

**HOMER CENTRAL SCHOOL DISTRICT**

**Homer, New York**

**FINANCIAL REPORT**

**June 30, 2014**

HOMER CENTRAL SCHOOL DISTRICT  
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Frederick J. Ciaschi, C.P.A.

### INDEPENDENT AUDITOR'S REPORT

Board of Education  
Homer Central School District  
Homer, 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 Homer Central School District (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2014, 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.

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**Emphasis of a Matter**

During the year ended June 30, 2014, the School District implemented Governmental Accounting Standards Board Statement Number 65, "Items Previously Reported as Assets and Liabilities." 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, budgetary comparison and funding progress information on pages 3 through 3i and 33 through 37 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 School District's basic financial statements. The supplementary information on pages 38 through 40 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 purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information and 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



September 23, 2014  
Ithaca, New York

**HOMER CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2014. This 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 District-wide and Governmental 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. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The School District follows Governmental Accounting Standards Board (GASB) Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." This statement required the School District to record an expense of \$1,850,134 in 2014, and recognize a liability for retiree health insurance that amounted to \$11,135,405 at June 30, 2014.
- During the current year, the School District implemented Governmental Accounting Standards Board (GASB) Statement Number 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. During the current year, the unamortized bond refunding amount of \$613,438 will be treated as a deferred outflow of resources. For Bond issuance costs, the entire asset was eliminated, which caused a restatement in the beginning government-wide fund balance, decreasing the amount by \$(107,345).
- The School District's net position in the 2013-2014 year had a decrease of \$(1,570,903) primarily as a result of an increase in other post-employment benefits liability. Revenues increased \$473,482, or 1.3%, while expenses increased \$1,836,403, or 4.8%, primarily for instruction expenses.
- During the year, the School District had expenses from providing functions and programs of \$39,791,857, of which \$21,547,940 was provided from State and Federal sources. The balance was funded by taxes and other miscellaneous revenues.
- The General Fund reported an excess of expenditures and other uses over revenues and other sources this year of \$(343,231).
- Changes in enrollment:

As the schedule below indicates, enrollment over the past several years peaked in 2000-2001. Recent kindergarten enrollments indicate a slight annual decline. However, current trends indicate the decline may be slowing.

School Year	Enrollment
2000-2001	2,464
2001-2002	2,431
2002-2003	2,427
2003-2004	2,363
2004-2005	2,318
2005-2006	2,275
2006-2007	2,265
2007-2008	2,201
2008-2009	2,215
2009-2010	2,169
2010-2011	2,202
2011-2012	2,154
2012-2013	2,098
2013-2014	2,139

HOMER CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

- Known changes in State aid:

Estimating state aid has become a nearly impossible task for school districts during the last several years. The School District had an increase in State Aid for 2013-2014. It is difficult for the State to support public education in the wake of fiscal distress in the economy and natural disasters throughout the nation. Increases in retirement and health insurance costs continue to stress our ability to provide educational programming for our children.

The School District is a labor-intensive enterprise, and the cost of benefits continues to out-pace the inflation rate. State aid continues to lag behind School District expenses.

In response, as noted below in the discussion of tax levy, community support has increased at a far greater rate than State support over the past three years.

Below is a detail of the School District's budget, State aid and required property tax levy to meet the budget.

Year	Budget	State Aid	Levy
2001-2002	\$ 25,433,397	\$ 14,226,684	\$ 8,698,930
2002-2003	\$ 28,434,163	\$ 16,326,691	\$ 9,477,860
2003-2004	\$ 28,366,636	\$ 15,079,697	\$ 10,828,620
2004-2005	\$ 29,397,295	\$ 15,802,920	\$ 11,529,815
2005-2006	\$ 31,165,450	\$ 16,556,920	\$ 12,215,850
2006-2007	\$ 33,261,250	\$ 18,011,890	\$ 12,927,370
2007-2008	\$ 36,162,815	\$ 19,361,255	\$ 13,419,900
2008-2009	\$ 37,198,050	\$ 20,292,070	\$ 13,969,410
2009-2010	\$ 40,078,343	\$ 20,553,032	\$ 13,969,410
2010-2011	\$ 38,286,495	\$ 18,378,786	\$ 14,282,650
2011-2012	\$ 39,846,943	\$ 18,461,864	\$ 14,865,845
2012-2013	\$ 38,830,951	\$ 19,054,452	\$ 15,359,716
2013-2014	\$ 39,145,840	\$ 19,724,559	\$ 15,741,068

Textbook, computer software, and library material aid have remained stagnant for many years. As program requirements for students increase in the classroom and libraries, the State has reneged on the level of funding for textbooks and library materials identified several years ago. The State has encouraged school districts to share services in an effort to reduce costs. The School District participates in the Central Business Office through OCM BOCES for its business office functions. The services include the positions of School District Treasurer, Payroll Clerk and Accounts Payable. The School District also shares its Transportation Supervisor with a nearby district.

The implementation of new rules commonly referred to as the NYS Tax Cap Law during 2011-12 introduced a new level of complication to the School District's tax levy process as well as new restrictions on its ability to raise revenue to support educational programs. The School District's residents have continued to be supportive through the difficult times. The voters approved a 1.88% increase in the tax levy in May 2014 for the 2014-15 budget.

HOMER CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Year	Levy Amount	Increase
Tax Levy 2002-2003	\$ 9,477,860	8.95%
Tax Levy 2003-2004	\$ 10,828,620	14.25%
Tax Levy 2004-2005	\$ 11,529,815	6.48%
Tax Levy 2005-2006	\$ 12,215,850	5.95%
Tax Levy 2006-2007	\$ 12,927,370	5.82%
Tax Levy 2007-2008	\$ 13,419,900	3.81%
Tax Levy 2008-2009	\$ 13,969,410	4.09%
Tax Levy 2009-2010	\$ 13,969,410	0%
Tax Levy 2010-2011	\$ 14,282,650	2.24%
Tax Levy 2011-2012	\$ 14,865,845	4.08%
Tax Levy 2012-2013	\$ 15,240,767	2.52%
Tax Levy 2013-2014	\$ 15,697,990	3.00%

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. 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 Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide financial statements. The Governmental Fund financial statements concentrate on the School District's most significant funds.

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.

District-wide Financial Statements

The District-wide financial 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 and liabilities. 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 financial statements report the School District's net position and how they have changed. Net position - the difference between the School District's assets, deferred outflows of resources, and liabilities - 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.

HOMER CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

To assess the School District's overall health, one needs 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.

Governmental Fund Financial Statements

The Governmental 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. The School 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 one 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 financial statements, additional information following 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 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 School District's combined net position for fiscal year ended June 30, 2014 decreased by \$(1,570,903). Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

*Figure 1*

<b>Condensed Statement of Net Position</b>	<b>Governmental Activities and Total School District</b>		<b>Total Dollar Change</b>
	<b>2013 Restated</b>	<b>2014</b>	<b>2013 - 2014</b>
<i>Current assets</i>	\$ 6,676,510	\$ 7,887,130	\$ 1,210,620
<i>Noncurrent assets</i>	15,545,205	13,217,696	(2,327,509)
<i>Capital assets, net</i>	46,701,993	45,896,533	(805,460)
<b>Total Assets</b>	<b>68,923,708</b>	<b>67,001,359</b>	<b>(1,922,349)</b>
<i>Deferred charges on defeased debt</i>	681,598	613,438	(68,160)
<b>Total Deferred Outflows of Resources</b>	<b>681,598</b>	<b>613,438</b>	<b>(68,160)</b>
<i>Current liabilities</i>	7,239,903	8,084,682	844,779
<i>Noncurrent liabilities</i>	36,911,686	35,647,301	(1,264,385)
<b>Total Liabilities</b>	<b>44,151,589</b>	<b>43,731,983</b>	<b>(419,606)</b>
<i>Net investment in capital assets</i>	18,297,734	20,321,796	2,024,062
<i>Restricted</i>	15,545,205	14,037,062	(1,508,143)
<i>Unrestricted net (deficit)</i>	(8,389,222)	(10,476,044)	(2,086,822)
<b>Total Net Position</b>	<b>\$ 25,453,717</b>	<b>\$ 23,882,814</b>	<b>\$ (1,570,903)</b>



HOMER CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

The increase in current assets was primarily due to the increase in unrestricted cash balances. The decrease in noncurrent assets and restricted net position was primarily due to the use of debt service funds. The decrease in capital assets, net of accumulated depreciation, is primarily the result of depreciation expense and disposals in excess of capital outlay.

The increase in current liabilities was mainly the result of increased employee retirement plan contribution rates and other accruals. The decrease in noncurrent liabilities was primarily due to the principal payments on bonds exceeding proceeds offset by recognition of the retiree health insurance liability (GASB 45) in the amount of \$1,850,134.

The increase in the net investment in capital assets was primarily due to the net effect of a decrease in capital assets offset by a decrease in long-term debt due to the payment of principal. The net effect of the School District's activities resulted in a decrease in unrestricted net position, primarily attributable to the GASB 45 expense recognition of \$1,850,134.

Our analysis in *Figure 2* considers the operations of the School District's activities.

*Figure 2*

<b>Changes in Net Position</b>	<b>Governmental Activities and Total School District</b>		<b>Total Dollar Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013 - 2014</b>
<b>REVENUES</b>			
<i>Program revenues:</i>			
<i>Charges for services</i>	\$ 743,985	\$ 707,637	\$ (36,348)
<i>Operating grants and contributions</i>	1,997,831	1,763,784	(234,047)
<i>General revenues:</i>			
<i>Property taxes</i>	12,776,335	13,221,172	444,837
<i>Other taxes</i>	2,585,888	2,521,017	(64,871)
<i>Unrestricted State sources</i>	19,092,248	19,755,788	663,540
<i>Use of money and property</i>	128,831	74,948	(53,883)
<i>Other general revenues</i>	422,354	176,608	(245,746)
<b>Total Revenues</b>	<b>37,747,472</b>	<b>38,220,954</b>	<b>473,482</b>
<b>PROGRAM EXPENSES</b>			
<i>General support</i>	4,065,565	4,620,327	554,762
<i>Instruction</i>	29,132,712	30,392,816	1,260,104
<i>Pupil transportation</i>	2,588,901	2,688,533	99,632
<i>Community services</i>	21,924	33,042	11,118
<i>School lunch program</i>	1,083,878	1,055,359	(28,519)
<i>Interest on debt</i>	1,062,471	1,001,780	(60,691)
<b>Total Expenses</b>	<b>37,955,451</b>	<b>39,791,857</b>	<b>1,836,406</b>
<b>(DECREASE) IN NET POSITION</b>	<b>\$ (207,979)</b>	<b>\$ (1,570,903)</b>	<b>\$ (1,362,924)</b>

Total revenues for the School District's governmental activities increased \$473,482, or 1.3%. Total expenses increased \$1,836,406, or 4.8% compared to 2013.

Operating grants and contributions, which consist primarily of grants for special education and the School District's school lunch program, decreased by (11.7)%, primarily due to decreased federal funding for special education. In 2014, total taxes for the year were up \$444,837, most of which was due to a 3% increase in the tax levy for 2014. State aid reported in unrestricted State sources showed an increase of \$663,540, largely due to State aid modifications to school districts.

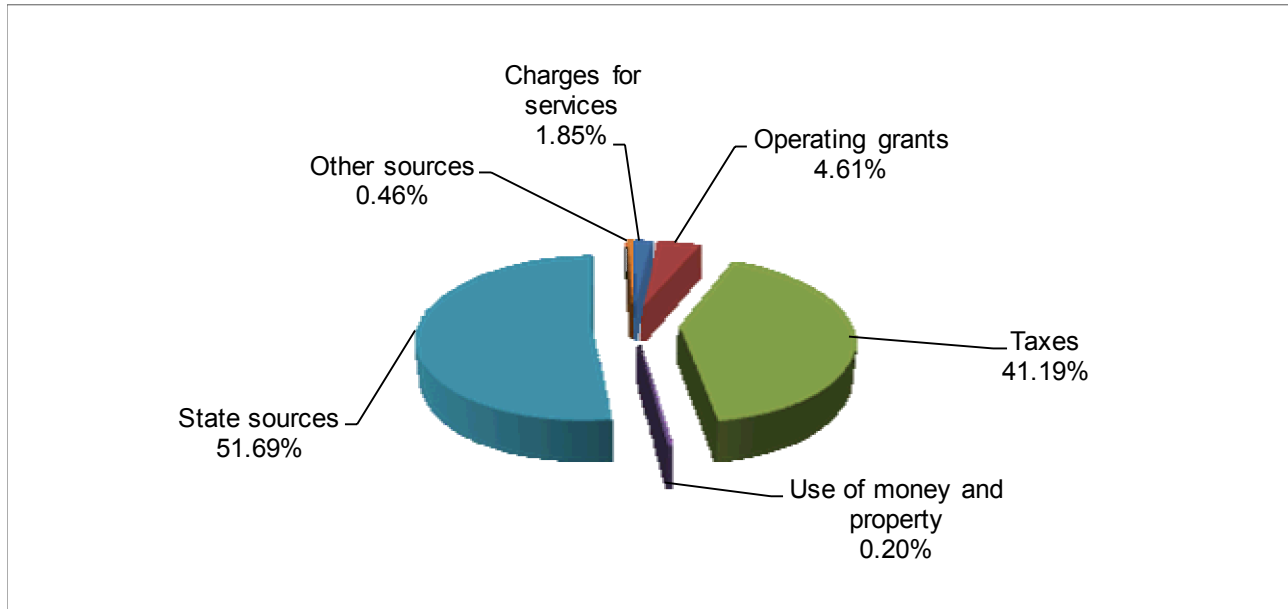
General support, instruction and pupil transportation expenditures of the School District increased during the current year, while interest on debt decreased due to decreased amounts of scheduled interest payments.

HOMER CENTRAL SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2014

Figures 3 and 4 show the sources of revenue for 2014 and 2013.

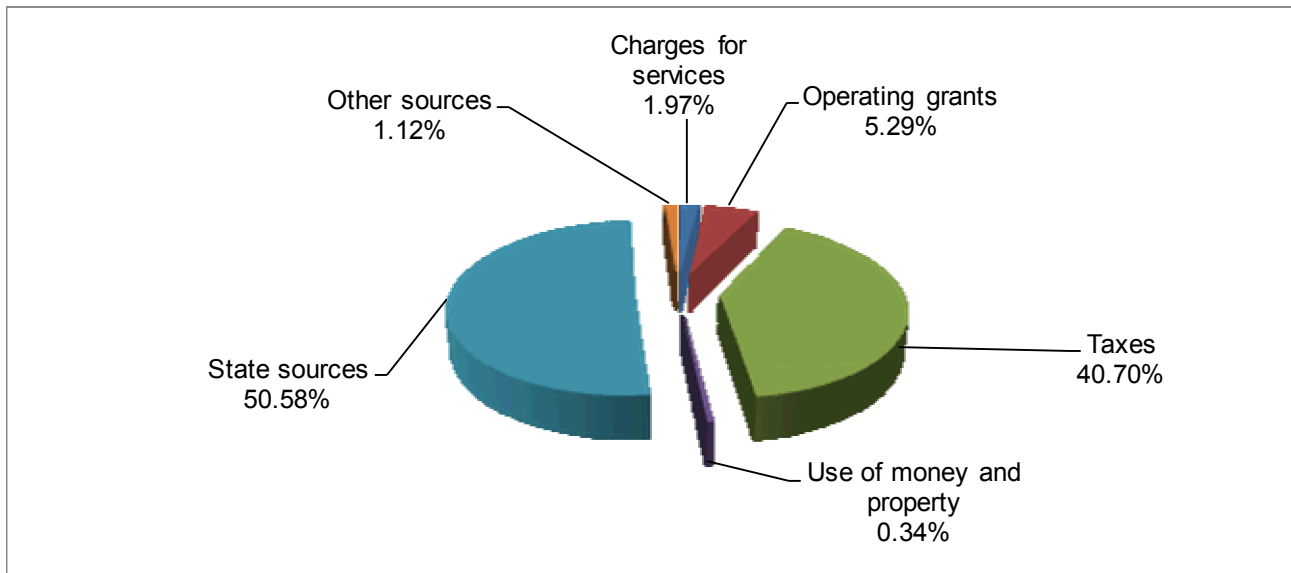
*Figure 3*

*Sources of Revenue for 2014*



*Figure 4*

*Sources of Revenue for 2013*

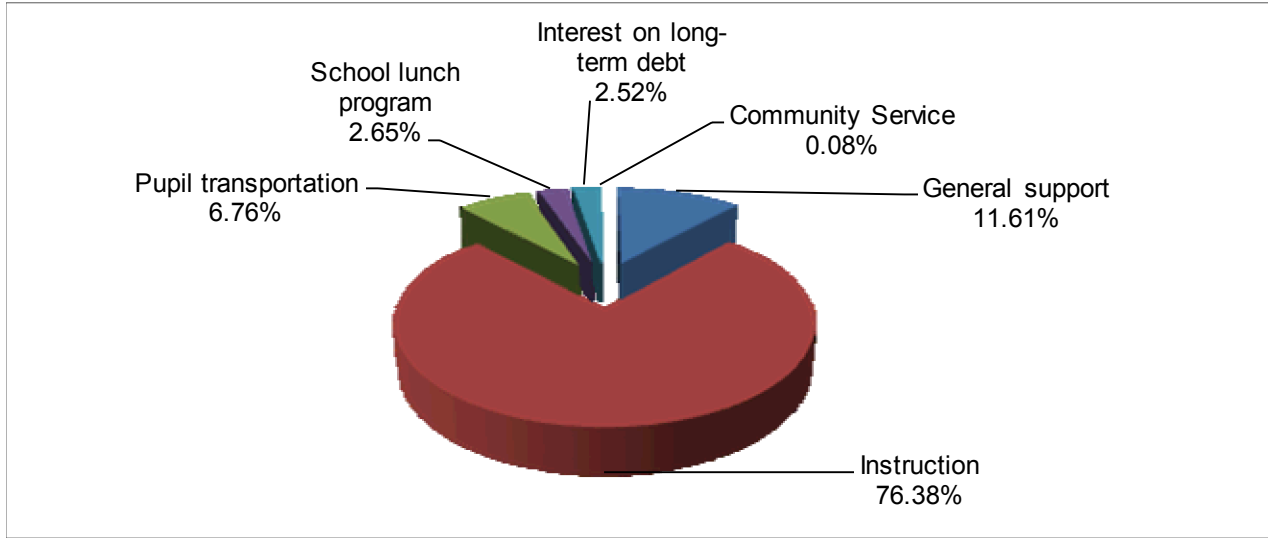


HOMER CENTRAL SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2014

Figures 5 and 6 present the cost of each of the School District's programs for 2014 and 2013.

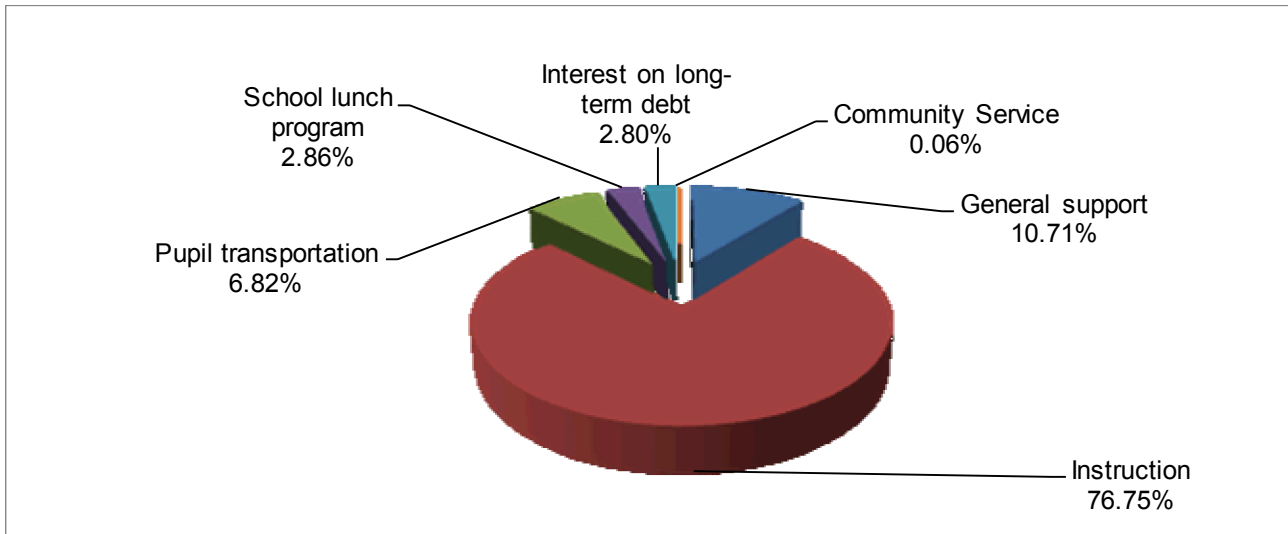
*Figure 5*

*Cost of Programs for 2014*



*Figure 6*

*Cost of Programs for 2013*



HOMER CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the changes in fund balance for the year for the School District's funds. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined fund balance of \$17,106,749; less than last year's balance of \$18,921,970. This is largely the result of current expenditures and transfers exceeding current revenues across all funds except the Capital Projects Fund, with the General Fund receiving the benefit of a transfer of \$2,340,022 from the Debt Service Fund for debt repayment, offset by a transfer of \$1,369,881 to the Capital Projects Construction Fund.

Figure 7

Governmental Fund Balances	2013	2014	Total Dollar Change
			2013 - 2014
General Fund	\$ 9,478,112	\$ 9,134,881	\$ (343,231)
School Lunch Fund	391,208	330,661	(60,547)
Capital Projects Funds	(58,460)	819,366	877,826
Debt Service Fund	9,111,110	6,821,841	(2,289,269)
<b>Totals</b>	<b>\$ 18,921,970</b>	<b>\$ 17,106,749</b>	<b>\$ (1,815,221)</b>

GENERAL FUND BUDGETARY HIGHLIGHTS

Transfers made at year-end to balance the budget are caused by unforeseeable under-budgeting in a given code. When transfers into a code are necessary for three consecutive years, the situation has been addressed in the following year's budget development process.

Even with these adjustments, the actual charges to appropriations (expenditures) were below final budget amounts by \$987,553, including carry-over encumbrances.

Figure 8

Condensed Budgetary Comparison General Fund - 2014	Original Budget	Revised Budget	Actual w/ Encumbrances	Total Dollar Variance Fav (Unfav)
<b>REVENUES</b>				
Real property taxes	\$ 15,697,990	\$ 15,697,990	\$ 13,221,172	\$ (2,476,818)
Other tax items	4,000	4,000	2,521,017	2,517,017
State sources	19,906,014	19,906,014	19,724,559	(181,455)
Federal Sources	-0-	-0-	28,368	28,368
Miscellaneous	412,819	412,819	652,122	239,303
Other financing sources	2,318,781	2,318,781	2,340,022	21,241
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 38,339,604</b>	<b>\$ 38,339,604</b>	<b>\$ 38,487,260</b>	<b>\$ 147,656</b>
<b>Appropriated Fund Balances and Carryover Encumbrances</b>	<b>\$ 806,236</b>	<b>\$ 1,736,215</b>		
<b>EXPENDITURES</b>				
General support	\$ 4,119,792	\$ 3,778,086	\$ 3,496,292	\$ 281,794
Instruction	18,746,721	19,344,884	19,015,574	329,310
Pupil transportation	1,812,028	2,048,214	1,672,377	375,837
Community services	-0-	21,288	20,677	611
Employee benefits	9,867,372	8,810,167	8,810,167	-0-
Debt service	4,599,927	4,678,152	4,678,151	1
Other financing (uses)	-0-	1,395,028	1,395,028	-0-
<b>Total Expenditures, and Other Financing (Uses)</b>	<b>\$ 39,145,840</b>	<b>\$ 40,075,819</b>	<b>\$ 39,088,266</b>	<b>\$ 987,553</b>

HOMER CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances) and variances for the year ending June 30, 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the School District had invested in a broad range of capital assets. The net decrease in capital assets, including additions and disposals and charges to accumulated depreciation, was \$(805,460) compared to a net decrease in capital assets of \$(844,717) last year.

Figure 9

<b>Changes in Capital Assets, net</b>	<b>Governmental Activities and Total School District</b>		<b>Total Dollar Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013 - 2014</b>
<i>Land</i>	\$ 49,400	\$ 49,400	\$ -0-
<i>Buildings</i>	44,528,957	43,480,062	(1,048,895)
<i>Equipment</i>	2,123,636	2,367,071	243,435
<b>Totals</b>	<b>\$ 46,701,993</b>	<b>\$ 45,896,533</b>	<b>\$ (805,460)</b>

Capital outlay at June 30, 2014 included the following:

Capital projects to renovate educational complexes	\$ 349,490
Buses	704,366
Instruction equipment	120,929
Other equipment	33,339
Total additions	1,208,124
Less: Depreciation expense	(1,867,002)
Net book value of disposed assets	(146,582)
Change in capital assets, net	\$ (805,460)

Debt Administration

Debt, both short and long-term, considered a liability of governmental activities, decreased by \$(3,160,978) in 2014, as shown in Figure 10. The School District issued a serial bond for \$590,000 to fund the purchase of buses. The total indebtedness represented 32.07% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

<b>Outstanding Debt</b>	<b>Governmental Activities and Total School District</b>		<b>Total Dollar Change</b>
	<b>2013 Restated</b>	<b>2014</b>	<b>2013 - 2014</b>
<i>Serial Bonds, net</i>	\$ 29,364,775	\$ 26,203,797	\$ (3,160,978)
<b>Total</b>	<b>\$ 29,364,775</b>	<b>\$ 26,203,797</b>	<b>\$ (3,160,978)</b>

HOMER CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

The School District's bond rating is A2, which did not change from the prior year.

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

Priorities addressed in year three of Homer Central School District's Strategic Management Plan will play a significant role in determining the district's financial future.

##### **Facilities Improvement Project**

On December 12, 2013, the Homer School Community passed a positive vote for the proposed 21 Million Dollar Facilities Improvement Project. The main scope of the project will take place at Homer High School. Homer School District Officials are currently working with Hunt Architects & Engineers and Construction Managers, Lend Lease, to finalize plans to be sent the NYS Education Department. Once the plans are approved, the district hopes to start construction in the Spring of 2015. Currently, the School District is working with Fiscal Advisors to determine the amount to be bonded as part of the project. The project will impact taxpayers on the 2015-16 Budget.

##### **Capital Outlay Projects**

In 2013-14, Homer took advantage of State Aid being offered for the purchase of digital video cameras, and offset installation costs through a \$100,000 Capital Outlay Project. The School District was also able to outfit six classrooms in the Homer Junior High School with High Efficiency Lighting Systems through the project. The Capital Outlay Projects are 100% aidable through NYS Education Funding. For the 2014-15 school year, the district will continue to address energy efficiency through the Capital Outlay Project.

##### **New Sources of Revenue**

The School District will look for new sources of revenue in the coming year. School District Officials will continue to work with OCM BOCES to lease them the Hartnett Building in Truxton, NY.

#### CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Homer Central 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, Homer Central School District, at P.O. Box 500, Homer, NY.

HOMER CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

**ASSETS**

Current assets	
Cash:	
Unrestricted	\$ 5,004,273
Restricted	819,366
Receivables:	
State and Federal aid	1,888,935
Other	32,145
Inventories	21,291
Prepaid expense	121,120
Total current assets	7,887,130
Noncurrent assets	
Restricted cash	13,217,696
Capital assets, net:	
Land and construction in progress	49,400
Depreciable capital assets, net	45,847,133
Total noncurrent assets	59,114,229
Total Assets	67,001,359

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges on defeased debt	613,438
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**LIABILITIES**

Current liabilities	
Payables:	
Accounts payable	909,676
Accrued liabilities	381,360
Due to other governments	527
Bond interest and matured bonds	195,627
Due to teachers' retirement system	2,493,770
Due to employees' retirement system	160,436
Unearned revenues	18,483
Current portion of long-term liabilities:	
Bonds payable	3,890,978
Compensated absences payable	33,825
Total current liabilities	8,084,682
Noncurrent liabilities and obligations	
Bonds payable	22,312,819
Compensated absences payable	2,199,077
Other postemployment benefits liability	11,135,405
Total noncurrent liabilities and obligations	35,647,301
Total Liabilities	43,731,983

**NET POSITION**

Net investment in capital assets	20,321,796
Restricted net position	14,037,062
Unrestricted net (deficit)	(10,476,044)
Total Net Position	\$ 23,882,814

See Independent Auditor's Report and Notes to Basic Financial Statements

HOMER CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
General support	\$ 4,620,327	\$ 262,298	\$ _____	\$ (4,358,029)
Instruction	30,392,816	28,368	1,227,953	(29,136,495)
Pupil transportation	2,688,533	_____	_____	(2,688,533)
Community services	33,042	_____	_____	(33,042)
School lunch program	1,055,359	416,971	535,831	(102,557)
Interest on debt	1,001,780	_____	_____	(1,001,780)
Total Functions and Programs	\$ 39,791,857	\$ 707,637	\$ 1,763,784	\$ -0-

**GENERAL REVENUES**

Real property taxes	13,221,172
Real property tax items	2,521,017
Use of money and property	74,948
State sources	19,755,788
Sale of property and compensation for loss	(29,782)
Miscellaneous	206,390
Total General Revenues	35,749,533
Change in Net Position	(1,570,903)
Total Net Position - Beginning of Year	25,453,717
Total Net Position - End of Year	\$ 23,882,814

See Independent Auditor's Report and Notes to Basic Financial Statements



HOMER CENTRAL SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
<b>ASSETS</b>			
Cash:			
Unrestricted	\$ 4,531,387	\$ 75,918	\$ 338,782
Restricted	<u>6,512,239</u>	<u>                    </u>	<u>                    </u>
Receivables:			
Due from other funds	597,525	12,176	34,887
State and Federal aid	<u>1,616,503</u>	<u>225,835</u>	<u>46,597</u>
Other	<u>32,145</u>	<u>                    </u>	<u>                    </u>
Inventories	<u>                    </u>	<u>                    </u>	<u>21,291</u>
Prepaid items	<u>121,120</u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 13,410,919</u>	<u>\$ 313,929</u>	<u>\$ 441,557</u>
<b>LIABILITIES</b>			
Payables			
Accounts payable	\$ 903,306	\$	\$ 6,370
Accrued liabilities	<u>375,090</u>	<u>491</u>	<u>5,779</u>
Due to other funds	<u>300,749</u>	<u>312,694</u>	<u>89,343</u>
Due to other governments	<u>402</u>	<u>                    </u>	<u>125</u>
Due to teachers' retirement system	<u>2,493,770</u>	<u>                    </u>	<u>                    </u>
Due to employees' retirement system	<u>160,436</u>	<u>                    </u>	<u>                    </u>
Unearned revenues	<u>8,460</u>	<u>744</u>	<u>9,279</u>
Compensated absences payable	<u>33,825</u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>4,276,038</u>	<u>313,929</u>	<u>110,896</u>
<b>FUND BALANCES</b>			
Nonspendable	<u>121,120</u>	<u>                    </u>	<u>21,291</u>
Restricted	<u>6,411,477</u>	<u>                    </u>	<u>                    </u>
Assigned	<u>1,057,775</u>	<u>                    </u>	<u>309,370</u>
Unassigned	<u>1,544,509</u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>9,134,881</u>	<u>-0-</u>	<u>330,661</u>
Total Liabilities and Fund Balances	<u>\$ 13,410,919</u>	<u>\$ 313,929</u>	<u>\$ 441,557</u>

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds			
Debt Service Fund	Capital Projects Fund - Construction	Capital Projects Fund - Buses	Total Governmental Funds
\$ 5,797,363	\$ 1,724,112	\$ 42,564	\$ 4,988,651
1,024,478	255,523	18,970	14,052,684
_____	_____	_____	1,924,589
_____	_____	_____	1,888,935
_____	_____	_____	32,145
_____	_____	_____	21,291
_____	_____	_____	121,120
\$ 6,821,841	\$ 1,979,635	\$ 61,534	\$ 23,029,415
\$ _____	\$ _____	\$ _____	\$ 909,676
_____	_____	_____	381,360
_____	1,179,239	42,564	1,924,589
_____	_____	_____	527
_____	_____	_____	2,493,770
_____	_____	_____	160,436
_____	_____	_____	18,483
_____	_____	_____	33,825
-0-	1,179,239	42,564	5,922,666
_____	_____	_____	142,411
6,821,841	800,396	18,970	14,052,684
_____	_____	_____	1,367,145
_____	_____	_____	1,544,509
6,821,841	800,396	18,970	17,106,749
\$ 6,821,841	\$ 1,979,635	\$ 61,534	\$ 23,029,415

HOMER CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

Fund Balances - Total Governmental Funds \$ 17,106,749

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total historical cost	\$ 65,350,613	
Less accumulated depreciation	<u>(19,454,080)</u>	45,896,533

Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	\$ (25,430,000)	
Premium on refunding bond	(773,797)	
Deferred charges on defeased debt	<u>613,438</u>	(25,590,359)

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Compensated absences	\$ (2,199,077)	
Other postretirement benefits liability - GASB 45	(11,135,405)	
Accrued interest on long-term debt	<u>(195,627)</u>	<u>(13,530,109)</u>

Net Position of Governmental Activities		\$ <u><u>23,882,814</u></u>
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See Independent Auditor's Report and Notes to Basic Financial Statements

HOMER CENTRAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
<b>REVENUES</b>			
Real property taxes	\$ 13,221,172	\$	\$
Other tax items	2,519,896		
Nonproperty taxes	1,121		
Charges for services	262,298		
Use of money and property	66,634		125
Sale of property and compensation for loss	116,800		
Miscellaneous	206,390		1,426
State sources	19,724,559	138,153	52,916
Federal sources	28,368	1,089,800	514,144
Sales - School lunch			415,545
<b>Total Revenues</b>	<b>36,147,238</b>	<b>1,227,953</b>	<b>984,156</b>
<b>EXPENDITURES</b>			
General support	3,431,839		
Instruction	18,834,009	1,228,744	447,564
Pupil transportation	1,661,838	24,356	
Community services	20,677		
Employee benefits	8,808,949		178,761
Debt service			
Principal	3,665,000		
Interest	1,013,151		
Cost of sales			418,378
Capital outlay			
<b>Total Expenditures</b>	<b>37,435,463</b>	<b>1,253,100</b>	<b>1,044,703</b>
(Deficiency) Excess of Revenues Over Expenditures	(1,288,225)	(25,147)	(60,547)
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Proceeds of obligations			
Operating transfers in	2,340,022	25,147	
Operating transfers (out)	(1,395,028)		
<b>Total Other Sources (Uses)</b>	<b>944,994</b>	<b>25,147</b>	<b>-0-</b>
<b>Net Change in Fund Balances</b>	<b>(343,231)</b>	<b>-0-</b>	<b>(60,547)</b>
Fund Balances - Beginning of Year	9,478,112	-0-	391,208
Fund Balances - End of Year	\$ 9,134,881	\$ -0-	\$ 330,661

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds			
Debt Service Fund	Capital Projects Fund - Construction	Capital Projects Fund - Buses	Total Governmental Funds
\$ _____	\$ _____	\$ _____	\$ 13,221,172
_____	_____	_____	2,519,896
_____	_____	_____	1,121
_____	_____	_____	262,298
8,189	_____	_____	74,948
_____	_____	_____	116,800
_____	_____	_____	207,816
_____	_____	_____	19,915,628
_____	_____	_____	1,632,312
_____	_____	_____	415,545
8,189	-0-	-0-	38,367,536
_____	_____	_____	3,431,839
_____	_____	_____	20,510,317
_____	_____	_____	1,686,194
_____	_____	_____	20,677
_____	_____	_____	8,987,710
_____	_____	_____	3,665,000
_____	_____	_____	1,013,151
_____	_____	_____	418,378
_____	449,491	590,000	1,039,491
-0-	449,491	590,000	40,772,757
8,189	(449,491)	(590,000)	(2,405,221)
_____	_____	590,000	590,000
42,564	1,369,881	_____	3,777,614
(2,340,022)	_____	(42,564)	(3,777,614)
(2,297,458)	1,369,881	547,436	590,000
(2,289,269)	920,390	(42,564)	(1,815,221)
9,111,110	(119,994)	61,534	18,921,970
\$ 6,821,841	\$ 800,396	\$ 18,970	\$ 17,106,749

HOMER CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (1,815,221)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and disposals exceeded capital outlay:

Capital outlay	\$ 1,208,124	
Net book value of disposed assets	(146,582)	
Depreciation expense	<u>(1,867,002)</u>	(805,460)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments exceeded proceeds:

Proceeds of debt	\$ (590,000)	
Principal payment	<u>3,665,000</u>	3,075,000

Long-term obligations, such as those associated with compensated absences, are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term obligations are not reflected in the Governmental Fund financial statements. This is the change in the amount that is reported in the Statement of Activities:

(Increase) in compensated absences	\$ (186,459)	
(Increase) in other postemployment benefit liability - GASB 45	<u>(1,850,134)</u>	(2,036,593)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. This is the amount of change from the prior year:

Amortization of charges on defeased debt	\$ (68,160)	
Amortization of bond premium	85,978	
(Decrease) in accrued interest payable	<u>(6,447)</u>	<u>11,371</u>

Net Change in Net Position of Governmental Activities \$ (1,570,903)

See Independent Auditor's Report and Notes to Basic Financial Statements

HOMER CENTRAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	Private Purpose Trust Fund <hr/>	Agency Funds <hr/>
<b>ASSETS</b>		
Cash:		
Unrestricted	\$ <hr/>	\$ <hr/> 356,042
Restricted	<hr/> 122,075	<hr/>
Investments:		
Unrestricted	<hr/>	<hr/> 20,000
Total Assets	<hr/> 122,075	\$ <hr/> <hr/> 376,042
 <b>LIABILITIES</b>		
Extraclassroom activity balances	<hr/>	\$ <hr/> 95,692
Other liabilities	<hr/>	<hr/> 280,350
Total Liabilities	<hr/> -0-	\$ <hr/> <hr/> 376,042
 <b>NET POSITION</b>		
Reserved for scholarships	\$ <hr/> <hr/> 122,075	

See Independent Auditor's Report and Notes to Basic Financial Statements

HOMER CENTRAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Fund
<b>ADDITIONS</b>	
Gifts and contributions	\$ 1,825
Investment earnings	25
Total Additions	1,850
 <b>DEDUCTIONS</b>	
Scholarships and awards	6,150
Change in Net Position	(4,300)
Net Position - Beginning of Year	126,375
Net Position - End of Year	\$ 122,075

See Independent Auditor's Report and Notes to Basic Financial Statements



HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the Homer Central School District (the School District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance and plant maintenance support the primary function.

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement Number 14, "The Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement Number 61, "The Financial Reporting Entity: Omnibus."

1. The primary government, which is the Homer Central School District;
2. Organizations for which the School District is financially accountable, and;
3. Other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds are included in the School District's reporting entity.

The Extraclassroom Activity Funds of the Homer Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. While the Extraclassroom Activity Funds are not considered a component unit of the School District, due to the School District's fiduciary responsible in relation to the Funds, they are reported in the School District's Agency Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, P.O. Box 500, Homer, New York 13077-0500.

B. Joint Venture

The School District is a component school district in the Onondaga-Cortland-Madison Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services and programs which provide educational and support activities.

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

HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

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

C. Basis of Presentation

1. District-wide Financial Statements

The Statement of Net Position and Statement of Activities present financial information about the School District's Governmental Activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary in nature. 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 non-exchange 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 Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those specifically associated with and clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Governmental Fund Financial Statements

The fund statements provide information about the School District's funds, including Fiduciary Funds. Separate statements for each fund category (Governmental and Fiduciary) are presented. The emphasis of Governmental Fund financial statements is on Major Governmental Funds, each displayed in a separate column.

The School District reports the following Major Governmental Funds:

- General Fund: The School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- Special Aid Fund: Accounts for the proceeds of specific revenue sources, such as Federal, State and local grants, legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.
- School Lunch Fund: Accounts for revenues and expenditures in connection with the School District's food service program.

HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

- Capital Projects Fund - Buses: Accounts for the financial resources used to purchase school buses.
- Capital Projects Fund - Construction: Accounts for the financial resources used for the renovation of the educational complex.
- Debt Service Fund: Accounts for the accumulation of resources and payment of principal and interest on long-term general obligation debt of Governmental Activities.

Fiduciary Activities are those in which the School District acts as a trustee or agent for resources belonging to others. These activities are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.

The School District reports the following Fiduciary Funds:

- Private-Purpose Trust Fund: Accounts for scholarship funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- Agency Funds: Strictly custodial in nature and do not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

D. Measurement Focus and Basis of Accounting

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

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

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

HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED JUNE 30, 2014

E. Cash and Investments

The School District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. New York State (the State) law governs the School 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 the State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

F. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

G. Due To/From Other Funds

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

H. 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 fair value. Purchases of items of an inventory nature 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 School 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 Governmental 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 purchase and an expense/expenditure is reported in the year the goods or services are consumed.

Nonspendable fund balance for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

I. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 1998. For assets acquired prior to June 30, 1998, capital assets are reported at estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

HOMER CENTRAL SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

The School District depreciates capital assets using the straight-line method. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the District-wide financial statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 50,000	50 years
Building improvements	50,000	20-50 years
Site improvements	25,000	20 years
Furniture and equipment	5,000	5-15 years

J. Vested Employee Benefits

Compensated Absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts and individual employment contracts. Sick leave use is based on a last-in, first-out (LIFO) basis. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

Consistent with GASB Statement Number 16, "Accounting for Compensated Absences," the 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 Governmental Fund financial 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.

K. Postemployment Benefits

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

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

The School District follows GASB Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the Statement. See Note 11 for additional information.

HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED JUNE 30, 2014

L. Deferred Outflows and Inflows of Resources

In addition to assets, the Statements 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 reports deferred changes of refunded debt as a deferred outflow of resources.

In addition to liabilities, the Statement of Net Position and/or the 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 that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. *Unavailable revenue* is reported only on the governmental fund Balance Sheet. The governmental funds report unavailable revenues from loans receivable and taxes receivable which remain uncollected collected after 60 days after year-end. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

M. Unearned and Unavailable Revenues

Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

The Governmental Fund financial statements also report deferred inflow of resources when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflow of resources for unavailable revenues is removed and revenues are recorded.

N. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

O. Equity Classifications

1. District-wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets  
Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.
- Restricted  
Consists of net resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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- Unrestricted  
Consists of all other net resources that do not meet the definition of “restricted” or “net investment in capital assets.”

2. Governmental Fund Financial Statements

The School District follows GASB Statement Number 54, which changed the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund’s net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable  
Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale and endowments principal.
- Restricted  
Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District’s legally adopted reserves are reported here.
- Committed  
Consists of amounts subject to a purpose constraint imposed by formal action of the School District’s highest level of decision-making authority, the Board of Education, prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.
- Assigned  
Consists of amounts subject to a purpose constraint representing an intended use established by the School District’s highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- Unassigned  
Represents the residual classification of the School District’s General Fund and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed or assigned for specific purposes.

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Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% 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% limitation. The 4% limitation is applied to 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.

The Board of Education of the School District has not adopted any resolutions to commit fund balance. By resolution, the Board of Education is authorized to assign fund balance. The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance.

3. Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or voter approval, and a separate identity must be maintained for each reserve. Earnings on invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Reserves currently in use by the School District include the following:

- **Capital Reserve (Education Law §3651)**  
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.
- **Employee Benefit Accrued Liability Reserve (GML §6-p)**  
Used to reserve funds for the payment of employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- **Retirement Contribution Reserve (GML §6-r)**  
Used to finance retirement contributions payable to the NY State and Local Employees' Retirement System. This reserve may be established without voter approval and funded with budgetary appropriations, revenues not required by law to be paid into other funds or accounts, transfers from other Reserve Funds as permitted by law and other such funds as the school board may legally appropriate. Funds from this reserve may be expended without voter approval. This reserve is accounted for in the General Fund.



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- Tax Certiorari Reserve (Education Law §3651.1-a)

Used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.
  
- Reserves for Insurance
  - Workers' Compensation Reserve (GML Section 6-j)

Used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses for 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 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or applied to the appropriations of the succeeding fiscal year's budget. The reserve is accounted for in the General Fund.
  
  - Unemployment Insurance Reserve (GML Section 6-m)

Used to pay the cost of reimbursement of 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 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or applied to the appropriations of the succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to indemnify pending claims may be transferred to any other Reserve Fund. This reserve is accounted for in the General Fund.
  
- Mandatory Reserve for Debt Service

Established upon sale of School District property that was financed by obligations, which remain outstanding at time of sale, for the purpose of retiring outstanding obligations. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

P. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 27, 2013. Taxes were collected during the period September 2, to October 31, 2013.

2. Enforcement

Uncollected real property taxes are subsequently enforced by the Counties of Cayuga, Onondaga, Cortland and Tompkins. An amount representing uncollected real property taxes transmitted to the Counties for enforcement is paid by the Counties to the School District no later than the following April 1.

HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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Q. Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated from the Statement of Activities, and due from (to) other funds have been eliminated in the Statement of Net Position. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

R. Use of 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

Note 2 - Participation in BOCES

During the year ended June 30, 2014, the School District's share of BOCES income amounted to \$1,537,240. The School District was billed \$3,720,059 for BOCES administration and program costs. Financial statements for BOCES are available from the BOCES administrative office at 6820 Thompson Road, Syracuse, NY 13221.

Note 3 - Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement Number 40 directs deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's aggregate bank balances of \$20,044,233 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

The School District has few investments (primarily Extraclassroom Activity Funds), and chooses to disclose its investments by specifically identifying each.

The School District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

1. Insured or registered, or investments held by the School District or by the School District's agent in the School District's name, or
2. Uninsured and unregistered, with investments held by the financial institution's trust department in the School District's name, or

HOMER CENTRAL SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

3. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the School District's name.

	Cost	Carrying Amount Fair Value	Type of Investment	Category
Agency Fund	\$ 20,000	\$ 20,000	Certificates Of Deposit	(1)

The School District does not typically purchase investments for a duration long enough to cause it to believe that it is exposed to any material interest rate risk.

The School District does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

Restricted cash and investments consist of:

Restricted for Capital Fund projects	\$ 1,743,082
Restricted for General Fund reserves	6,411,477
Restricted for Capital Fund shortage	100,762
Restricted for Debt Service	<u>5,797,363</u>
Subtotal	<u>14,052,684</u>
Restricted for Private Purpose Trust Fund	<u>122,075</u>
Restricted Cash and Investments	<u>\$ 14,174,759</u>

Note 4 - Other Receivables

Other receivables consisted of the following, which are stated at net realizable value:

	Description	Amount
General Fund	Tuition	\$ <u>32,145</u>
Total Governmental Funds and Total School District		\$ <u>32,145</u>

Note 5 - Interfund Balances and Activity

Interfund balances at June 30, 2014, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 597,525	\$ 300,749	\$ 2,340,022	\$ 1,395,028
Special Aid Fund	12,176	312,694	25,147	
School Lunch Fund	34,887	89,343		
Capital Projects Fund-Construction	255,523	1,221,803	1,369,881	42,564
Debt Service Fund	<u>1,024,478</u>	<u>                    </u>	<u>42,564</u>	<u>2,340,022</u>
Total	<u>\$ 1,924,589</u>	<u>\$ 1,924,589</u>	<u>\$ 3,777,614</u>	<u>\$ 3,777,614</u>

Interfund receivables and payables are eliminated on the Statement of Net Position.

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NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED JUNE 30, 2014

The School District typically transfers to and from the General Fund for the School District's share of expenditures of a Special Aid Fund project and from the General Fund and Capital Projects Fund - Construction to the Debt Service Fund for payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Projects Funds, as needed, to fund capital projects. Periodically, the School District transfers funds as needed to subsidize the School Lunch Fund.

The School 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.

Note 6 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2014, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements &amp; Reclass- ifications</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital assets that are not depreciated:				
Land	\$ 49,400	\$ -	\$ -	\$ 49,400
Total Nondepreciable Historical Cost	<u>49,400</u>	<u>-0-</u>	<u>-0-</u>	<u>49,400</u>
Capital assets that are depreciated:				
Buildings	59,933,504	349,490		60,282,994
Furniture and equipment	<u>5,094,095</u>	<u>858,634</u>	<u>(934,510)</u>	<u>5,018,219</u>
Total Depreciable Historical Cost	<u>65,027,599</u>	<u>1,208,124</u>	<u>(934,510)</u>	<u>65,301,213</u>
Total Historical Cost	<u>65,076,999</u>	<u>1,208,124</u>	<u>(934,510)</u>	<u>65,350,613</u>
Less accumulated depreciation:				
Buildings	(15,404,547)	(1,398,385)		(16,802,932)
Furniture and equipment	<u>(2,970,459)</u>	<u>(468,617)</u>	<u>787,928</u>	<u>(2,651,148)</u>
Total Accumulated Depreciation	<u>(18,375,006)</u>	<u>(1,867,002)</u>	<u>787,928</u>	<u>(19,454,080)</u>
Total Historical Cost, Net	<u>\$ 46,701,993</u>	<u>\$ (658,878)</u>	<u>\$ (146,582)</u>	<u>\$ 45,896,533</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 70,782
Instruction	1,249,559
Pupil transportation	478,694
School lunch	<u>67,967</u>
Total Depreciation Expense	<u>\$ 1,867,002</u>

The net book value of disposed items during the current year is primarily due to the damage of Bus #41. The bus was treated as a disposal in the current year, and the School District received \$112,121 in insurance recoveries from the accident.

HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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Note 7 - Short-term Debt

The School District may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), 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 School District did not issue or redeem any RANs or TANs during the year.

The School 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 insufficient or no provision is made in the annual budget.

The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued. The School District did not issue or redeem any budget notes during the year.

The School District may issue Bond Anticipation Notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The School District did not issue or redeem any BANs during the year.

Note 8 - Long-term Debt

At June 30, 2014, the total outstanding indebtedness of the School District represented 32.07% of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

- Serial Bonds and Statutory Installment Bonds - The School District borrows money in order to acquire land or equipment or construct buildings and 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.

The following is a summary of the School District's long-term debt for the year ended June 30, 2014:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2014
2010 Refunding Bond	10/01/10	02/15/22	3.000-4.000%	\$ 9,970,000
Add unamortized premium				773,797
Total Refunding Bond				<u>10,743,797</u>
Serial Bonds:				
2006 Serial Bonds	03/14/06	03/15/21	3.625-4.000%	2,545,000
2009 Serial Bonds	07/15/09	06/15/24	3.000-3.750%	11,440,000
2009 Serial Bonds	11/01/09	11/01/14	2.250-2.500%	150,000
2010 Serial Bonds	11/01/10	11/01/15	1.050-2.500%	180,000
2011 Serial Bonds	09/15/11	09/15/17	1.375-2.000%	245,000
2012 Serial Bonds	09/15/12	09/15/18	1.75%	310,000
2013 Serial Bonds	11/19/13	11/15/18	1.50-1.75%	590,000
Total Serial Bonds				<u>\$ 26,203,797</u>

HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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Interest paid on long-term debt during the year was:

Interest paid	\$ 1,013,151
Less interest accrued in the prior year	(189,180)
Plus interest accrued in the current year	195,627
Plus amortization of premium	68,160
Less amortization of deferred charges on defeased debt	<u>(85,978)</u>
 Total Expense	 <u>\$ 1,001,780</u>

Interest paid on the Serial Bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Serial Bonds	\$ 28,505,000	\$ 590,000	\$ (3,665,000)	\$ 25,430,000	\$ 3,805,000
Premium on defeased debt	<u>859,775</u>		<u>(85,978)</u>	<u>773,797</u>	<u>85,978</u>
 Serial Bonds	 <u>\$ 29,364,775</u>	 <u>\$ 590,000</u>	 <u>\$ (3,750,978)</u>	 <u>\$ 26,203,797</u>	 <u>\$ 3,890,978</u>
 Deferred outflows of resources	 <u>Beginning Balance</u>	 <u>Issued</u>	 <u>Redeemed</u>	 <u>Ending Balance</u>	 <u>Amounts Due Within One Year</u>
Deferred charges on defeased debt	<u>\$ 681,598</u>	<u>\$ -0-</u>	<u>\$ (68,160)</u>	<u>\$ 613,438</u>	<u>\$ 68,160</u>

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

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,805,000	\$ 907,913	\$ 4,712,913
2016	3,810,000	764,913	4,574,913
2017	3,880,000	477,481	4,357,481
2018	2,350,000	576,813	2,926,813
2019	2,365,000	404,431	2,769,431
2020-2024	<u>9,220,000</u>	<u>877,276</u>	<u>10,097,276</u>
 Total	 <u>\$ 25,430,000</u>	 <u>\$ 4,008,827</u>	 <u>\$ 29,438,827</u>

On October 1, 2010, the School District issued \$11,905,000 in general obligation bonds, with interest rates ranging between 3.000% and 4.000%. The School District issued the bonds to advance refund the \$11,990,000 of outstanding various general obligation bonds with interest rates ranging from 4.000% to 4.500%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$11,990,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$10,070,000 at June 30, 2014.

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(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Under GASB 65, Bond issue costs related to the above debt refunding are no longer amortized over the life of the old bonds. The balance of the unamortized bond issue costs has been written off in the current year, and beginning government-wide fund balance has been restated to expense the amount in the prior period:

	Beginning Balance	Additions	Deletions	Ending Balance
Unamortized Bond Issue Costs	\$ 107,345	\$ -0-	\$ (107,345)	\$ -0-

Note 9 - Other Long-term Obligations

Other long-term obligations consist of:

- Compensated absences, which represent the value of the earned and unused portion of the liability for vacation. This liability is liquidated from the General and School Lunch Funds. Additions and decreases to compensated absences are shown net, as it is impractical to separately determine these amounts.
- Other postretirement benefits, which represent the expected obligation for the postretirement health care benefits program. See Note 11 for further information.

The 2013-2014 activity consists of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated absences	\$ 2,012,618	\$ 186,459	\$	\$ 2,199,077
Other postemployment benefits liability	9,285,271	3,153,016	(1,302,882)	11,135,405
Total Other Long-term Obligations	\$ 11,297,889	\$ 3,339,475	\$ (1,302,882)	\$ 13,334,482

Note 10 - Pension Plans

The School District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). These are cost-sharing multiple employer public defined benefit employee retirement systems. The Systems offer a wide range of plans and benefits related to years of service and final average salary, vesting of retirement benefits, death and disability.

The New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute and benefits to employees. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, 110 State Street, Albany, New York 12244.

HOMER CENTRAL SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Plan members who joined the Systems before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining the Systems on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% (NYSERS) and 3.5% (NYSTRS) of their annual salary for their entire working career. Those joining the Systems on or after April 1, 2012 are required to contribute between 3% and 6%, dependent on salary, for their entire working career. Under the authority of the New York State Retirement and Social Security Law, the Comptroller shall certify annually the rates expressed as proportions of payroll of members which shall be used in computing the contributions required to be made by the employer to the Pension Accumulation Fund.

The School District is required to contribute at an actuarially determined rate. The School District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2014	\$ 631,180	\$ 1,858,783
2013	609,827	1,596,792
2012	461,529	1,342,598

Note 11 - Other Postemployment Benefits

A. Postemployment Benefits Other than Pensions

The School District follows GASB Statement Number 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." In the past, the School District reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. An actuarial valuation of Homer Central School District Postretirement Health Care Plans (Plan) was performed as of July 1, 2013 for fiscal year ending June 30, 2014.

Plan Description - The Plan provides medical and dental benefits to eligible retirees and their spouses. The dental plan is self-funded. The medical plans are defined benefit healthcare plans and are experience-rated based on the experience of a group of 25 school districts and one BOCES. The plans are administered by a third party. Benefit provisions are established through negotiations between the School District and bargaining units and are renegotiated each three-year period. The School District assigns authority to establish and amend benefit provisions to the Board of Education for non-bargaining unit employees. The Plan does not issue a stand-alone financial report.

The contribution requirements of Plan members and the School District are established through negotiations between the School District and bargaining unit. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2014, the School District contributed \$362,529 on behalf of 193 retirees to the Plan for current premiums. The expected contributions of \$1,302,882 below represent an actuarially determined estimate of premiums and claims paid on behalf of retirees.

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and accumulate sufficient total accruals for all postretirement benefits when due.



HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation to the School District's Plan:

Normal cost	\$ 1,541,798
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	1,494,730
Total Annual Required Contribution	3,036,528
Interest on net OPEB obligation	464,264
Adjustment to annual required contribution	(347,776)
Annual OPEB Cost (Expense)	3,153,016
Expected contributions	(1,302,882)
Increase in Net OPEB Obligation	1,850,134
Net OPEB Obligation - July 1, 2013	9,285,271
 Net OPEB Obligation - June 30, 2014	 \$ 11,135,405

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2014	\$ 3,153,016	41.3%	\$ 11,135,405
06/30/2013	\$ 2,979,208	47.8%	\$ 9,285,271
06/30/2012	\$ 3,218,132	51.4%	\$ 7,730,074

**Funded Status and Funding Progress** - As of June 30, 2014, the Plan was not funded. The actuarial accrued liability for benefits was \$39,907,790; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$18,381,565, and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 217.1%.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 Actuarial Valuation Report, the projected unit credit cost method was used. The actuarial value of assets was determined as the accumulation of prior accruals, less benefits paid. Actuarial assumptions included annual discount and payroll growth rates of 5.0% and 4.0%, respectively. Additional actuarial assumptions included a dental trend rate of 5.0% per year and an annual medical cost trend rate of 3.34% initially, reduced to an ultimate rate of 4.24% after 72 years.

HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Note 12 - Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

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

2. Health Insurance

The School District incurs costs related to an employee health insurance plan (Plan) sponsored by BOCES and its component districts. The Plan's objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage and to develop a comprehensive loss control program.

School districts joining the Plan must remain members for a minimum of one year; a member school district may withdraw from the Plan after that time by providing notice to the consortium prior to May 1, immediately preceding the commencement of the next school year. Plan members include 26 school districts, with the School District bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2014, the School District incurred premiums or contribution expenditures totaling \$4,367,970.

The Plan financial statements may be obtained from Central New York Health Insurance Trust, 6820 Thompson Road, PO Box 4754, Syracuse, NY 13221.

3. Workers' Compensation

The School District is self-insured for workers' compensation claims. Judgments and claims are recorded when it is probable that a liability has been incurred and the claim amount can be reasonably estimated. As of June 30, 2014, the School District had reserved \$2,264,403 in the General Fund to fund any claims. Workers' compensation charges for the year ended June 30, 2014 were \$97,937.

HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

B. Other Litigation

The School District is and may be a named party in certain litigations. The School District is being represented by legal counsel of the School District and insurance companies as applicable. In the opinion of School District officials and legal counsel, these claims are either adequately covered by insurance, will not result in material judgments against the School District, or will not be pursued and, accordingly, are not expected to have a material effect on the financial statements.

C. Other Items

The School District has received grants 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 audits, the School District's administration believes disallowances, if any, will be immaterial.

Note 13 - Fund Balance Detail

At June 30, 2014, nonspendable, restricted and assigned fund balance in the Governmental Funds was as follows:

	General Fund	School Lunch Fund	Debt Service Fund	Capital Fund Construction	Capital Fund Buses
<u>Nonspendable</u>					
Inventory	\$ -0-	\$ 21,291	\$ -0-	\$ -0-	\$ -0-
Prepaid expenses	<u>\$ 121,120</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Restricted</u>					
Retirement contribution reserve	\$ 1,603,522	\$	\$	\$	\$
Unemployment insurance reserve	247,495				
Workers compensation reserve	2,264,403				
Employee benefit accrued liability reserve	1,834,260				
Tax certiorari reserve	211,797				
Capital reserve	250,000				
Debt			6,821,841		
Capital Projects				800,396	18,970
Total Restricted Fund Balance	<u>\$ 6,411,477</u>	<u>\$ -0-</u>	<u>\$ 6,821,841</u>	<u>\$ 800,396</u>	<u>\$ 18,970</u>
<u>Assigned</u>					
Appropriated for next year's budget	\$ 800,000	\$	\$	\$	\$
Encumbered for:					
General support	64,453				
Instruction	181,565				
Pupil transportation	10,539				
Employee benefits	1,218				
School lunch		309,370			
Total Assigned Fund Balance	<u>\$ 1,057,775</u>	<u>\$ 309,370</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

A. Reconciliation between Restricted Fund Balance and Restricted Net Position

Restricted fund balances and restricted net position differ because unspent debt proceeds are reported as restricted fund balance in fund financial statements and as part of invested in capital, net of related debt in the Statement of Net Position.

Restricted fund balance in the fund financial statements	\$	14,052,684
Less unspent bond proceeds		<u>(15,622)</u>
Restricted net position in the District-wide financial statements	\$	<u>14,037,062</u>

Note 14 - Restricted Fund Balances

Portions of fund balance are restricted and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended June 30, 2014 of the General Fund reserves were as follows:

General Fund Restricted Fund Balances	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
Retirement contribution reserve	\$ 912,641	\$ 690,000	\$ 881		\$ 1,603,522
Reserved for employee benefit accrued liability	1,832,251		2,009		1,834,260
Reserved for unemployment insurance	247,341		154		247,495
Workers compensation reserve	2,261,922		2,481		2,264,403
Tax certiorari reserve	250,660		137	(39,000)	211,797
Capital reserve	<u>929,280</u>	<u>250,000</u>	<u>579</u>	<u>(929,859)</u>	<u>250,000</u>
 Total Restricted Fund Balance	 \$ <u>6,434,095</u>	 \$ <u>940,000</u>	 \$ <u>6,241</u>	 \$ <u>(968,859)</u>	 \$ <u>6,411,477</u>
 Debt Service Fund Reserve for Debt	 \$ <u>9,111,110</u>	 \$ <u>42,564</u>	 \$ <u>8,189</u>	 \$ <u>(2,340,022)</u>	 \$ <u>6,821,841</u>

Note 15 - Impact of Future Standards of the Governmental Accounting Standards Board (GASB)

The Homer Central School District is in the process of assessing the future effects of GASB Statement Number 68, "Accounting and Financial Reporting for Pensions" to be implemented in fiscal year 2014-2015.

GASB Statement Number 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through certain pension plans. As a participant in a cost-sharing employer plan, the School District is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan) - the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

In governmental fund financial statements, the cost-sharing employer's proportionate share of the collective net pension liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Generally, pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

Note 16 - Restatement of Beginning Fund Balance

The School District's fund balance as of June 30, 2013 was restated due to implementation of GASB 65 "Items Previously Reported as Assets and Liabilities". GASB 65 states that the debt issuance costs, except any portion related to prepaid insurance costs, should be expensed in the period incurred. The School District's beginning fund balance was decreased by \$107,435 due to the write off of unamortized bond issuance costs.

HOMER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local Sources:				
Real property taxes	\$ 15,697,990	\$ 15,697,990	\$ 13,221,172	\$ (2,476,818)
Real property tax items	1,000	1,000	2,519,896	2,518,896
Nonproperty taxes	3,000	3,000	1,121	(1,879)
Charges for services	150,000	150,000	262,298	112,298
Use of money and property	50,419	50,419	66,634	16,215
Sale of property and compensation for loss	4,000	4,000	116,800	112,800
Miscellaneous	208,400	208,400	206,390	(2,010)
 Total Local Sources	 16,114,809	 16,114,809	 16,394,311	 279,502
State sources	19,906,014	19,906,014	19,724,559	(181,455)
Federal sources			28,368	28,368
 Total Revenues	 36,020,823	 36,020,823	 36,147,238	 126,415
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	2,318,781	2,318,781	2,340,022	21,241
 Total Revenues and Other Financing Sources	 38,339,604	 38,339,604	 \$ 38,487,260	 \$ 147,656
Appropriated Reserves		929,979		
Appropriated Fund Balance	400,000	400,000		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	406,236	406,236		
 Total Revenues, Appropriated Reserves and Designated Fund Balance	 \$ 39,145,840	 \$ 40,075,819		

See Independent Auditor's Report and Notes to Required Supplementary Information

HOMER CENTRAL SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>
<b>EXPENDITURES</b>		
General Support:		
Board of Education	\$ 20,247	\$ 19,018
Central administration	<u>176,100</u>	<u>193,032</u>
Finance	<u>474,305</u>	<u>487,733</u>
Staff	<u>100,114</u>	<u>110,010</u>
Central services	<u>3,040,335</u>	<u>2,612,213</u>
Special items	<u>308,691</u>	<u>356,080</u>
Total General Support	<u>4,119,792</u>	<u>3,778,086</u>
Instruction:		
Instruction, administration and improvement	<u>1,061,302</u>	<u>1,053,706</u>
Teaching - Regular school	<u>9,952,761</u>	<u>10,436,108</u>
Programs for children with handicapping conditions	<u>3,957,029</u>	<u>4,077,770</u>
Occupational education	<u>788,359</u>	<u>772,162</u>
Teaching - Special school	<u>12,000</u>	<u>12,000</u>
Instructional media	<u>1,170,035</u>	<u>1,189,159</u>
Pupil services	<u>1,805,235</u>	<u>1,803,979</u>
Total Instruction	<u>18,746,721</u>	<u>19,344,884</u>
Pupil Transportation	<u>1,812,028</u>	<u>2,048,214</u>
Community Services	<u></u>	<u>21,288</u>
Employee Benefits	<u>9,867,372</u>	<u>8,810,167</u>
Debt Service:		
Principal	<u>3,595,105</u>	<u>3,665,000</u>
Interest	<u>1,004,822</u>	<u>1,013,152</u>
Total Debt Service	<u>4,599,927</u>	<u>4,678,152</u>
Total Expenditures	<u>39,145,840</u>	<u>38,680,791</u>
<b>OTHER FINANCING USES</b>		
Operating transfers out	<u></u>	<u>1,395,028</u>
Total Expenditures and Other Financing Uses	<u>\$ 39,145,840</u>	<u>\$ 40,075,819</u>

Net Change in Fund Balance

Fund Balance - Beginning of Year

Fund Balance - End of Year

See Independent Auditor's Report and Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	Variance Favorable (Unfavorable)
\$ 15,480	\$ 300	\$ 3,238
187,554	948	4,530
460,830	4,262	22,641
103,860	1,492	4,658
2,334,797	57,176	220,240
329,318	275	26,487
<u>3,431,839</u>	<u>64,453</u>	<u>281,794</u>
1,026,035	614	27,057
10,132,835	169,578	133,695
4,049,617	443	27,710
744,978		27,184
9,849		2,151
1,164,906	7,722	16,531
1,705,789	3,208	94,982
<u>18,834,009</u>	<u>181,565</u>	<u>329,310</u>
1,661,838	10,539	375,837
20,677		611
8,808,949	1,218	-0-
3,665,000		-0-
1,013,151		1
4,678,151	-0-	1
<u>37,435,463</u>	<u>257,775</u>	<u>987,553</u>
1,395,028		-0-
38,830,491	\$ <u>257,775</u>	\$ <u>987,553</u>
(343,231)		
<u>9,478,112</u>		
\$ <u>9,134,881</u>		



HOMER CENTRAL SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2014

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
06/30/2014	7/1/2012	\$ -0-	\$ 39,907,790	\$ 39,907,790	0.0%	\$ 18,381,565	217.1%
06/30/2013	7/1/2012	\$ -0-	\$ 37,934,218	\$ 37,934,218	0.0%	\$ 18,478,617	205.3%
06/30/2012	7/1/2010	\$ -0-	\$ 38,935,751	\$ 38,935,751	0.0%	\$ 18,076,096	215.4%
06/30/2011	7/1/2010	\$ -0-	\$ 36,519,766	\$ 36,519,766	0.0%	\$ 17,997,195	202.9%
06/30/2010	7/1/2008	\$ -0-	\$ 34,458,000	\$ 34,458,000	0.0%	\$ 16,500,000	208.8%

See Independent Auditor's Report and Notes to Supplementary Information

HOMER CENTRAL SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014

Note 1 - Budget Basis of Accounting

Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or an expenditure in accounting principles generally accepted in the U.S. (GAAP) based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year-end, thereby ensuring that appropriations are not exceeded.

Annual legal budgets are not adopted for the Special Revenue Funds (Special Aid and School Lunch). Budgetary controls for the Special Aid Fund are established in accordance with applicable grant agreements. In addition, special aid funds may cover a period other than the School District's fiscal year. Budgetary controls for the School Lunch are established based on prior performance and anticipated future activity.

Note 2 - Budget Policies

The budget policies are as follows:

1. An annual operating budget is maintained for the General Fund, which is a Governmental Fund.
2. The School District Administration prepares a proposed budget for approval by the Board of Education for the fiscal year commencing the following July 1. The proposed budget includes proposed expenditures and the proposed means of financing. The Board must complete the proposed budget at least seven days prior to the public hearing at which it will be presented to the voters.
3. The School District presents the proposed budget at a public hearing, conducted to obtain voters comments, seven to 14 days prior to the date of the School District's annual meeting and election. The School District's annual election must be held on the third Tuesday of May.
4. Annual budgets adopted represent the legal limit on expenditures for that period. At the end of each year unexpended, unencumbered appropriations lapse. Encumbered appropriations do not lapse and are carried forward.
5. Expenditures may not legally exceed appropriations at the fund level.
6. All modifications of the budget must be approved by the Board of Education.
7. The Board may approve supplemental appropriations, subject to legal restrictions, during the fiscal year where additional revenues or expenditures not involved in the original adopted budget are identified. The following supplemental appropriations occurred during the year:

Adopted Budget	\$	38,739,604
Prior year's encumbrances		406,236
Original Budget		<u>39,145,840</u>
Additions		
Use of capital reserve		<u>929,979</u>
Total Additions		<u>929,979</u>
Final Budget	\$	<u><u>40,075,819</u></u>

HOMER CENTRAL SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

Note 3 - Reconciliation of the General Fund Budget Basis to GAAP

No adjustment is necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis as encumbrances are presented in a separate column and are not included in the actual results at June 30, 2014.

Note 4 - Schedule of Funding Progress

The Schedule of Funding Progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

HOMER CENTRAL SCHOOL DISTRICT  
 SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
 AND THE REAL PROPERTY TAX LIMIT  
FOR THE YEAR ENDED JUNE 30, 2014

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget		\$ 38,739,604
Prior year's encumbrances		<u>406,236</u>
Original Budget		<u>39,145,840</u>
Budget Revision:		
Appropriated Capital Reserve		<u>929,979</u>
Total Additions		<u>929,979</u>
Final Budget		<u><u>\$ 40,075,819</u></u>

Next year's budget is a voter approved budget \$ 38,739,604

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

2014-2015 expenditure budget maximum allowed (4% of 2014-2015 budget) \$ 1,549,584

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

Unrestricted Fund Balance:

Assigned fund balance		\$ 1,057,775
Unassigned fund balance		<u>1,544,509</u>
Total Unrestricted fund balance		<u>2,602,284</u>

Less:

Appropriated fund balance		\$ 800,000
Encumbrances included in assigned fund balance		<u>257,775</u>
Total Adjustments		<u>1,057,775</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 1,544,509

Actual percentage 3.99%

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HOMER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2014

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Total
			Prior Years	Current Year	Adjustments	
Bus Purchases - 2006-2007	\$ 485,000	\$ 485,000	\$ 473,684	\$	\$	\$ 473,684
Bus Purchases - 2010-2011	398,300	512,591	504,937			504,937
Bus Purchases - 2011-2012	375,105	375,105	332,574	42,531		375,105
Bus Purchases - 2012-2013	380,000	380,000	379,965	35		380,000
Bus Purchases - 2013-2014	590,000	590,000	-0-	590,000		590,000
Bus Garage - 0601	503,100	503,100	498,794			498,794
Renovations - 9901	29,528,755	29,426,624	29,550,521		(123,897)	29,426,624
Track and Field - 0401	4,900,000	4,900,000	4,782,816	338,950	3,799	5,125,565
Renovations - 0701	16,500,000	17,050,000	16,864,718	10,540		16,875,258
Net Zero	100,000	100,000	-0-	99,999		99,999
December 2013 Project	20,986,126	20,986,126				-0-
Overexpenditures on closed projects			120,098			120,098
Total	\$ <u>74,746,386</u>	\$ <u>75,308,546</u>	\$ <u>53,508,107</u>	\$ <u>1,082,055</u>	\$ <u>(120,098)</u>	\$ <u>54,470,064</u>

\* Architectural and State approved budget modifications for sub-project reallocations not yet finalized and available at this report date.

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Unexpended Balance	Methods of Financing			Total	Fund Balance June 30, 2014
	Proceeds of Obligations	State Aid	Local Sources		
\$ 11,316	\$ 485,000	\$	\$	\$ 485,000	\$ 11,316
7,654	398,300		114,291	512,591	7,654
-0-	375,105			375,105	-0-
-0-	380,000			380,000	-0-
-0-	590,000			590,000	-0-
4,306	503,100			503,100	4,306 *
-0-	27,404,000	124,755	2,145,000	29,673,755	247,131
(225,565)	4,900,000			4,900,000	(225,565) *
174,742	15,767,749		952,173	16,719,922	(155,336) *
1			100,000	100,000	1
20,986,126			929,859	929,859	929,859
(120,098)			120,098	120,098	-0-
<u>\$ 20,838,482</u>	<u>\$ 50,803,254</u>	<u>\$ 124,755</u>	<u>\$ 4,361,421</u>	<u>\$ 55,289,430</u>	<u>\$ 819,366</u>

HOMER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2014

Capital assets, net	\$ <u>45,896,533</u>
Add:	
Amounts deferred on refunding	<u>613,438</u>
Deduct:	
Premium on bonds payable	<u>(773,797)</u>
Short-term portion of bonds payable	<u>(3,805,000)</u>
Long-term portion of bonds payable	<u>(21,625,000)</u>
Less: unspent bond proceeds	<u>15,622</u>
Net Investment in Capital Assets	\$ <u><u>20,321,796</u></u>

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