



# HOMER CENTRAL SCHOOL DISTRICT

## TABLE OF CONTENTS

Independent Auditors' Report .....	1-3
Required Supplementary Information	
Management's Discussion and Analysis .....	4-41
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position .....	5-5a
Statement of Activities .....	6
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds .....	7-7a
Reconciliation of Governmental Funds Balance Sheet to the	
Statement of Net Position .....	8
Statement of Revenues, Expenditures, and Changes in Fund Balance -	
Governmental Funds .....	9-9a
Reconciliation of Governmental Funds to the Statement of Revenues, Expenditures,	
and Changes in Fund Balance to the Statement of Activities .....	10
Statement of Fiduciary Net Position - Fiduciary Funds .....	11
Statement of Changes in Fiduciary Net Position - Fiduciary Fund .....	12
Notes to Financial Statements .....	13-46
<hr/>	
Required Supplementary Information	
Schedule of Revenues Compared to Budget (Non-GAAP) - General Fund .....	47
Schedule of Expenditures Compared to Budget (Non-GAAP) - General Fund .....	48-48a
Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans .....	49-49a
Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability .....	50
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios .....	51-51a
Notes to Required Supplementary Information .....	52-56
Supplementary Financial Information	
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit .....	57
Schedule of Project Expenditures - Capital Projects Fund .....	58-58a
Schedule of Net Investment in Capital Assets .....	59
Report Required Under Government Auditing Standards	
Independent Auditors' Report on Internal Control Over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i> .....	60-61

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **TABLE OF CONTENTS**

Reports Required Under the Single Audit Act (Uniform Guidance)	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance .....	62-63
Schedule of Expenditures of Federal Awards .....	64
Notes to Schedule of Expenditures of Federal Awards .....	65
Schedule of Findings and Questioned Costs .....	66



### ***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, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, Schedule of Changes in the School District's Total OPEB Liability and Related Ratios, the Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, and the Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability, and related notes on pages 4-41 and 47-56 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 Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Schedule of Net Investment in Capital Assets (supplementary information) on pages 57-59 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2019 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 the School District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 9, 2019

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

The following is a discussion and analysis of Homer Central School District's (the School District) financial performance for the fiscal year ended June 30, 2019. 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 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 recognizes its total other postemployment benefits (OPEB) liability, as well as deferred outflows and deferred inflows of resources related to the OPEB plan in accordance with the parameters of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." Current year recognition resulted in an increase of District-wide expenses of \$1,024,230, compared to an increase of \$2,050,275 in 2018.
- The School District ended the year with a total net deficit of \$6,898,632, a decrease in net deficit of \$378,719 from the prior year. Year-end net position was composed of \$10,914,300 in restricted, \$27,552,271 in net investment in capital assets, and \$45,365,203 in unrestricted net deficit. The unrestricted net deficit increased \$853,716 compared to the prior year. The unrestricted net deficit at June 30, 2019 is primarily attributable to recognition of the net accumulated OPEB liability of \$45,804,821.
- Revenues exceeded expenses by \$378,719 in 2019, compared to expenses exceeding revenues by \$2,574,484 in 2018.
- The School District had \$27,689,928 in outstanding debt at year end, a decrease of \$3,086,934 from the prior year; primarily due to principal payments on outstanding long-term debt.
- Capital asset additions during 2019 amounted to \$1,741,170 for the purchase of equipment and construction in progress expenditures. Depreciation expense was \$2,222,535 for the current year.
- General Fund budgeted expenditures, including carry-over encumbrances, and other financing uses, were underspent by \$464,504. General Fund revenues and other financing sources were less than budgeted amounts by \$423,975.
- Total General Fund balance, including reserves, was \$7,881,888 at June 30, 2019. Unassigned fund balance amounted to \$1,364,808 which was subject to and below the maximum limit (4% of 2019-2020 appropriations) permitted under New York State Real Property Tax Law.

# **HOMER CENTRAL SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

- 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.

<b>School Year</b>	<b>Enrollment</b>
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
2014-2015	2,036
2015-2016	2,041
2016-2017	2,036
2017-2018	1,899
2018-2019	1,917

- 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 2018-2019. 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.



# **HOMER CENTRAL SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

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

<b>Year</b>	<b>Budget</b>	<b>State Aid</b>	<b>Levy</b>
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	15,240,767
2013-2014	39,145,840	19,724,559	15,697,990
2014-2015	38,997,379	20,011,844	15,933,460
2015-2016	39,570,810	21,599,969	15,933,460
2016-2017	41,886,438	22,999,294	15,933,460
2017-2018	40,884,142	23,068,409	15,933,460
2018-2019	42,055,168	23,690,247	16,235,856

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 Clerk. The School District also shares its Transportation Supervisor with a nearby district.

The implementation of rules commonly referred to as the NYS Tax Cap Law during 2011-2012 introduced a level of complication to the School District's tax levy process as well as 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.

# HOMER CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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	0.00%
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%
Tax Levy 2014-2015	15,933,460	1.50%
Tax Levy 2015-2016	15,933,460	0.00%
Tax Levy 2016-2017	15,933,460	0.00%
Tax Levy 2017-2018	15,933,460	0.00%
Tax Levy 2018-2019	16,235,856	1.90%

### 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, a Schedule of School District Contributions - NYSLRS and NYSTRS Pension Plans, the School District's Proportionate Share of the Net Pension Asset/Liability, and Changes in the School District's Total OPEB Liability and Related Ratios.

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

### **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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide 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 and inflows of financial 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.

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 the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

# **HOMER CENTRAL SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

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

The School District's combined net position for the fiscal year ended June 30, 2019 increased by \$378,719. 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*

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2018</i>	<i>2019</i>	<i>2018 - 2019</i>
<i>Current Assets</i>	\$ 5,967,528	\$ 6,426,458	\$ 458,930
<i>Noncurrent Assets</i>	12,257,007	11,910,305	(346,702)
<i>Capital Assets, Net</i>	55,250,005	54,768,640	(481,365)
<b><i>Total Assets</i></b>	<b>73,474,540</b>	<b>73,105,403</b>	<b>(369,137)</b>
<i>Pensions</i>	10,750,165	9,677,777	(1,072,388)
<i>Deferred Charges on Defeased Debt</i>	621,875	473,559	(148,316)
<b><i>Total Deferred Outflows of Resources</i></b>	<b>11,372,040</b>	<b>10,151,336</b>	<b>(1,220,704)</b>
<i>Current Liabilities</i>	6,652,926	6,994,676	341,750
<i>Noncurrent Liabilities</i>	80,091,737	72,200,130	(7,891,607)
<b><i>Total Liabilities</i></b>	<b>86,744,663</b>	<b>79,194,806</b>	<b>(7,549,857)</b>
<i>Pensions</i>	3,124,331	2,400,136	(724,195)
<i>OPEB</i>	2,254,937	8,560,429	6,305,492
<b><i>Total Deferred Inflows of Resources</i></b>	<b>5,379,268</b>	<b>10,960,565</b>	<b>5,581,297</b>
<i>Net Investment in Capital Assets</i>	25,095,018	27,552,271	2,457,253
<i>Restricted</i>	12,139,118	10,914,300	(1,224,818)
<i>Unrestricted</i>	(44,511,487)	(45,365,203)	(853,716)
<b><i>Total Net (Deficit)</i></b>	<b>\$ (7,277,351)</b>	<b>\$ (6,898,632)</b>	<b>\$ 378,719</b>

The increase in current assets is primarily a result of an increase in the current portion of restricted cash available for capital projects. The decrease in noncurrent assets is a result of a decrease in the non-current portion of restricted cash. The decrease in net capital assets stems from depreciation expense exceeding capital asset additions in 2019.

Current liabilities increased primarily due to the addition of a short-term bond anticipation note and larger amounts due to TRS in 2019. Decreases in noncurrent liabilities are in large part due to the reduction of the School District's other postemployment benefits liability and long-term bonds payable.

# **HOMER CENTRAL SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019**

The changes in the deferred inflows of resources - pensions and the deferred outflows of resources - pensions, are related to changes in the actuarially determined proportionate share of the School District's net pension asset/liability and related deferred outflows and inflows of resources for the pension plans recognized under GASB Statement No. 68.

Additional changes in noncurrent liabilities, and deferred inflows of resources - other postemployment benefits, are due to actuarially determined changes in the future costs of plan benefits recognized under GASB Statement No. 75.

Deferred outflows - deferred charges on defeased debt decreased based on the regular amortization of deferred charges.

Net investment in capital assets increased due to current year capital asset additions and reductions in bonds payable in excess of depreciation expense. Restricted resources decreased primarily based on decreases in the amount restricted for capital projects.

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>2018</b>	<b>2019</b>	<b>2018 - 2019</b>
<b>REVENUES</b>			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 465,897	\$ 486,033	\$ 20,136
<i>Operating Grants</i>	1,844,023	1,667,420	(176,603)
<i>General Revenues:</i>			
<i>Real Property Taxes</i>	13,524,481	13,884,413	359,932
<i>Real Property Tax Items</i>	2,477,914	2,420,554	(57,360)
<i>Unrestricted State Sources</i>	23,100,405	23,859,413	759,008
<i>Use of Money and Property</i>	79,841	112,644	32,803
<i>Other General Revenues</i>	405,007	779,618	374,611
<b>Total Revenues</b>	<b>\$ 41,897,568</b>	<b>\$ 43,210,095</b>	<b>\$ 1,312,527</b>
<b>PROGRAM EXPENSES</b>			
<i>General Support</i>	\$ 4,467,238	\$ 4,367,039	\$ (100,199)
<i>Instruction</i>	34,627,025	34,020,029	(606,996)
<i>Pupil Transportation</i>	2,982,819	2,392,350	(590,469)
<i>Community Service</i>	27,821	27,824	3
<i>School Lunch Program</i>	1,017,104	1,028,063	10,959
<i>Interest on Debt</i>	1,350,045	996,071	(353,974)
<b>Total Expenses</b>	<b>\$ 44,472,052</b>	<b>\$ 42,831,376</b>	<b>\$ (1,640,676)</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ (2,574,484)</b>	<b>\$ 378,719</b>	<b>\$ 2,953,203</b>

# HOMER CENTRAL SCHOOL DISTRICT

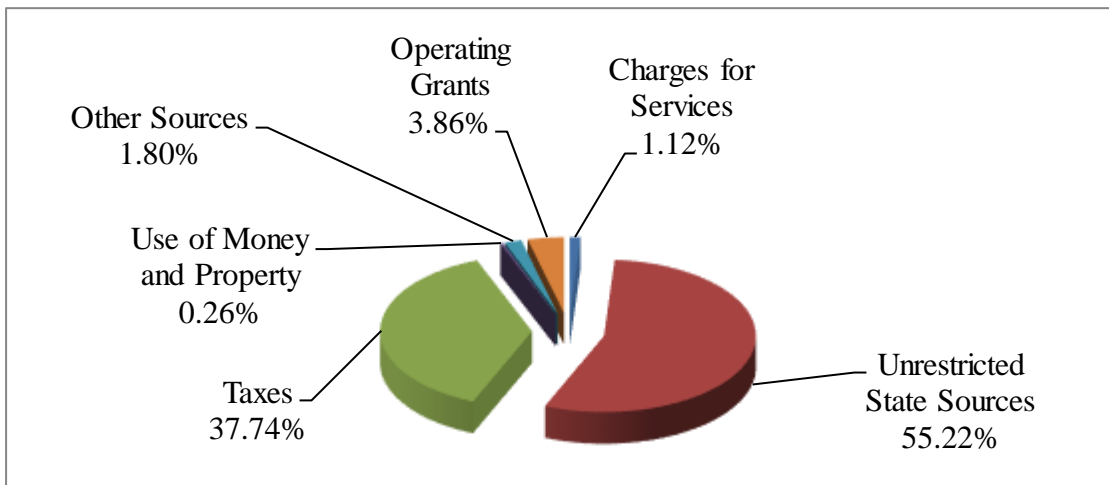
## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Total revenues for the School District's governmental activities increased \$1,312,527, or 3.1%, while total expenses decreased \$1,640,676, or 3.7%. The increase in revenues is primarily due to a gain on the sale of equipment and increases in state sources. The decrease in total expenses is primarily due to decreases in transportation expenses, interest paid on bonds during the year, and reductions in OPEB expense compared to 2018.

Figures 3 and 4 show the sources of revenue for 2019 and 2018.

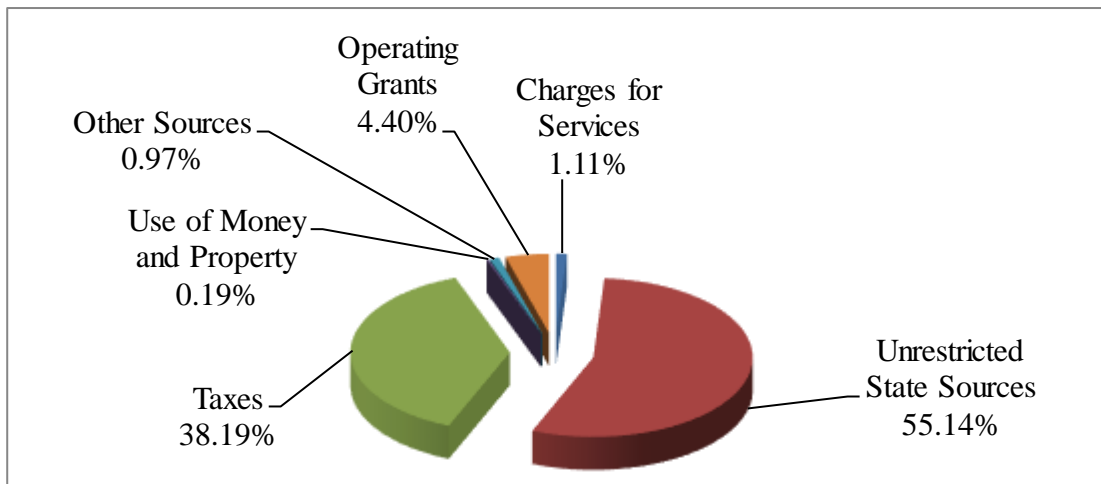
*Figure 3*

*Sources of Revenue for 2019*



*Figure 4*

*Sources of Revenue for 2018*



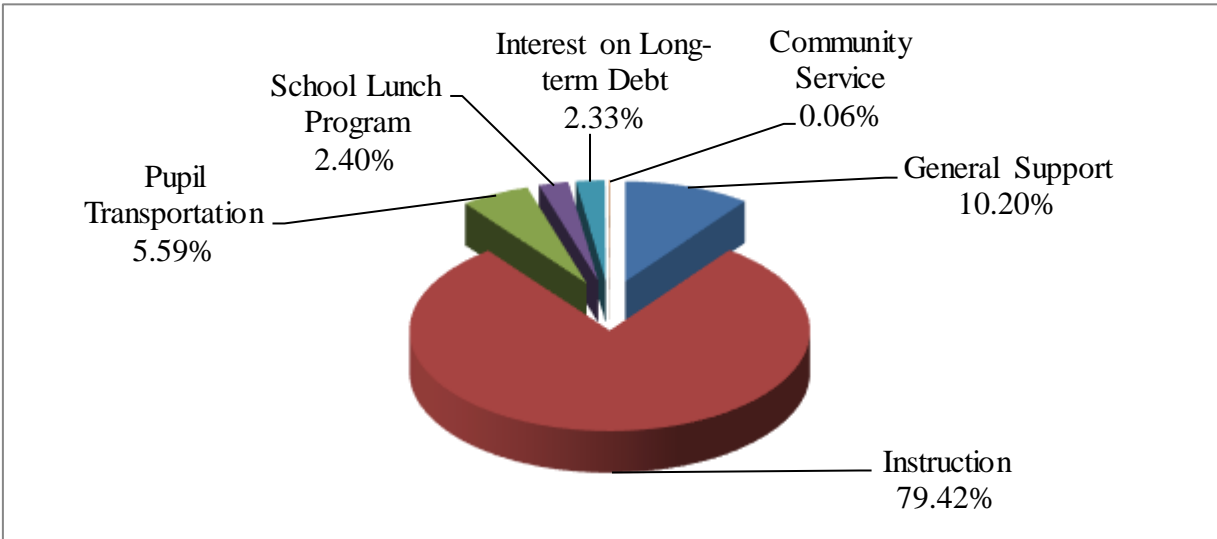
# HOMER CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Figures 5 and 6 present the cost of each of the School District's programs for 2019 and 2018.

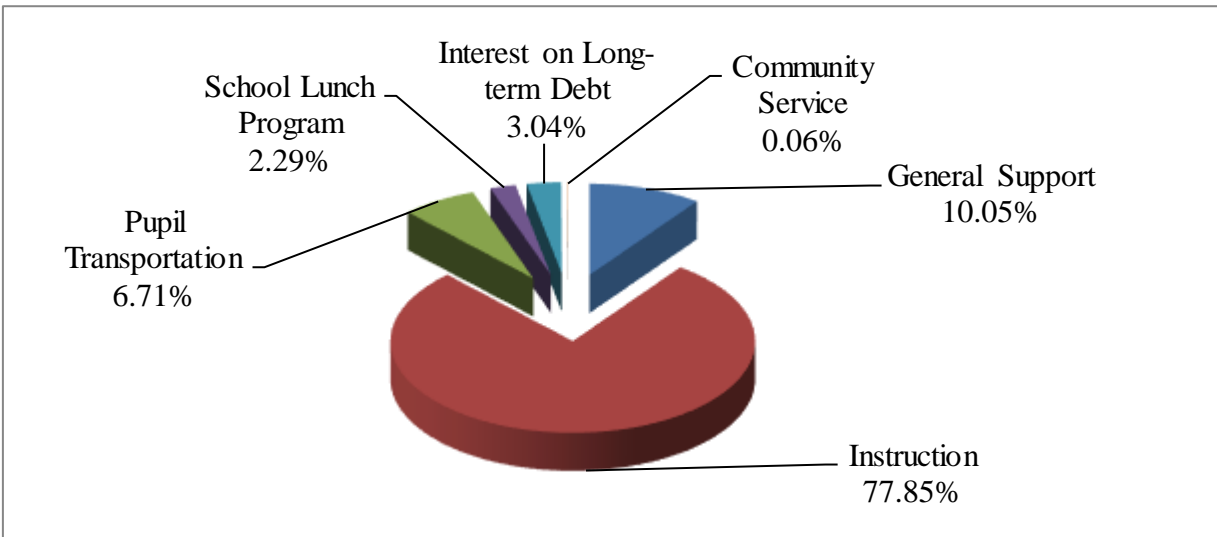
*Figure 5*

*Cost of Programs for 2019*



*Figure 6*

*Cost of Programs for 2018*



# HOMER CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

### 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 \$13,191,037; compared to last year's balance of \$14,728,088. The General Fund reported an unassigned fund balance of \$1,364,808 which is below 4% of next year's budget, the maximum allowed by New York State Law. Capital Fund balance decreased based on increased capital outlay in 2019.

Figure 7

<i>Governmental Fund Balances</i>	<i>2018</i>	<i>2019</i>	<i>Total Dollar Change 2018-2019</i>
<i>General Fund</i>	\$ 8,059,218	\$ 7,881,888	\$ (177,330)
<i>School Lunch Fund</i>	165,102	171,733	6,631
<i>Debt Service Fund</i>	6,050,383	5,766,270	(284,113)
<i>Capital Projects Fund</i>	453,385	(628,854)	(1,082,239)
<b><i>Total Governmental Funds</i></b>	<b>\$ 14,728,088</b>	<b>\$ 13,191,037</b>	<b>\$ (1,537,051)</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 is addressed in the following year's budget development process.

After considering these adjustments, actual charges to appropriations (expenditures) were below final budget amounts by \$464,504, including carry-over encumbrances.

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances) and variances for the year ended June 30, 2019.



# HOMER CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

*Figure 8*

<i>Condensed Budgetary Comparison General Fund - 2019</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
<i>REVENUES</i>				
<i>Real Property Taxes</i>	\$ 13,826,878	\$ 13,826,878	\$ 13,884,413	\$ 57,535
<i>Other Tax Items</i>	2,478,979	2,478,979	2,420,554	(58,425)
<i>State Sources</i>	24,226,877	24,226,877	23,690,247	(536,630)
<i>Federal Sources</i>	25,500	25,500	48,171	22,671
<i>Miscellaneous</i>	508,700	508,700	599,574	90,874
<i>Other, Including Financing Sources</i>	308,234	308,234	308,234	-
<b><i>Total Revenues and Other Financing Sources</i></b>	<b>\$ 41,375,168</b>	<b>\$ 41,375,168</b>	<b>\$ 40,951,193</b>	<b>\$ (423,975)</b>
<b><i>Appropriated Fund Balances and Encumbrances</i></b>	<b>\$ 912,740</b>	<b>\$ 912,740</b>		
<i>EXPENDITURES</i>				
<i>General Support</i>	\$ 3,962,768	\$ 3,913,111	\$ 3,747,663	\$ 165,448
<i>Instruction</i>	21,922,675	22,263,237	22,058,935	204,302
<i>Pupil Transportation</i>	2,245,756	1,854,897	1,810,876	44,021
<i>Community Service</i>	-	18,053	18,053	-
<i>Employee Benefits</i>	9,707,609	9,388,420	9,360,739	27,681
<i>Debt Service</i>	4,449,100	4,306,766	4,295,000	11,766
<i>Other Financing Uses</i>	-	543,424	532,138	11,286
<b><i>Total Expenditures and Other Financing (Uses)</i></b>	<b>\$ 42,287,908</b>	<b>\$ 42,287,908</b>	<b>\$ 41,823,404</b>	<b>\$ 464,504</b>

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of June 30, 2019, the School District had invested in a broad range of capital assets. Net capital assets decreased \$481,365, primarily due to depreciation expense exceeding capital outlay. Capital assets, net of accumulated depreciation of \$28,938,501, were \$54,768,640 at year end. Depreciation expense amounted to \$2,222,535 for the current year.

# HOMER CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

*Figure 9*

<i>Changes in Capital Assets</i>	<i>2018</i>	<i>2019</i>	<i>Total Dollar Change 2018 - 2019</i>
<i>Land</i>	\$ 49,400	\$ 49,400	\$ -
<i>Construction in Progress</i>	675,209	2,063,927	1,388,718
<i>Buildings, Net</i>	54,320,586	52,378,751	(1,941,835)
<i>Equipment, Net</i>	204,810	276,562	71,752
<b><i>Total</i></b>	<b>\$ 55,250,005</b>	<b>\$ 54,768,640</b>	<b>\$ (481,365)</b>

Capital asset activity for the year ended June 30, 2019 included the following:

Construction in Progress	\$ 1,582,239
Transportation and Instructional Equipment	158,931
Less Depreciation Expense	<u>(2,222,535)</u>
<b>Net Decrease in Capital Assets</b>	<b><u>\$ (481,365)</u></b>

### Debt Administration

Debt, both short and long-term, considered a liability of governmental activities, decreased by \$3,086,934 in 2019, as shown in *Figure 10*. The decrease is related to regular principal payments on long term debt in accordance with bond amortization schedules. Total indebtedness represented 29.09% of the constitutional debt limit, exclusive of building aid estimates.

*Figure 10*

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2018-2019</i>
	<i>2018</i>	<i>2019</i>	
<i>Serial Bonds, Net</i>	\$ 30,459,779	\$ 26,996,383	\$ (3,463,396)
<i>Bond Anticipation Notes</i>		693,545	693,545
<i>Installment Debt, Net</i>	317,083		(317,083)
<b><i>Total</i></b>	<b>\$ 30,776,862</b>	<b>\$ 27,689,928</b>	<b>\$ (3,086,934)</b>

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

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

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

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

#### **Energy Performance Project**

The Homer Central School District is in the process of working with C&S Companies to perform an initial audit to determine the scope of a potential Energy Performance Project. The School District Facilities Committee will work with the School District Finance Committee in determining the feasibility of launching such a project. Project commencement would potentially begin in the Fall of 2020.

#### **Capital Outlay Projects**

In 2018-2019, the School District used project money to focus on the physical interior improvements at the Homer Bus Garage. For the 2019-2020 school year, the School District will focus on energy performance measures at the Intermediate/Junior High School via the Capital Outlay Project. Capital Outlay Projects are 100% aidable through NYS Education Funding.

#### **Financial Management**

The School District maintains an AA- rating from Standard and Poor's.

### **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, New York.

# HOMER CENTRAL SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2019

### ASSETS

#### Current Assets

Cash - Unrestricted	\$ 3,434,163
Cash - Restricted	<u>641,824</u>
Receivables:	
State and Federal Aid	<u>1,923,365</u>
Due from Other Governments	<u>198</u>
Other	<u>261,006</u>
Inventories	<u>13,813</u>
Prepaid Items	<u>152,089</u>
<b>Total Current Assets</b>	<u><b>6,426,458</b></u>

#### Noncurrent Assets

Restricted Cash	<u>10,229,643</u>
Net Pension Asset - Proportionate Share	<u>1,680,662</u>
Capital Assets, Net:	
Land and Construction in Progress	<u>2,113,327</u>
Depreciable Capital Assets, Net	<u>52,655,313</u>
<b>Total Noncurrent Assets</b>	<u><b>66,678,945</b></u>

<b>Total Assets</b>	<u><b>73,105,403</b></u>
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### DEFERRED OUTFLOWS OF RESOURCES

Deferred Charges on Defeased Debt	<u>473,559</u>
Deferred Outflows of Resources - Pensions	<u>9,677,777</u>
<b>Total Deferred Outflows of Resources</b>	<u><b>10,151,336</b></u>

*See Notes to Basic Financial Statements*

**STATEMENT OF NET POSITION (Continued)**  
**JUNE 30, 2019**

**LIABILITIES**

**Current Liabilities**

Payables:

Accounts Payable	788,909
Accrued Liabilities	<u>57,842</u>
Due to Other Governments	<u>103</u>
Bond Interest and Matured Bonds	<u>150,980</u>
Bond Anticipation Notes Payable	<u>693,545</u>
Due to Teachers' Retirement System	<u>1,727,108</u>
Due to Employees' Retirement System	<u>111,903</u>
Compensated Absences Payable	<u>50,011</u>
Unearned Revenues	<u>35,643</u>
Current Portion of Long-Term Liabilities:	
Bonds Payable	<u>3,378,632</u>
<b>Total Current Liabilities</b>	<u><b>6,994,676</b></u>

**Noncurrent Liabilities and Obligations**

Bonds Payable	<u>23,617,751</u>
Compensated Absences Payable	<u>2,073,344</u>
Other Postemployment Benefits Liability	<u>45,804,821</u>
Net Pension Liability - Proportionate Share	<u>704,214</u>
<b>Total Noncurrent Liabilities and Obligations</b>	<u><b>72,200,130</b></u>

<b>Total Liabilities</b>	<u><b>79,194,806</b></u>
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows of Resources - Pensions	<u>2,400,136</u>
Deferred Inflows of Resources - OPEB	<u>8,560,429</u>
<b>Total Deferred Inflows of Resources</b>	<u><b>10,960,565</b></u>

**NET POSITION**

Net Investment in Capital Assets	<u>27,552,271</u>
Restricted	<u>10,914,300</u>
Unrestricted (Deficit)	<u>(45,365,203)</u>
<b>Total Net Position (Deficit)</b>	<u><b>\$ (6,898,632)</b></u>

# HOMER CENTRAL SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants		Capital Grants
General Support	\$ 4,367,039	\$ 12,985	\$ 672	\$	\$ (4,353,382)
Instruction	34,020,029	56,021	1,048,601		(32,915,407)
Pupil Transportation	2,392,350	27,856			(2,364,494)
Community Services	27,824				(27,824)
School Lunch Program	1,028,063	389,171	618,147		(20,745)
Interest on Debt	996,071				(996,071)
<b>Total Functions and Programs</b>	<b><u>\$42,831,376</u></b>	<b><u>\$ 486,033</u></b>	<b><u>\$1,667,420</u></b>	<b><u>\$ -</u></b>	<b><u>(40,677,923)</u></b>

### GENERAL REVENUES

Real Property Taxes	13,884,413
Real Property Tax Items	2,420,554
Use of Money and Property	112,644
State Sources	23,859,413
Sale of Property and Compensation for Loss	329,343
Miscellaneous	450,275

### Total General Revenues

41,056,642

Change in Net Position

378,719

Total Net (Deficit) - Beginning of Year

(7,277,351)

**Total Net (Deficit) - End of Year**

**\$ (6,898,632)**

*See Notes to Basic Financial Statements*

# HOMER CENTRAL SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2019

	Major Funds		
	General Fund	Special Revenue Fund	
		Special Aid Fund	School Lunch Fund
<b>ASSETS</b>			
Cash - Unrestricted	\$ 3,281,681	\$ 34,977	\$ 117,505
Cash - Restricted	5,003,813		115,087
Due from Other Funds	1,097,988	96,768	33,529
State and Federal Aid	1,282,807	597,725	42,833
Due from Other Governments	198		
Other	258,830		
Inventories			13,813
Prepaid Items	152,089		
<b>Total Assets</b>	<b>\$ 11,077,406</b>	<b>\$ 729,470</b>	<b>\$ 322,767</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 765,157	\$ 1,576	\$ 22,176
Accrued Liabilities	52,745		5,297
Due to Other Funds	478,092	705,900	120,511
Due to Other Governments	2		101
Bond Anticipation Notes Payable			
Due to Teachers' Retirement System	1,727,108		
Due to Employees' Retirement System	111,903		
Compensated Absences Payable	50,011		
Unearned Revenues	10,500	21,994	2,949
<b>Total Liabilities</b>	3,195,518	729,470	151,034
<b>FUND BALANCES</b>			
Nonspendable	152,089		13,813
Restricted	4,990,110		157,920
Assigned	1,374,881		
Unassigned (Deficit)	1,364,808		
<b>Total Fund Balances</b>	7,881,888	-	171,733
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,077,406</b>	<b>\$ 729,470</b>	<b>\$ 322,767</b>

*See Notes to Basic Financial Statements*

**Major Funds**

<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 3,434,163
5,225,830	526,737	10,871,467
848,674	326,564	2,403,523
		1,923,365
		198
	2,176	261,006
		13,813
		152,089
<b>\$ 6,074,504</b>	<b>\$ 855,477</b>	<b>\$ 19,059,624</b>
\$	\$	\$ 788,909
		58,042
308,234	790,786	2,403,523
		103
	693,545	693,545
		1,727,108
		111,903
		50,011
		35,443
308,234	1,484,331	5,868,587
		165,902
5,766,270		10,914,300
		1,374,881
	(628,854)	735,954
5,766,270	(628,854)	13,191,037
<b>\$ 6,074,504</b>	<b>\$ 855,477</b>	<b>\$ 19,059,624</b>



# ***HOMER CENTRAL SCHOOL DISTRICT***

## **RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019**

**Fund Balances - Total Governmental Funds** **\$ 13,191,037**

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	\$ 83,707,141	
Less Accumulated Depreciation	<u>(28,938,501)</u>	54,768,640

The School District's proportionate share of the Employee Retirement Systems' collective net pension asset/liability is not reported in the funds.

TRS Net Pension Asset - Proportionate Share	\$ 1,680,662	
ERS Net Pension Liability - Proportionate Share	<u>(704,214)</u>	976,448

Deferred outflows of resources, including deferred charges on defeased debt and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue, pensions, and OPEB represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred Charges on Defeased Debt	\$ 473,559	
Deferred Inflows of Resources - OPEB	(8,560,429)	
ERS Deferred Outflows of Resources - Pension	518,224	
ERS Deferred Inflows of Resources - Pension	(270,244)	
TRS Deferred Outflows of Resources - Pension	9,159,553	
TRS Deferred Inflows of Resources - Pension	<u>(2,129,892)</u>	(809,229)

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	\$ (23,545,000)	
Premium on Obligations	<u>(3,451,383)</u>	(26,996,383)

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	\$ (2,073,344)	
Other Postemployment Benefits Liability	(45,804,821)	
Accrued Interest on Long-term Debt	<u>(150,980)</u>	<u>(48,029,145)</u>

**Net (Deficit) of Governmental Activities** **\$ (6,898,632)**

*See 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, 2019**

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Special Revenue Funds</b>	
		<b>Special Aid Fund</b>	<b>School Lunch Fund</b>
<b>REVENUES</b>			
Real Property Taxes	\$13,884,413	\$	\$
Other Tax Items	2,418,138		
Nonproperty Taxes	2,416		
Charges for Services	51,143		
Use of Money and Property	87,852		671
Sale of Property and Compensation for Loss	12,260		
Miscellaneous	448,319		3,503
State Sources	23,690,247	292,885	52,239
Federal Sources	48,171	924,386	565,908
Sales - School Lunch			386,340
<b>Total Revenues</b>	<b>40,642,959</b>	<b>1,217,271</b>	<b>1,008,661</b>
<b>EXPENDITURES</b>			
General Support	3,604,664		
Instruction	21,527,127	1,155,472	418,964
Pupil Transportation	1,790,854	44,969	
Community Services	18,053		
Employee Benefits	9,360,687	48,968	173,804
Debt Service:			
Principal	3,165,000		
Interest	1,130,000		
Cost of Sales			409,262
Capital Outlay			
<b>Total Expenditures</b>	<b>40,596,385</b>	<b>1,249,409</b>	<b>1,002,030</b>
Excess (Deficiency) of Revenues Over Expenditures	46,574	(32,138)	6,631
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Operating Transfers In	308,234	32,138	
Operating Transfers (Out)	(532,138)		
<b>Total Other Sources</b>	<b>(223,904)</b>	<b>32,138</b>	<b>-</b>
Net Change in Fund Balances	(177,330)	-	6,631
Fund Balances - Beginning of Year	8,059,218	-	165,102
<b>Fund Balances - End of Year</b>	<b>\$ 7,881,888</b>	<b>\$ -</b>	<b>\$ 171,733</b>

*See Notes to Basic Financial Statements*

<b>Major Funds</b>		
<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 13,884,413
		2,418,138
		2,416
		51,143
24,121		112,644
		12,260
		451,822
		24,035,371
		1,538,465
		386,340
24,121	-	42,893,012
		3,604,664
		23,101,563
		1,835,823
		18,053
		9,583,459
		3,165,000
		1,130,000
		409,262
	1,582,239	1,582,239
-	1,582,239	44,430,063
24,121	(1,582,239)	(1,537,051)
	500,000	840,372
(308,234)		(840,372)
(308,234)	500,000	-
(284,113)	(1,082,239)	(1,537,051)
6,050,383	453,385	14,728,088
<b>\$ 5,766,270</b>	<b>\$ (628,854)</b>	<b>\$ 13,191,037</b>

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (1,537,051)**

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 exceeded depreciation expense exceeded capital outlay.

Capital Asset Additions	\$ 1,741,170	
Depreciation Expense	<u>(2,222,535)</u>	(481,365)

Repayment of installment leases is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. During 2019, the School District disposed of the underlying assets associated with the lease and was not required to make the final payment.

Installment Lease		317,083
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Changes in the School District's proportionate share of net pension assets/liabilities have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

ERS	\$ (30,520)	
TRS	<u>266,578</u>	236,058

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.

Principal Payments		3,165,000
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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. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to other postemployment benefits do not affect current financial resources and, therefore, are not reported in the Governmental Funds.

Change in Compensated Absences	\$ (430,705)	
Other Postemployment Benefits Obligations	<u>(1,024,230)</u>	(1,454,935)

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	\$ (148,316)	
Amortization of Bond Premium	298,396	
Change in Accrued Interest Payable	<u>(16,151)</u>	<u>133,929</u>

**Net Change in Net Position of Governmental Activities** **\$ 378,719**

*See Notes to Basic Financial Statements*

# HOMER CENTRAL SCHOOL DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2019

	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash - Unrestricted	\$	\$ 330,703
Cash - Restricted	<u>107,144</u>	
<b>Total Assets</b>	<u>107,144</u>	<u><u>\$ 330,703</u></u>
<b>LIABILITIES</b>		
Extraclassroom Activity Funds Balances		<u>\$ 116,964</u>
Other Liabilities		<u>213,739</u>
<b>Total Liabilities</b>	<u>-</u>	<u><u>\$ 330,703</u></u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u><u>\$ 107,144</u></u>	

*See Notes to Basic Financial Statements*

# HOMER CENTRAL SCHOOL DISTRICT

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2019

	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Gifts and Contributions	\$ 400
Investment Earnings	217
<b>Total Additions</b>	<u>617</u>
<b>DEDUCTIONS</b>	
Scholarships and Awards	<u>1,825</u>
<b>Total Deductions</b>	<u>1,825</u>
Change in Net Position	(1,208)
Net Position - Beginning of Year	<u>108,352</u>
<b>Net Position - End of Year</b>	<u><u>\$ 107,144</u></u>

*See Notes to Basic Financial Statements*

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

***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.

**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 School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education (Board) consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended.

- The primary government, which is the Homer Central School District;
- Organizations for which the primary government is financially accountable, and;
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's 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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's office, located at 80 S. West Street, Homer, New York 13077.

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Joint Venture**

The Homer Central School District is one of 23 component school districts 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. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

Separate financial statements of Onondaga-Cortland-Madison BOCES may be obtained by contacting the Business Office, Onondaga-Cortland Madison BOCES, 110 Elwood Davis Road, Liverpool, NY 13088.

#### **Basis of Presentation - District-wide Financial Statements**

The Statement of Net Position and the Statement of Activities present financial information about the School District's Governmental Activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental Activities generally are financed through taxes, state aid, intergovernmental revenues and other exchange and 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 Net Position presents the financial position of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions 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.



# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Governmental Fund Financial Statements**

The Governmental Fund financial 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:** This is the School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Funds:** These funds account for proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:
  - **Special Aid Fund:** Used to account for proceeds received from state and federal grants that are restricted for special educational programs.
  - **School Lunch Fund:** Used to account for child nutrition activities whose funds are restricted as to use.
- **Capital Projects Fund:** Accounts for the financial resources used for the renovation of the School District's educational complex.
- **Debt Service Fund:** Accounts for the accumulation of resources and the 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 trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the School District and are not available to be used.

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.

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **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 state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund 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.

#### **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 law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts. Investments are stated at fair value.

#### **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.

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### *Note 1* Summary of Significant Accounting Policies - Continued

#### **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.

#### **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 inventory items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount. Prepaid items represent payments made by the 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.

A portion of fund balance equal to inventories and prepaid amounts is reported as nonspendable, as these assets are not in spendable form in the current period.

#### **Capital Assets**

Capital assets are reported at actual cost for acquisitions subsequent to the adoption of GASB Statement No. 34. For assets acquired prior to the adoption of GASB Statement No. 34, estimated historical costs, based on appraisal and research of the School District's accounting records, were used. Donated assets are reported at acquisition value at the time received.

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:

	<b>Capitalization Threshold</b>	<b>Estimated Useful Life</b>
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

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Vested Employee Benefits - Compensated Absences**

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in 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 No. 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.

#### **Other 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 No. 75, "Accounting and Financial Reporting 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.

#### **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.

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **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.

#### **Accrued Liabilities and Long-Term Obligations**

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

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

#### **Equity Classifications - 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 the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted - Consists of 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.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Equity Classifications - Governmental Fund Financial Statements**

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 School District 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 School Districts 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 to the end of the fiscal year and 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.

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 General Municipal Law (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 nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance.

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **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.
- 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.

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Legally Adopted Reserves - Continued**

- 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.

#### **Property Taxes - Calendar**

Real property taxes are levied annually by the Board of Education no later than September 1. For the year then ended June 30, 2019, the tax lien was issued on August 14, 2018. Taxes were collected during the period September 4, to October 31, 2018.

#### **Property Taxes - 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.

#### **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. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.



# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **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.

#### **Deferred Outflows and Deferred Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element 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 School District reports a deferred charge on defeased debt resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District reports deferred outflows of resources related to pensions and other postemployment benefits in the District-wide Statement of Net Position. The types of deferred outflows related to pensions and other postemployment benefits are described in Notes 10 and 11, respectively.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The types of deferred inflows of resources related to pensions and other postemployment benefits are described in Notes 10 and 11, respectively.

#### **New Accounting Standards**

The School District has adopted and implemented the following Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2019:

- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ended June 30, 2019.
- GASB has issued Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements," effective for the year ended June 30, 2019. This statement improves the information disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements.

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Future Changes in Accounting Standards**

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," effective for the year ending June 30, 2021.
- GASB has issued Statement No. 90, "Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61," effective for the year ending June 30, 2020.
- GASB has issued Statement No. 91, "Conduit Debt Obligations," effective for the year ending June 30, 2022.

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

### ***Note 2* Participation in BOCES**

During the year ended June 30, 2019, the School District's share of BOCES income amounted to \$1,878,468. The School District was billed \$5,139,270 for BOCES administration and program costs. Financial statements for the OCM BOCES are available from their business office at 110 Elwood Davis Road, Liverpool, NY 13088.

### ***Note 3* Cash and Cash Equivalents - Custodial Credit and Concentration of Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. 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 No. 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 \$15,476,492 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

**Note 3 Cash and Cash Equivalents - Custodial Credit and Concentration of Credit Risks**

Restricted cash consists of the following at June 30, 2019:

General Fund Reserves	\$	4,990,110
Restricted for Debt		5,766,270
Restricted for School Lunch		115,087
Subtotal		10,871,467
Private Purpose Trust Fund		107,144
<b>Total</b>		<b>\$ 10,978,611</b>

**Note 4 Other Receivables**

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

	Description	Amount
General Fund	Reimbursements	\$ 258,830
Capital Fund	Reimbursements	2,176
<b>Total</b>		<b>\$ 261,006</b>

**Note 5 Interfund Balances and Activity**

Interfund balances at June 30, 2019, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 1,097,988	\$ 478,092	\$ 308,234	\$ 532,138
Special Aid Fund	96,768	705,900	32,138	
School Lunch Fund	33,529	120,511		
Debt Service Fund	848,674	308,234		308,234
Capital Projects Funds	326,564	790,786	500,000	
<b>Total</b>	<b>\$ 2,403,523</b>	<b>\$ 2,403,523</b>	<b>\$ 840,372</b>	<b>\$ 840,372</b>

The School District typically transfers to and from the General Fund for the School District's share of expenditures for a Special Aid Fund project and from the General Fund and Capital Projects Fund 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 the Capital Projects Fund, as needed, to fund capital projects.

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.

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

**Note 6 Capital Assets**

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>Ending Balance</u>
Capital Assets That Are Not Depreciated:				
Land	\$ 49,400	\$	\$	\$ 49,400
Construction in Progress	675,209	1,582,239	(193,521)	2,063,927
Total Nondepreciable Historical Cost	<u>724,609</u>	<u>1,582,239</u>	<u>(193,521)</u>	<u>2,113,327</u>
Capital Assets That Are Depreciated:				
Buildings	80,294,212		193,521	80,487,733
Furniture and Equipment	1,850,375	158,931	(903,225)	1,106,081
Total Depreciable Historical Cost	<u>82,144,587</u>	<u>158,931</u>	<u>(709,704)</u>	<u>81,593,814</u>
Total Historical Cost	<u>82,869,196</u>	<u>1,741,170</u>	<u>(903,225)</u>	<u>83,707,141</u>
Less Accumulated Depreciation:				
Buildings	(25,973,626)	(2,135,356)		(28,108,982)
Furniture and Equipment	(1,645,565)	(87,179)	903,225	(829,519)
Total Accumulated Depreciation	<u>(27,619,191)</u>	<u>(2,222,535)</u>	<u>903,225</u>	<u>(28,938,501)</u>
<b>Total Historical Cost, Net</b>	<b><u>\$ 55,250,005</u></b>	<b><u>\$ (481,365)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 54,768,640</u></b>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 10,718
Instruction	2,140,176
Pupil Transportations	65,715
School Lunch Program	5,926
<b>Total</b>	<b><u>\$ 2,222,535</u></b>

**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.

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

**Note 7 Short-term Debt - Continued**

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. BAN activity for the year is summarized below:

	Interest Rate	Maturity Date	Beginning Balance	Issued	Redeemed	Ending Balance
2019 BAN - Capital Construction	2.35%	7/12/2019	\$ -	\$ 693,545	\$ -	\$ 693,545
<b>Total</b>			<b>\$ -</b>	<b>\$ 693,545</b>	<b>\$ -</b>	<b>\$ 693,545</b>

Interest recorded on short-term debt during the year was comprised of:

Interest Accrued in the Current Year	\$ 15,673
<b>Total</b>	<b>\$ 15,673</b>

**Note 8 Long-term Debt**

At June 30, 2019, the total outstanding indebtedness of the School District represented 29.09% of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

- Serial 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.
- Installment Purchase Debt - During 2015-2016, the School District entered into installment purchase agreements for the purchase of school buses. The buses and related debt obligations were disposed of during 2019.

The following is a summary of the School District's long-term debt for the year ended June 30, 2019:

	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2019
Refunding Bonds:				
Refunding Bonds	10/01/2010	02/15/2022	3.0% - 4.0%	\$ 2,305,000
Refunding Bonds	04/19/2016	03/15/2021	2.0% - 4.0%	620,000
Refunding Bonds	04/19/2016	03/15/2024	2.0% - 4.0%	5,955,000
Plus: Unamortized Premium				3,451,383
Net Refunding Bonds				12,331,383
Serial Bonds:				
2013 Serial Bonds	11/19/2013	11/15/2018	1.50% - 1.75%	-
2017 Serial Bonds	06/08/2017	06/15/2032	3.0% - 5.0%	14,665,000
Total Serial Bonds				14,665,000
<b>Total Bonds Payable</b>				<b>\$ 26,996,383</b>

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

**Note 8 Long-term Debt - Continued**

Interest expense on long-term debt during the year was comprised of:

Interest Paid	\$ 1,130,000
Less Interest Accrued in the Prior Year	(134,829)
Plus Interest Accrued in the Current Year	135,307
Plus Amortization of Deferred Charges on Defeased Debt	148,316
Less Amortization of Bond Premium	<u>(298,396)</u>
 <b>Total</b>	 <b><u><u>\$ 980,398</u></u></b>

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>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds	\$ 26,710,000	\$	\$ (3,165,000)	\$ 23,545,000	\$ 3,145,000
Unamortized Premium	3,749,779		(298,396)	3,451,383	233,632
Installment Purchase Debt	317,083		(317,083)	-	-
<b>Total</b>	<b><u><u>\$ 30,776,862</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ (3,780,479)</u></u></b>	<b><u><u>\$ 26,996,383</u></u></b>	<b><u><u>\$ 3,378,632</u></u></b>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,145,000	\$ 1,028,300	\$ 4,173,300
2021	3,055,000	902,500	3,957,500
2022	2,935,000	796,800	3,731,800
2023	2,250,000	677,700	2,927,700
2024	2,330,000	595,200	2,925,200
2025-2029	6,085,000	2,152,250	8,237,250
2030-Thereafter	<u>3,745,000</u>	<u>347,200</u>	<u>4,092,200</u>
 <b>Total</b>	 <b><u><u>\$ 23,545,000</u></u></b>	 <b><u><u>\$ 6,499,950</u></u></b>	 <b><u><u>\$ 30,044,950</u></u></b>

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

**Note 8 Long-term Debt - Continued**

On October 1, 2010, the School District issued \$11,905,000 in general obligation bonds, with interest rates ranging between 3.0% and 4.0%. The School District issued the bonds to advance refund the \$11,990,000 of outstanding various general obligation bonds with interest rates ranging from 4.0% to 4.5%. 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 \$2,305,000 at June 30, 2019.

On April 19, 2016, the School District issued \$8,830,000 in general obligation bonds, with interest rates ranging between 1.5% and 4.0%. The School District issued the bonds to advance refund the \$8,830,000 of outstanding various general obligation bonds with interest rates ranging from 3.5 % to 4.0%. 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 \$8,830,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$6,575,000 at June 30, 2019.

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges on defeased debt are summarized as follows:

<u>Governmental Activities</u>	<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	\$ 621,875	\$ -	\$ (148,316)	\$ 473,559	\$ 136,245

**Note 9 Compensated Absences**

Compensated absences represent the value of the earned and unused portion of the liability of compensated absences. This liability is liquidated from the General and School Lunch Funds.

Compensated absences balances and activity are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 1,687,173	\$ 436,182	\$ -	\$ 2,123,355	\$ 50,011

Changes to long-term compensated absences are reported net, as it is impractical to individually determine the amount of additions and deletions during the fiscal year.

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

### ***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

#### **Plan Description and Benefits Provided Teachers' Retirement System (TRS)(System)**

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

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.



# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

***Note 10*** **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Plan Description and Benefits Provided Employees' Retirement System (ERS)(System)**

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

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

**Summary of Significant Accounting Policies**

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. System member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

# **HOMER CENTRAL SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

**Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Contributions**

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, and were as follows:

	<u>ERS</u>	<u>TRS</u>
<b>2019</b>	<b>\$ 440,939</b>	<b>\$ 1,475,554</b>
2018	444,713	1,777,175
2017	446,908	2,007,733

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

At June 30, 2019, the School District reported the following asset/liability for its proportionate share of the net pension asset/liability for each of the Systems. The net pension asset/liability was measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation. The School District's proportionate share of the net pension asset/liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

	<u>ERS</u>	<u>TRS</u>
Actuarial Valuation Date	04/01/2018	06/30/2017
Net Pension Asset/Liability	\$ 7,085,304,242	\$ (1,808,264,334)
School District's Proportionate Share of the Plan's Total Net Pension Asset/Liability	704,214	(1,680,662)
School District's Share of the Net Pension Asset/Liability	0.0099391%	0.092943%

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

**Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued**

For the year ended June 30, 2019, the School District recognized pension expense of \$469,234 for ERS and \$1,374,040 for TRS in the District-wide financial statements. At June 30, 2019 the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences Between Expected and Actual Experience	\$ 138,675	\$ 1,255,945	\$ 47,273	\$ 227,501
Changes of Assumptions	177,011	5,875,017		
Net Differences Between Projected and Actual Earnings on Pension Plan Investments			180,740	1,865,663
Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions	90,635	396,853	42,231	36,728
School District's Contributions Subsequent to the Measurement Date	<u>111,903</u>	<u>1,631,738</u>		
<b>Total</b>	<b><u>\$ 518,224</u></b>	<b><u>\$ 9,159,553</u></b>	<b><u>\$ 270,244</u></b>	<b><u>\$ 2,129,892</u></b>

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

<u>Year Ending</u>	<u>ERS</u>	<u>TRS</u>
2020	\$ 166,154	\$ 2,967,687
2021	(130,249)	190,303
2022	(1,950)	1,209,459
2023	102,122	825,497
Thereafter	-	204,977

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

**Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

### Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2019	June 30, 2018
Actuarial Valuation Date	April 1, 2018	June 30, 2017
Investment Rate of Return	7.0%	7.3%
Salary Increases	4.2%	1.9% - 4.7%
Cost of Living Adjustments	1.3%	1.5%
Inflation Rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP 2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

# **HOMER CENTRAL SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Actuarial Assumptions - Continued**

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

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

Measurement Date	<b>ERS</b>	<b>TRS</b>
	March 31, 2019	June 30, 2018
<b>Asset Type</b>		
Domestic Equities	4.6%	5.8%
International Equities	6.4%	7.3%
Global Equities		6.7%
Real Estate	5.6%	4.9%
Private equity/Alternative Investments	7.5%	8.9%
Absolute Return Strategies	3.8%	
Opportunistic Portfolio	5.7%	
Real Assets	5.3%	
Cash	(0.3)%	
Inflation-Indexed Bonds	1.3%	
Domestic Fixed Income Securities		1.3%
Global Fixed Income Securities		0.9%
Private Debt		6.8%
Real Estate Debt		2.8%
High-Yield Fixed Income Securities		3.5%
Mortgages and Bonds	1.3%	
Short-Term		0.3%

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

**Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Discount Rate**

The discount rate used to calculate the total pension asset/liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

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

The following presents the School District's proportionate share of the net pension asset/liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the School District's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

<b>ERS</b>	<b>1% Decrease (6.0%)</b>	<b>Current Assumption (7.0%)</b>	<b>1% Increase (8.0%)</b>
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 3,078,937	\$ 704,214	\$ (1,290,721)
<b>TRS</b>	<b>1% Decrease (6.25%)</b>	<b>Current (7.25%)</b>	<b>1% Increase (8.25%)</b>
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 11,546,424	\$ (1,680,662)	\$ (12,761,285)

**Pension Plan Fiduciary Net Position**

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

	<b>Dollars in Thousands</b>	
	<b>ERS</b>	<b>TRS</b>
Measurement Date	March 31, 2019	June 30, 2018
Employers' Total Pension Asset/Liability	\$ 189,803,429	\$ 118,107,253
Plan Net Position	(182,718,124)	(119,915,518)
<b>Employers' Net Pension Asset/Liability</b>	<b>\$ 7,085,305</b>	<b>\$ (1,808,265)</b>
Ratio of Plan Net Position to the Employers' Total Pension Asset/Liability	96.3%	101.5%

# **HOMER CENTRAL SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

**Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

**Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$111,903.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October, and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$1,727,108.

**Effect on Net Position**

Changes in the net pension asset/liability and deferred outflows and inflows of resources for the year ended June 30, 2019 resulted in the following effect on net position:

	<u>Beginning Balance</u>	<u>Change</u>	<u>Ending Balance</u>
<b>ERS</b>			
Net Pension Liability	\$ 330,008	\$ 374,206	\$ 704,214
Deferred Outflows of Resources	(1,002,515)	484,291	(518,224)
Deferred Inflows of Resources	1,098,221	(827,977)	270,244
Subtotal	<u>425,714</u>	<u>30,520</u>	<u>456,234</u>
<b>TRS</b>			
Net Pension Asset	(722,205)	(958,457)	(1,680,662)
Deferred Outflows of Resources	(9,747,650)	588,097	(9,159,553)
Deferred Inflows of Resources	2,026,110	103,782	2,129,892
Subtotal	<u>(8,443,745)</u>	<u>(266,578)</u>	<u>(8,710,323)</u>
<b>Total</b>	<u><u>\$ (8,018,031)</u></u>	<u><u>\$ (236,058)</u></u>	<u><u>\$ (8,254,089)</u></u>

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### **Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

#### **General Information about the OPEB Plan**

Plan Description - The School District's defined OPEB Plan (Plan) provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The plan is a single employer defined benefit healthcare plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements, because there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

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

Plan Description - The School District's defined OPEB Plan (Plan) provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The plan is a single employer defined benefit healthcare plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements, because there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

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

Employees Covered by Benefit Terms - At June 30, 2019, the following employees were covered by the benefit terms.

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	220
Active Members	352
<b>Total</b>	<u><u>572</u></u>



# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

### ***Note 11* Postemployment Benefits Other Than Pensions (OPEB)**

#### **Total OPEB Liability**

The School District's total OPEB liability of \$45,804,821 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Long-Term Bond Rate:	3.51%
Single Discount Rate	3.51%
Salary Scale	Varied by Years of Service and Retirement System
Rate of Inflation	3.00%
Healthcare Cost Trend Rates	5.50% for 2018, Decreasing to an Ultimate Rate of 3.84% by 2075

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the following:

- Mortality rates were based on Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using MP-2018.
- Termination and retirement rates were based on NYS ERS assumptions first adopted on April 1, 2015 and NYS TRS assumptions first adopted on June 30, 2015.
- Medical trend rates are based on the 2018 Getzen model with initial trend rate of 5.50% decreasing gradually to an ultimate rate of 3.84% in 2075.
- Dental trend rates are based on an initial rate of 4.50% decreasing by 0.25% annually to an ultimate rate of 3.00%.
- Actual spousal health coverage election was used for existing retirees.

The actuarial assumptions used in the June 30, 2018 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

# **HOMER CENTRAL SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

**Note 11 Postemployment Benefits Other Than Pensions (OPEB)**

**Changes in the Total OPEB Liability**

	<u><b>Total OPEB Liability</b></u>
<b>Balance at June 30, 2018</b>	<u>\$ 51,086,083</u>
<b>Changes for the Year</b>	
Service Cost	1,554,922
Interest Cost	2,010,288
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(492,417)
Changes in Assumptions or Other Inputs	(6,949,561)
Benefit Payments	<u>(1,404,494)</u>
Net Change	<u>(5,281,262)</u>
<b>Balance at June 30, 2019</b>	<u><b>\$ 45,804,821</b></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% at the measurement date of June 30, 2018 to 3.51% in June 30, 2019.

Sensitivity of the Total OPEB liability to Changes in the Discount Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 - percentage-point lower (2.51%) or 1-percentage-point higher (4.51%) than the current discount rate:

	<b>1% Decrease (2.51%)</b>	<b>Discount Rate (3.51%)</b>	<b>1% Increase (4.51%)</b>
Total OPEB Liability	\$ 58,273,626	\$ 45,804,821	\$ 40,684,550

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

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 39,047,695	\$ 45,804,821	\$ 60,913,768

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

**Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued**

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

For the year ended June 30, 2019, the School District recognized OPEB expense of \$2,428,724.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$	\$ (437,704)
Changes in Assumptions or Other Inputs		(8,122,725)
<b>Total</b>	<b>\$ -</b>	<b>\$ (8,560,429)</b>

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

<b>Fiscal Year Ending June 30,</b>	<b>Amount</b>
2020	\$ (1,136,486)
2021	(1,136,486)
2022	(1,136,486)
2023	(1,136,486)
2024	(1,136,486)
Thereafter	(2,877,999)

**Effect on Net Position**

Changes in the OPEB liability and deferred outflows and inflows of resources for the year ended June 30, 2019 resulted in the following effect on net position:

	<b>Beginning Balance</b>	<b>Change</b>	<b>Ending Balance</b>
Other Postemployment Benefits Liability	\$ 51,086,083	\$ (5,281,262)	\$ 45,804,821
Deferred Inflows of Resources	2,254,937	6,305,492	8,560,429
<b>Total Effect on Net Position</b>	<b>\$ 53,341,020</b>	<b>\$ 1,024,230</b>	<b>\$ 54,365,250</b>

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

### ***Note 12* Commitments and Contingencies**

#### **Risk Financing and Related Insurance - 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.

#### **Risk Financing and Related Insurance - 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, 2019, the School District incurred premiums or contribution expenditures totaling \$5,483,235.

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

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### Note 12 Commitments and Contingencies - Continued

#### Risk Financing and Related Insurance - 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, 2019, the School District had reserved \$1,066,067 in the General Fund to fund any claims. Workers' compensation charges for the year ended June 30, 2019 were \$85,459.

#### 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.

#### Other Items

The School District has received grants subject to audit by agencies of 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 Lease Obligations

The School District utilizes operating leases for the use of transportation equipment. The terms, interest rate, and annual payments for each lease are summarized below:

	<u>Dated</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Annual Payment</u>
2019 Lease	7/3/2018	5 years	2.75%	\$ 60,736
2019 Lease	7/3/2018	5 years	2.75%	14,695
2018 Lease	7/11/2017	5 years	2.80%	101,666
2017 Lease	8/30/2016	5 years	1.73%	107,976

Combined future minimum payments under these agreements are as follows:

2020	\$ 285,073
2021	285,073
2022	177,097
2023	<u>75,431</u>
<b>Total</b>	<b><u>\$ 822,674</u></b>

The School District's operating lease expenses were \$285,073 for year ended June 30, 2019.

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

**Note 14 Fund Balance Detail**

At June 30, 2019, nonspendable, restricted, assigned, and unassigned fund balance in the Governmental Funds was as follows:

	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
<b>Nonspendable</b>				
Prepaid Expenses	\$ 152,089	\$	\$	\$
Inventory		13,813		
<b>Total Nonspendable Fund Balance</b>	<b><u>\$ 152,089</u></b>	<b><u>\$ 13,813</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Restricted</b>				
Retirement Contribution Reserve	\$ 1,607,215	\$	\$	\$
Unemployment Insurance Reserve	248,065			
Workers Compensation Reserve	1,066,067			
Employee Benefits Accrued Liability Reserve	1,836,634			
Tax Certiorari Reserve	100,380			
Capital Reserve	131,749			
School Lunch		157,920		
Debt			5,766,270	
<b>Total Restricted Fund Balance</b>	<b><u>\$ 4,990,110</u></b>	<b><u>\$ 157,920</u></b>	<b><u>\$ 5,766,270</u></b>	<b><u>\$ -</u></b>
<b>Assigned</b>				
Appropriated for Next Year's Budget	\$ 680,000	\$	\$	\$
Encumbered for:				
General Support	142,999			
Instruction	531,808			
Pupil Transportation	20,022			
Employee Benefits	52			
<b>Total Assigned Fund Balance</b>	<b><u>\$ 1,374,881</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Unassigned</b>	<b><u>\$ 1,364,808</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$ (628,854)</u></b>
<b>Total Unassigned Fund Balance (Deficit)</b>	<b><u>\$ 1,364,808</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (628,854)</u></b>

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

**Note 15 Restricted Fund Balances**

Portions of restricted fund balance are reserved and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity of the General Fund and Debt Service Fund reserves, for the year ended June 30, 2019 were as follows:

<u>Restricted Fund Balances</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
<b>General Fund</b>					
Retirement Contribution Reserve	\$ 1,604,038	\$	\$ 3,177	\$	\$ 1,607,215
Employee Benefits Accrued Liability Reserve	1,835,795		839		1,836,634
Unemployment Insurance Reserve	247,574		491		248,065
Workers Compensation Reserve	1,065,580		487		1,066,067
Tax Certiorari Reserve	200,020	100,000	380	(200,020)	100,380
Capital Reserve	531,412		337	(400,000)	131,749
<b>Total General Fund</b>	<b><u>\$ 5,484,419</u></b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 5,711</u></b>	<b><u>\$ (600,020)</u></b>	<b><u>\$ 4,990,110</u></b>
<b>Debt Service Fund</b>	<b><u>\$ 6,050,383</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 24,121</u></b>	<b><u>\$ (308,234)</u></b>	<b><u>\$ 5,766,270</u></b>
<b>School Lunch Fund</b>	<b><u>\$ 150,931</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,989</u></b>	<b><u>\$ 157,920</u></b>

**Note 16 Stewardship, Compliance and Accountability**

**Deficit Net Position**

At June 30, 2019, the District-wide Statement of Net Position had an unrestricted deficit net position of \$45,365,203. This is primarily the result of the requirement to record other postemployment benefit liability with no requirement or mechanism to fund this liability. (See Note 11.) The deficit is not expected to be eliminated during the normal course of operations.

**Deficit Unassigned Fund Balance**

At June 30, 2019, the Capital Projects Fund had an unrestricted fund balance deficit of \$628,854. This deficit is expected to be eliminated with permanent financing at the completion of the respective projects.

**Note 17 Tax Abatements**

For the year ended June 30, 2019, property in the School District was subject to property tax abatements negotiated by the Cortland County Industrial Development Agency (CCIDA), and the Village of Homer (the Village).

CCIDA enters into PILOT agreements with businesses within Cortland County under New York State General Municipal Law 858. Economic development agreements entered into by CCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which CCIDA administers as a temporary reduction in the assessed value of the property involved. The abatement agreements generally stipulate a percentage reduction of property taxes, but sometimes stipulate a dollar value reduction in lieu of a percentage reduction.

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019**

**Note 17 Tax Abatements - Continued**

The Village entered into a property tax abatement agreement (Act) with a local business under Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth. Under the Act, localities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Village.

Information relevant to disclosure of the programs for the year ended June 30, 2019 is as follows:

	<b>Taxable Assesed Value</b>	<b>Combined Tax Rates</b>	<b>Tax Value</b>	<b>PILOT Received</b>	<b>Taxes Abated</b>
<b>Cortland County Industrial Development Agency</b>					
Forkey Construction & Fabricating Inc.	\$ 1,701,000	19.81	\$ 33,703	\$ 16,851	\$ 16,851
NY Susquehanna & Western Railway	159,574	19.81	3,162	9,375	-
<b>Village of Homer</b>					
Homer Housing Company	542,021	19.67	10,665	1,839	8,826
<b>Total PILOT Agreements</b>	<b>\$ 2,402,595</b>		<b>\$ 47,530</b>	<b>\$ 28,065</b>	<b>\$ 25,677</b>

**Note 18 Reclassification**

Certain amounts presented for the year ended June 30, 2018 have been reclassified to conform to the current year's presentation. Those reclassifications had no effect on the previously reported net position.

**Note 19 Subsequent Events**

**Bus Leases**

Subsequent to June 30, 2019, the School District entered into a lease agreement for the use of eight new school buses. The term of the agreement is 6 years and calls for five annual payments of \$152,089 with a balloon payment of \$257,000 in the sixth year.

**Bond Issuance**

At year end June 30, 2019, the School District was in the process of converting its existing bond anticipation note (BAN) into permanent financing through the issuance of a 15-year bond. The BAN was converted in July 2019 and the new bond calls for fixed annual payments ranging between \$20,000 and \$60,000 with biannual interest ranging from 3% to 5% over the term of the bond.



# HOMER CENTRAL SCHOOL DISTRICT

## SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
<b>Local Sources</b>				
Real Property Taxes	\$ 13,826,878	\$ 13,826,878	\$ 13,884,413	\$ 57,535
Real Property Tax Items	2,476,979	2,476,979	2,418,138	(58,841)
Nonproperty Taxes	2,000	2,000	2,416	416
Charges for Services	42,000	42,000	51,143	9,143
Use of Money and Property	81,350	81,350	87,852	6,502
Sale of Property and Compensation for Loss	26,500	26,500	12,260	(14,240)
Miscellaneous	358,850	358,850	448,319	89,469
<b>Total Local Sources</b>	<u>16,814,557</u>	<u>16,814,557</u>	<u>16,904,541</u>	<u>89,984</u>
State Sources	24,226,877	24,226,877	23,690,247	(536,630)
Federal Sources	25,500	25,500	48,171	22,671
<b>Total Revenues</b>	<u>41,066,934</u>	<u>41,066,934</u>	<u>40,642,959</u>	<u>(423,975)</u>
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	308,234	308,234	308,234	-
<b>Total Revenues and Other   Financing Sources</b>	<u>41,375,168</u>	<u>41,375,168</u>	<u>\$ 40,951,193</u>	<u>\$ (423,975)</u>
<b>Appropriated Fund Balance</b>	<u>680,000</u>	<u>680,000</u>		
<b>Encumbrances Carried   Forward from Prior Year</b>	<u>232,740</u>	<u>232,740</u>		
<b>Total Revenues, Appropriated   Reserves, and Designated   Fund Balance</b>	<u>\$ 42,287,908</u>	<u>\$ 42,287,908</u>		

*See 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, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>
<b>EXPENDITURES</b>		
<b>General Support</b>		
Board of Education	\$ 24,758	\$ 25,655
Central Administration	194,456	204,245
Finance	542,726	469,756
Staff	142,441	168,108
Central Services	2,688,758	2,675,718
Special Items	369,629	369,629
Total General Support	3,962,768	3,913,111
<b>Instruction</b>		
Instruction, Administration, and Improvement	1,193,451	1,228,795
Teaching - Regular School	11,682,607	11,772,129
Programs for Children with Handicapping Conditions	4,536,057	4,564,215
Occupational Education	1,154,037	1,154,994
Teaching - Special School	15,000	15,000
Instructional Media	1,145,143	1,358,089
Pupil Services	2,196,380	2,170,015
Total Instruction	21,922,675	22,263,237
Pupil Transportation	2,245,756	1,854,897
Community Services		18,053
Employee Benefits	9,707,609	9,388,420
<b>Debt Service</b>		
Principal	3,265,000	3,165,000
Interest	1,184,100	1,141,766
Total Debt Service	4,449,100	4,306,766
<b>Total Expenditures</b>	42,287,908	41,744,484
<b>OTHER FINANCING USES</b>		
Operating Transfers Out	-	543,424
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 42,287,908</b>	<b>\$ 42,287,908</b>
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
<b>Fund Balance - End of Year</b>		

*See Notes to Required Supplementary Information*

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 23,768	\$ 500	\$ 1,387
200,482	2,116	1,647
456,237	13	13,506
161,785		6,323
2,405,335	139,872	130,511
357,057	498	12,074
3,604,664	142,999	165,448
1,205,118	424	23,253
11,227,306	437,673	107,150
4,526,445	31,303	6,467
1,154,994		-
9,120		5,880
1,295,855	61,318	916
2,108,289	1,090	60,636
21,527,127	531,808	204,302
1,790,854	20,022	44,021
18,053		-
9,360,687	52	27,681
3,165,000		-
1,130,000		11,766
4,295,000	-	11,766
40,596,385	694,881	453,218
532,138		11,286
41,128,523	<b>\$ 694,881</b>	<b>\$ 464,504</b>
(177,330)		
8,059,218		
<b>\$ 7,881,888</b>		

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually Required Contribution	<b>\$ 440,939</b>	\$ 444,713	\$ 446,908
Contributions in Relation to the Contractually Required Contribution	<b>(440,939)</b>	(444,713)	(466,908)
Contribution Deficiency (Excess)	-	-	-
School District's Covered - Employee Payroll	<b>3,216,078</b>	3,214,082	3,112,302
Contributions as a Percentage of Covered - Employee Payroll	<b>13.7%</b>	13.8%	14.4%

\* Information unavailable at this time

## **SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually Required Contribution	<b>\$ 1,631,737</b>	\$ 1,475,554	\$ 1,777,175
Contributions in Relation to the Contractually Required Contribution	<b>(1,631,737)</b>	(1,475,554)	(1,777,175)
Contribution Deficiency (Excess)	-	-	-
School District's Covered - Employee Payroll	<b>15,350,301</b>	15,056,673	15,163,309
Contributions as a Percentage of Covered - Employee Payroll	<b>10.6%</b>	9.8%	11.7%

*See Notes to Required Supplementary Information*

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 563,316	\$ 500,913	\$ 631,180	\$ 609,827	\$ 461,529	\$ 354,860	\$ 255,573
(563,316)	(500,913)	(631,180)	(609,827)	(461,529)	(354,860)	(255,573)
-	-	-	-	-	-	-
3,220,366	3,064,569	3,183,592	3,251,047	3,099,768	3,184,951	*
17.5%	16.3%	19.8%	18.8%	14.9%	11.1%	N/A

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$2,007,733	\$2,654,266	\$2,375,633	\$1,790,258	\$1,603,408	\$1,244,046	\$1,015,556
(2,007,733)	(2,654,266)	(2,375,633)	(1,790,258)	(1,603,408)	(1,244,046)	(1,015,556)
-	-	-	-	-	-	-
15,141,275	15,142,989	14,619,280	15,120,422	14,432,115	14,432,088	16,406,397
13.3%	17.5%	16.3%	11.8%	11.1%	8.6%	6.2%

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY NYSERS PENSION PLAN FOR THE YEARS ENDED JUNE 30,**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's Proportion of the Net Pension Asset/Liability	<b>0.0099391%</b>	0.0102250%	0.0106162%	0.0116511%	0.0115939%
School District's Proportionate Share of the Net Pension Asset/Liability	<b>\$ 704,214</b>	\$ 330,008	\$ 997,521	\$ 1,870,036	\$ 391,671
School District's Covered - Employee Payroll During the Measurement Period	<b>3,216,078</b>	3,161,366	3,063,304	3,148,176	3,030,571
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered - Employee Payroll	<b>21.9%</b>	10.4%	32.6%	59.4%	12.9%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	<b>96.3%</b>	98.2%	94.7%	90.7%	97.9%

## **SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's Proportion of the Net Pension Asset/Liability	<b>0.092943%</b>	0.095015%	0.098267%	0.100798%	0.098969%
School District's Proportionate Share of the Net Pension Asset/Liability	<b>\$ (1,680,662)</b>	\$ (722,205)	\$ 1,052,482	\$ (10,469,734)	\$ (11,024,542)
School District's Covered - Employee Payroll During the Measurement Period	<b>15,056,673</b>	15,163,609	15,141,275	15,142,989	14,619,280
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered - Employee Payroll	<b>60.8%</b>	4.8%	7.0%	69.1%	75.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	<b>100.5%</b>	100.7%	99.0%	110.5%	111.5%

*See Notes to Required Supplementary Information*

# *HOMER CENTRAL SCHOOL DISTRICT*

## SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	2019	2018	2017
Service Cost	\$ 1,554,922	\$ 1,616,075	\$ *
Interest Cost	2,010,288	1,816,998	*
Changes of Benefit Terms	-	-	*
Differences Between Expected and Actual Experience	(492,417)	-	*
Changes in Assumptions or Other Inputs	(6,949,561)	(2,564,537)	*
Benefit Payments	(1,404,494)	(1,073,198)	*
	(5,281,262)	(204,662)	*
Total OPEB Liability - Beginning	51,086,083	51,290,745	*
<b>Total OPEB Liability - Ending</b>	<b>\$ 45,804,821</b>	<b>\$ 51,086,083</b>	<b>\$ 51,290,745</b>
Covered Employee Payroll	\$ 15,756,668	\$ 17,585,722	\$ *
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>290.70%</b>	<b>290.50%</b>	*

\* Information is unavailable and will be present as it becomes available.

*See Notes to Required Supplementary Information*

<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
*	*	*	*	*	*	*



# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2019**

***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**

Budget policies are as follows:

- An annual operating budget is maintained for the General Fund, which is a Governmental Fund.
- 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.
- 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.
- 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.
- Expenditures may not legally exceed appropriations at the fund level.
- All modifications of the budget must be approved by the Board of Education.

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

### *Note 2* **Budget Policies - Continued**

- 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	\$ 42,055,168
Prior Year's Encumbrances	232,740
Original Budget	<u>42,287,908</u>
<b>Final Budget</b>	<b><u>\$ 42,287,908</u></b>

### *Note 3* **Reconciliation of the General Fund Budget Basis to GAAP**

No adjustment is necessary to convert the General Fund's excess of expenditures and other uses over revenues and other sources 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, 2019.

### *Note 4* **Schedule of Changes in the School District's Total OPEB Liability and Related Ratios**

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rates in the current period:

2019 - 3.51%
2018 - 3.87%

### *Note 5* **Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability**

The Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability, required supplementary information, will present ten years of information as it becomes available from the pension plans.

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2019**

***Note 6*** **Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability**

### **NYSLRS**

#### **Changes in Benefit Terms**

There were no significant legislative changes in benefits.

#### **Changes of Assumptions**

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2018 actuarial valuation.

#### **Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

The April 1, 2018 actuarial valuation determines the employer rates for contributions payable in fiscal year 2019. The following actuarial methods and assumptions were used:

Actuarial Cost Method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset Valuation Period	5-year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary Scale	3.8% in ERS, indexed by service.
Investment Rate of Return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of Living Adjustments	1.3% annually.

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019**

### ***Note 6* Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability - Continued**

#### **NYSTRS**

##### **Changes in Benefit Terms**

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who joined on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

##### **Changes of Assumptions**

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based upon book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition, at a rate of 20% per year, of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/ loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

# HOMER CENTRAL SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

**Note 6 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability - Continued**

**NYSTRS - Continued**

**Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

The actuarially determined contribution rates in the Schedule of School District's Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School District's Contributions.

Actuarial Cost Method

The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.

Asset Valuation Method

5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 7.5% at a rate of 20.0% per year, until fully recognized after five years.

Inflation

2.5%

Projected Salary Increases

Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment Rate of Return

7.5% compounded annually, net of investment expenses, including inflation.

Projected Cost of Living Adjustments

1.5% compounded annually.

# 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, 2019

### CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 42,055,168
Prior Year's Encumbrances	<u>232,740</u>
Original Budget	<u>42,287,908</u>
<b>Final Budget</b>	<b><u><u>\$ 42,287,908</u></u></b>

### §1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

<b>Next Year's Budget is a Voter Approved Budget</b>	<b><u><u>\$43,220,650</u></u></b>	
2019-2020 Expenditure Budget Maximum Allowed (4% of 2019-2020 Budget)		\$ 1,728,826
General Fund Fund Balance Subject to §1318 of Real Property Tax Law		
Unrestricted Fund Balance:		
Assigned Fund Balance	\$ 1,374,881	
Unassigned Fund Balance	<u>1,364,808</u>	
Total Unrestricted Fund Balance	<u><u>2,739,689</u></u>	
Less:		
Appropriated Fund Balance	\$ 680,000	
Encumbrances Included in Assigned Fund Balance	<u>694,881</u>	
Total Adjustments	<u><u>1,374,881</u></u>	
<b>General Fund Fund Balance Subject to §1318 of Real Property Tax Law</b>		<b><u><u>\$ 1,364,808</u></u></b>
<b>Actual Percentage</b>		3.16%

# *HOMER CENTRAL SCHOOL DISTRICT*

## SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2019

<b>PROJECT TITLE</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Expenditures</b>		
			<b>Prior Years</b>	<b>Current Year</b>	<b>Total</b>
Phase III 02-012	\$ 900,482	\$ 900,482	\$ 438,948	\$	\$ 438,948
HS Stadium Renovations 002-014	1,093,545	1,093,545	36,000	875,419	911,419
Bus Garage 5003-010	100,000	100,000	97,520		97,520
Bus Garage 5003-009	900,482	900,482	102,741	610,820	713,561
Bus Garage 5003-011	100,000	100,000		96,000	96,000
Unredeemed BAN's					-
<b>Totals</b>	<b>\$3,094,509</b>	<b>\$3,094,509</b>	<b>\$ 675,209</b>	<b>\$1,582,239</b>	<b>\$ 2,257,448</b>

**\*Architectural and State Approved Budget Modifications for Subproject  
Reallocations Not Yet Finalized and Available at this Report Date.**

<b>Unexpended Balance</b>	<b>Methods of Financing</b>			<b>Fund Balance (Deficit) June 30, 2019</b>
	<b>Proceeds of Obligations</b>	<b>Local Sources</b>	<b>Total</b>	
\$	\$ 315,033	\$	\$ 315,033	\$ (123,915) *
182,126	693,545	400,000	1,093,545	182,126 *
2,480		100,000	100,000	2,480 *
	713,561		713,561	-
		100,000	100,000	4,000 *
	(693,545)		(693,545)	(693,545)
<b>\$ 184,606</b>	<b>\$1,028,594</b>	<b>\$ 600,000</b>	<b>\$ 1,628,594</b>	<b>\$ (628,854)</b>



# ***HOMER CENTRAL SCHOOL DISTRICT***

## **SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2019**

<b>Capital Assets, Net</b>	<u>\$ 54,768,640</u>
Add:	
Deferred Charges on Defeased Debt	<u>473,559</u>
Deduct:	
Premium on Bonds	<u>(3,451,383)</u>
Bond Anticipation Notes	<u>(693,545)</u>
Short-term Portion of Bonds Payable	<u>(3,145,000)</u>
Long-term Portion of Bonds Payable	<u>(20,400,000)</u>
<b>Net Investment in Capital Assets</b>	<u><u>\$ 27,552,271</u></u>

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

Board of Education  
Homer Central School District  
Homer, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Homer Central School District (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 9, 2019.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 9, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY UNIFORM GUIDANCE**

Board of Education  
Homer Central School District  
Homer, New York

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

We have audited Homer Central School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2019. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

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

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

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

In our opinion, the School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## **Report on Internal Control over Compliance**

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

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

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

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

Respectfully Submitted,



Inero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 9, 2019

# HOMER CENTRAL SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA #	Pass - Through Grantor #	Pass - Through to Subrecipients	Expenditures
<b>U.S. Department of Education</b>				
Passed Through NYS Department of Education:				
Title I Grants to Local Educational Agencies	84.010	0021190570	\$	\$ 385,140
		Subtotal	-	385,140
Special Education Cluster:				
Special Education - Grants to States	84.027	0032190154		515,025
Special Education - Preschool Grants	84.173	0033190154		9,275
		Subtotal	-	524,300
Improving Teacher Quality State Grants	84.367	0147190570		9,973
Improving Teacher Quality State Grants	84.367	0147180570		4,973
		Subtotal	-	14,946
<b>Total Department of Education</b>			-	924,386
<b>U.S. Department of Agriculture</b>				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	(1)		448,745
School Breakfast Program	10.553	(1)		117,163
<b>Total U.S. Department of Agriculture</b>			-	565,908
<b>U.S. Department of Homeland Security</b>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(1)		496
<b>Total U.S. Department of Homeland Security</b>			-	496
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 1,490,790</b>

(1) Denotes - Unable to Obtain from Pass-Through Entity

*See Notes to Schedule of Expenditures of Federal Awards*

# ***HOMER CENTRAL SCHOOL DISTRICT***

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2019**

***Note 1***     **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the School District, an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

***Note 2***     **Basis of Accounting**

The basis of accounting varies by Federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

***Note 3***     **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

***Note 4***     **Matching Costs**

Matching costs, i.e., the School District's share of certain program costs, are not included in the reported expenditures.

***Note 5***     **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2019, the School District received \$61,862 worth of commodities under the National School Lunch Program (CFDA #10.555).

***Note 6***     **Other Disclosures**

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the School District's casualty insurance policies. There were no loans or loan guarantees outstanding at year end. No amounts were provided to subrecipients.

# HOMER CENTRAL SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

### Section I - Summary of Auditors' Results

#### *Financial Statements*

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?      yes   X   no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?      yes   X   none reported

Noncompliance material to financial statements noted?      yes   X   no

#### *Federal Awards*

Internal control over major programs:

Material weakness(es) identified?      yes   X   no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?      yes   X   none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?      yes   X   no

#### Identification of major programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I Grants to Local Educational Agencies</u>

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk?   X   yes      no

**Section II - Financial Statement Findings** None

**Section III - Federal Award Findings and Questioned Costs** None