limitation.

*Effect:* The District's unassigned fund balance was not in compliance with New York State Real Property Tax Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

*Recommendation:* The District should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance.

*District Response:* The District realizes that its unassigned fund balance as of June 30, 2021 was in excess of the New York State mandated 4% level. The District has and will continue to closely monitor fund balance in the future and will review all options with regards to reservation and designation of fund balance.

**Sherman Central School District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021**

**Section III - Findings and Questioned Costs – Major Federal Award Programs Audit**

**None**

<p style="text-align: center;"><b>Sherman Central School District</b> <b>Summary Schedule of Prior Audit Findings</b> <b>Year Ended June 30, 2021</b></p>
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**Section IV – Summary Schedule of Prior Audit Findings**

**2020-001 – Preparation of District Financial Statements, Note Disclosures and Adjusting Journal Entries**

*Condition:* The external auditors prepared a draft of the financial statements, proposed adjusting journal entries and note disclosures, which were accepted by the District for the fiscal year ended June 30, 2020. Some of the adjustments and note disclosures are related to converting to the full accrual method of accounting for GASB 34 reporting purposes.

*Recommendation:* We recommend that while the external auditors may continue providing assistance with the preparation of the financial statements, the District should continue to review and accept all proposed adjusting journal entries, financial statements and note disclosures.

*Current Status:* The finding was repeated. The District will continue to review and accept all proposed adjusting journal entries, note disclosures and draft of the financial statements.

<p style="text-align: center;"><b>Sherman Central School District</b> <b>Summary Schedule of Prior Audit Findings</b> <b>Year Ended June 30, 2021</b></p>
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**2020-002 – Unassigned Fund Balance**

*Condition:* The District's unassigned fund balance as of June 30, 2020 amounted to \$968,206. This amount constitutes approximately 9.42% of the 2020-2021 school budget.

*Recommendation:* The District should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance.

*Current Status:* The finding was repeated. The District realizes that its unassigned fund balance as of June 30, 2020 was in excess of the New York State mandated 4% level. The District has and will continue to closely monitor fund balance in the future and will review all options with regards to reservation and designation of fund balance.



# BAHGAT & LAURITO-BAHGAT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

PROVIDING THE TOOLS FOR FINANCIAL SUCCESS

Directors

Sham Dean Bahgat, CPA

Louann Laurito-Bahgat, CPA, CFE

Laura L. Napoli, CPA

October 14, 2021

Mrs. Danielle O'Connor  
Superintendent of Schools  
Sherman Central School District

Dear Mrs. O'Connor:

During the course of our audit of the School District's financial statements for the year ended June 30, 2021, we observed the School District's significant accounting policies and procedures and certain business, financial and administrative practices. The purpose of our engagement was to express an opinion on the basic financial statements, not to provide assurance on internal control.

As part of our examination, we also reviewed the School District's internal accounting controls for the limited purpose of determining the scope of our audit. Therefore, it would not necessarily disclose all weaknesses in the system.

As a result of our observations, we suggest you consider the following:

Credit Card

Through the course of testing the District credit card, we found that there were late fees and finance charges paid totaling \$60.60 on four statements. We also noted there were two purchases that did not have supporting documentation for the purchase. We recommend that the District implement stronger controls over the use of the credit card to prevent payment of sales tax, finance charges and purchases without supporting documentation.

Old outstanding checks

The District has old outstanding check payments in several bank accounts. We recommend issuing stop payments on the uncleared checks and issuing new ones to the vendors. Also, we recommend closely monitoring the age of uncleared checks, as they should not exceed six months from their original issue date. In the event that the check recipient cannot be located, please refer to the New York State Unclaimed Funds Procedure found on the Office of the New York State Comptroller's website.



We would be happy to further discuss these recommendations with management, perform any follow-up studies, or to assist in the implementation of any of these recommendations.

We truly appreciate the outstanding cooperation we received from your staff during the audit of the School District's financial statements.

Very truly yours,

A handwritten signature in cursive script that reads "Bahgat & Laurito-Bahgat".

Bahgat & Laurito-Bahgat  
Certified Public Accountants, P.C.  
Fredonia, NY