

HOMER CENTRAL SCHOOL DISTRICT

FINANCIAL REPORT

June 30, 2017



HOMER CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Homer Central School District
Homer, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Homer Central School District (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended June 30, 2017, the School District adopted Government Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Funding Progress, 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 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 September 28, 2017 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 28, 2017

HOMER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2017. This section is a summary of the School District's financial activities based on currently known facts, decisions or conditions. It is also based on both the District-wide and Governmental Fund 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's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." This statement requires the School District to record a liability in 2017 for other postemployment benefits of \$14,252,341.
- The School District's records their proportionate share of the net pension (asset) liability along with deferred inflows and deferred outflows related to pensions in accordance with the parameters of GASB statement No. 68. "Accounting and Financial Reporting for Pensions" This statement results in an increase of District-wide expenses of \$108,083 during the year ended June 30, 2017.
- Total revenue exceeded expenses in 2017 by \$3,576,486 compared to 2016, when revenue exceeded expenses by \$3,837,206. The School District ended the year with a net position of \$37,303,467, compared to a net position of \$33,726,981 in 2016.
- During the year, the School District had expenses from providing functions and programs of \$38,187,066 of which \$24,847,129 was provided from State and Federal sources. The balance was funded by taxes and other miscellaneous revenues.
- The General Fund reported an excess of revenues and other sources over expenditures and other uses for the year of \$223,398.
- Total General Fund fund balance, including reserves, was \$8,016,034 at June 30, 2017. Restricted fund balance of \$5,483,519 consisted of General Fund restricted reserves; assigned fund balance of \$897,150 consisted of encumbrances of \$217,150, and appropriations to support the 2017-2018 budget of \$680,000; \$1,635,365 of fund balance was unassigned.

HOMER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

- Changes in enrollment:

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

School Year	Enrollment
2000-2001	2,464
2001-2002	2,431
2002-2003	2,427
2003-2004	2,363
2004-2005	2,318
2005-2006	2,275
2006-2007	2,265
2007-2008	2,201
2008-2009	2,215
2009-2010	2,169
2010-2011	2,202
2011-2012	2,154
2012-2013	2,098
2013-2014	2,139
2014-2015	2,036
2015-2016	2,041
2016-2017	2,036

- 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 2016-2017. It is difficult for the state to support public education in the wake of fiscal distress in the economy and natural disasters throughout the nation. Increases in retirement and health insurance costs continue to stress our ability to provide educational programming for our children.

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

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

HOMER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

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

Year	Budget	State Aid	Levy
2001-2002	\$ 25,433,397	\$ 14,226,684	\$ 8,698,930
2002-2003	28,434,163	16,326,691	9,477,860
2003-2004	28,366,636	15,079,697	10,828,620
2004-2005	29,397,295	15,802,920	11,529,815
2005-2006	31,165,450	16,556,920	12,215,850
2006-2007	33,261,250	18,011,890	12,927,370
2007-2008	36,162,815	19,361,255	13,419,900
2008-2009	37,198,050	20,292,070	13,969,410
2009-2010	40,078,343	20,553,032	13,969,410
2010-2011	38,286,495	18,378,786	14,282,650
2011-2012	39,846,943	18,461,864	14,865,845
2012-2013	38,830,951	19,054,452	15,240,767
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

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 FOR THE YEAR ENDED JUNE 30, 2017

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%

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 Funding Progress related to the School District's unfunded actuarial liability for postemployment benefits, and information related to the School District's pension obligations.

HOMER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

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 of resources, liabilities, and deferred inflows of resources - is one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, 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.

HOMER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net position for fiscal year ended June 30, 2017 increased by \$3,576,486. 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>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>Current assets</i>	\$ 14,700,218	\$ 8,173,807	\$ (6,526,411)
<i>Noncurrent assets</i>	20,550,558	9,471,302	(11,079,256)
<i>Capital assets, net</i>	53,094,946	63,299,420	10,204,474
<i>Total Assets</i>	88,345,722	80,944,529	(7,401,193)
<i>Pensions</i>	3,804,637	11,032,808	7,228,171
<i>Deferred charges on defeased debt</i>	915,641	771,818	(143,823)
<i>Total Deferred Outflows of Resources</i>	4,720,278	11,804,626	7,084,348
<i>Current liabilities</i>	23,121,785	6,167,709	(16,954,076)
<i>Noncurrent liabilities</i>	32,301,653	48,675,845	16,374,192
<i>Total Liabilities</i>	55,423,438	54,843,554	(579,884)
<i>Pensions</i>	3,915,581	602,134	(3,313,447)
<i>Total Deferred Inflows of Resources</i>	3,915,581	602,134	(3,313,447)
<i>Net investment in capital assets</i>	25,964,824	29,944,446	3,979,622
<i>Restricted</i>	11,304,984	12,383,562	1,078,578
<i>Unrestricted</i>	(3,542,827)	(5,024,541)	(1,481,714)
<i>Total Net Position</i>	\$ 33,726,981	\$ 37,303,467	\$ 3,576,486

The decrease in current assets was primarily due to a decrease in cash balances resulting from a large increase in restricted fund balance for the Debt Service Fund, partially offset by an increase in receivables. Noncurrent assets and deferred inflows and outflows of resources - pensions decreased as a result of changes in the actuarial, determined net pension (asset) liability and related deferred outflows and inflows of resources for the system's plans. The increase in capital assets, net of accumulated depreciation, is primarily due to capital outlay exceeding of depreciation.

HOMER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

The decrease in current liabilities was mainly the result of a decrease in accounts payable in the amount of \$71,799, a decrease of retainage on capital projects in the amount of \$356,672, and the decrease in BANs payable in the amount of \$15,000,000.

The increase in noncurrent liabilities is a result of the School District issuing a serial bond in the amount of \$16,125,000, an increase in other postemployment benefits liability, and the pension (asset) liability, partially offset by bond payments, installment debt payments, and a decrease in compensated absences.

The increase in the net investment in capital assets is primarily due to increased net capital assets, less installment debt and bonds payable. The net effect of the School District's activities resulted in an increase in total net position of \$3,576,486.

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

Figure 2

Condensed Statement of Net Position	Governmental Activities and Total School District		Total Dollar Change
	2016	2017	2016 - 2017
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 470,091	\$ 456,453	\$ (13,638)
<i>Operating grants and contributions</i>	1,698,047	1,788,815	90,768
<i>General Revenues:</i>			
<i>Real property taxes</i>	13,200,554	13,361,542	160,988
<i>Real property tax items</i>	2,771,427	2,618,108	(153,319)
<i>State sources</i>	21,633,050	23,031,679	1,398,629
<i>Use of money and property</i>	82,746	80,314	(2,432)
<i>Other general revenues</i>	477,499	426,641	(50,858)
Total Revenues	\$ 40,333,414	\$ 41,763,552	\$ 1,430,138
PROGRAM EXPENSES			
<i>General support</i>	4,212,955	4,519,183	306,228
<i>Instruction</i>	27,491,061	29,396,572	1,905,511
<i>Pupil transportation</i>	2,738,392	2,832,891	94,499
<i>Community service</i>	22,249	25,421	3,172
<i>School lunch program</i>	1,012,527	987,349	(25,178)
<i>Interest on debt</i>	1,019,024	425,650	(593,374)
Total Expenses	\$ 36,496,208	\$ 38,187,066	\$ 1,690,858
INCREASE IN NET POSITION	\$ 3,837,206	\$ 3,576,486	\$ (260,720)

HOMER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Total revenues for the School District's governmental activities increased \$1,430,138, or 3.5%, while total expenses increased \$1,690,858 or 4.6%. The increase in revenues is primarily due to an increase in basic formula state aid. The increase in expenses for general support expenses is due to an overpayment in State Aid that the School District received in prior years that the State is recovering from the School District in the amount of \$438,589 in the 2017 and \$85,012 in 2018. The increase in instruction and transportation expenses is due to increased personnel costs from higher salaries and benefits compared to the prior year. The decreased interest on debt is due to premiums received, which reduced current expense.

Figures 3 and 4 show the sources of revenue for 2017 and 2016.

Figure 3

Sources of Revenue for 2017

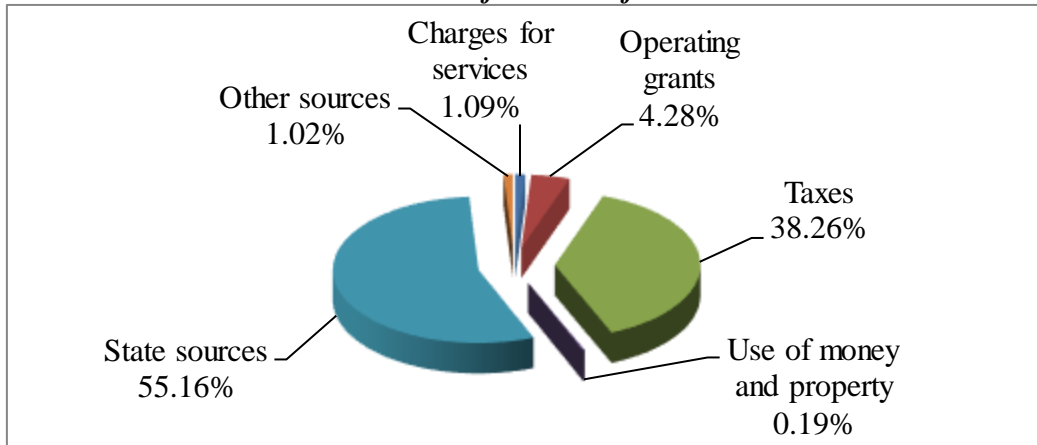
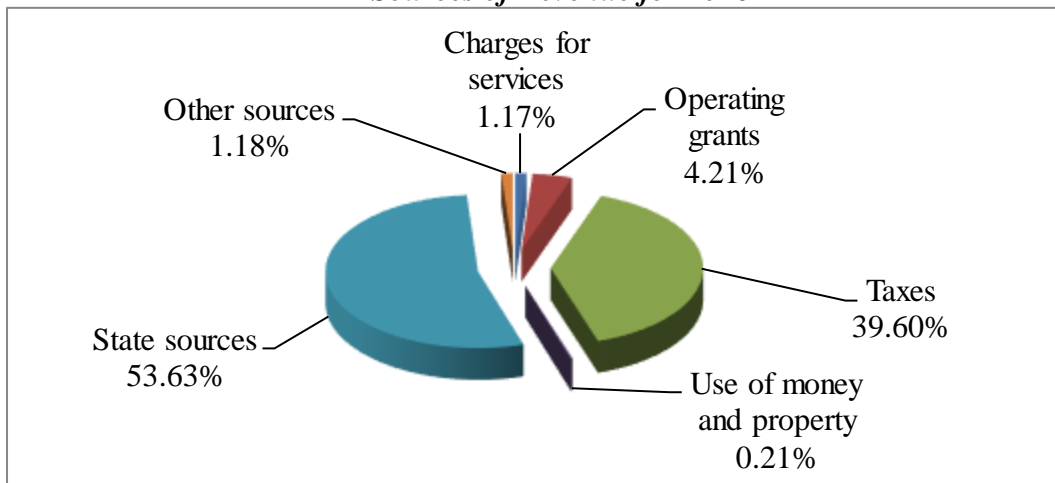


Figure 4

Sources of Revenue for 2016



HOMER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Figures 5 and 6 present the cost of each of the School District's programs for 2017 and 2016.

Figure 5

Cost of Programs for 2017

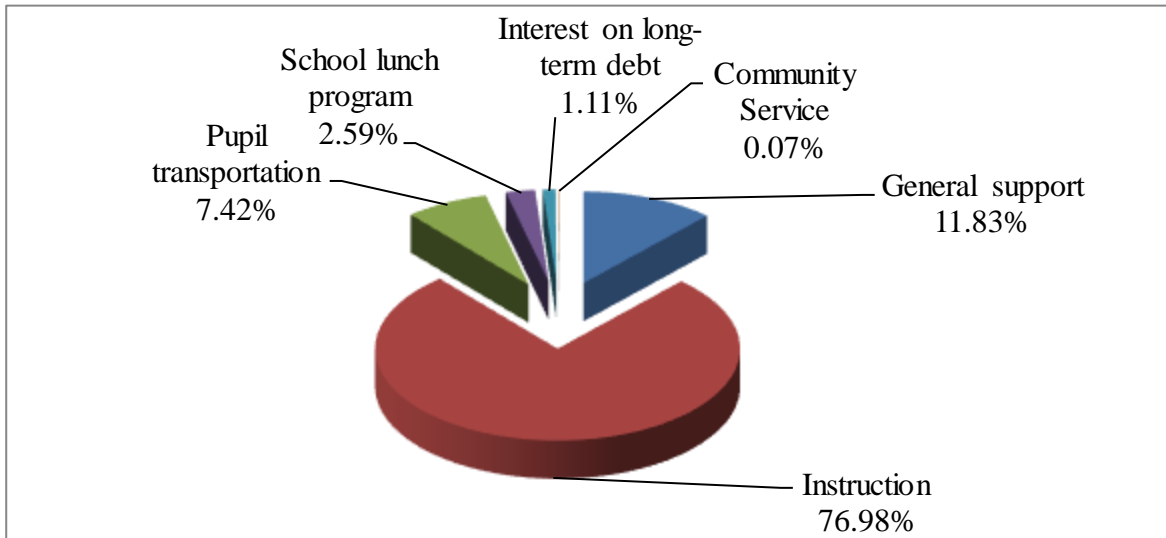
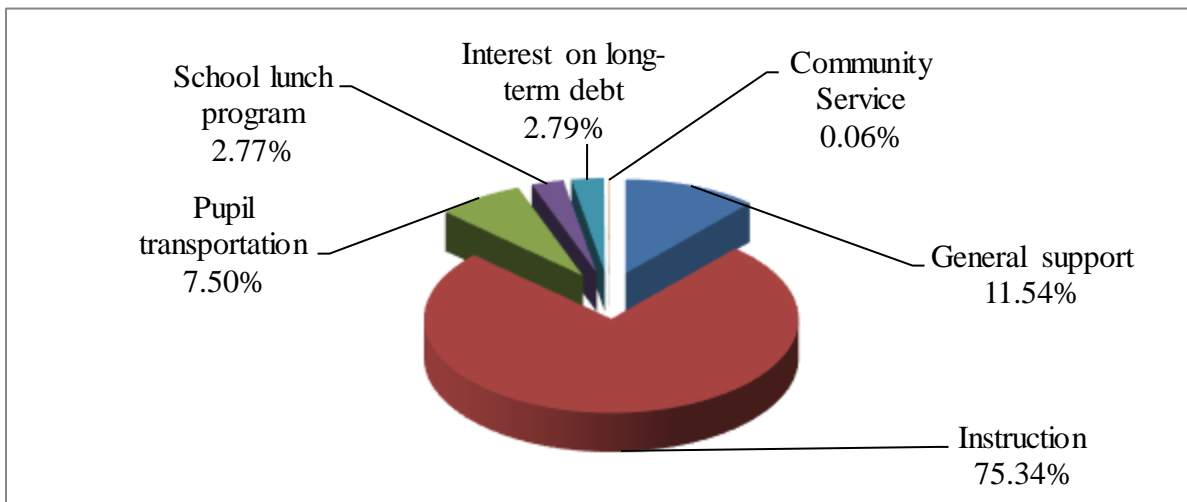


Figure 6

Cost of Programs for 2016



HOMER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

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 \$14,916,077; compared to last year's balance of \$6,904,146. This is largely the result of the elimination of a BAN liability during the current year in the amount of \$15,000,000.

Figure 7

<i>Governmental Fund Balances</i>	<i>2016</i>	<i>2017</i>	<i>Total Dollar Change 2016-2017</i>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 7,792,636	\$ 8,016,034	\$ 223,398
<i>School Lunch Fund</i>	183,072	161,755	(21,317)
<i>Debt Service Fund</i>	5,982,559	6,048,641	66,082
<i>Capital Funds</i>	(7,054,121)	689,647	7,743,768
<i>Total Governmental Funds</i>	\$ 6,904,146	\$ 14,916,077	\$ 8,011,931

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.

HOMER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

After considering these adjustments, actual charges to appropriations (expenditures) were below final budget amounts by \$1,909,974, including carry-over encumbrances.

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances) and variances for the year ending June 30, 2017.

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2017</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real property taxes</i>	\$ 13,321,602	\$ 13,321,602	\$ 13,361,542	\$ 39,940
<i>Other tax items</i>	2,616,868	2,616,868	2,618,108	1,240
<i>State sources</i>	24,233,255	24,233,255	22,999,294	(1,233,961)
<i>Federal sources</i>	35,000	35,000	26,635	(8,365)
<i>Miscellaneous</i>	675,951	675,951	626,717	(49,234)
<i>Other, including financing sources</i>	323,762	3,070,791	3,200,211	129,420
Total Revenues and Other Financing Sources	\$ 41,206,438	\$ 43,953,467	\$ 42,832,507	\$ (1,120,960)
Appropriated Fund Balances	\$ 782,766	\$ 782,766	\$	\$
EXPENDITURES				
<i>General support</i>	\$ 3,888,607	\$ 4,542,160	\$ 4,235,809	\$ 306,351
<i>Instruction</i>	20,101,489	20,631,354	20,001,448	629,906
<i>Pupil transportation</i>	2,141,255	1,931,267	1,607,986	323,281
<i>Community service</i>		16,953	16,953	-
<i>Employee benefits</i>	9,935,176	9,209,893	8,580,805	629,088
<i>Debt service</i>	5,922,677	8,027,251	8,023,363	3,888
<i>Other financing uses</i>		377,355	359,895	17,460
Total Expenditures and Other Financing (Uses)	\$ 41,989,204	\$ 44,736,233	\$ 42,826,259	\$ 1,909,974

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the School District had invested in a broad range of capital assets. The net increase in capital assets, including additions and disposals and charges to accumulated depreciation, was \$10,204,474 compared to a net increase in capital assets of \$7,874,101 last year.

HOMER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Figure 9

<i>Changes in Capital Assets</i>	<i>2016</i>	<i>2017</i>	<i>Total Dollar Change 2016-2017</i>
<i>Land</i>	\$ 49,400	\$ 49,400	\$ -
<i>Construction in progress</i>	9,420,642	438,947	(8,981,695)
<i>Buildings, net</i>	41,927,041	61,969,757	20,042,716
<i>Equipment, net</i>	1,697,863	841,316	(856,547)
<i>Total</i>	\$ 53,094,946	\$ 63,299,420	\$ 10,204,474

Capital asset activity for the year ended June 30, 2017 included the following:

Construction in progress	\$ 11,171,783
Total additions	<u>11,171,783</u>
Less net book value of disposed equipment	(77,317)
Less depreciation expense	<u>(889,992)</u>
Net Increase in Capital Assets	\$ <u><u>10,204,474</u></u>

Debt Administration

Debt, both short and long-term, considered a liability of governmental activities, decreased by \$(611,704) in 2017, as shown in *Figure 10*. The total indebtedness represented 37.16% 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 2016-2017</i>
	<i>2016</i>	<i>2017</i>	
<i>Serial bonds, net</i>	\$ 18,989,221	\$ 33,697,945	\$ 14,708,724
<i>Bond anticipation notes</i>	15,211,050		(15,211,050)
<i>Installment debt, net</i>	538,225	428,847	(109,378)
<i>Total</i>	\$ 34,738,496	\$ 34,126,792	\$ (611,704)

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

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

HOMER CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Facilities Improvement Project

The Homer Central School District along with LeChase Construction Management and Hunt Architects have completed Phases I and II of their \$21 Million Facilities Improvement Project. The main scope of the project is taking place at Homer High School. The School District has worked with Fiscal Advisors to secure an \$18.5 million bond for the project. The project will impact taxpayers through 2030.

Capital Outlay Projects

In 2016-17, the School District used project money to facilitate the creation of new digital thermal controls for new HVAC infrastructure. The Capital Outlay Projects are 100% aidable through NYS Education Funding. For the 2017-18 school-year, the School District will focus on physical improvements at the Bus Garage as part of the Capital Outlay Project.

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 2017

ASSETS

Current Assets

Cash - Unrestricted	\$	<u>2,584,559</u>
Cash - Restricted		<u>2,898,280</u>
Receivables:		
State and federal aid		<u>2,390,338</u>
Due from other governments		<u>254,298</u>
Other		<u>32,352</u>
Inventories		<u>13,980</u>
Total Current Assets		<u>8,173,807</u>

Noncurrent Assets

Restricted cash		<u>9,471,302</u>
Capital assets, net:		
Land and construction in progress		<u>488,347</u>
Depreciable capital assets, net		<u>62,811,073</u>
Total Noncurrent Assets		<u>72,770,722</u>

Total Assets		<u>80,944,529</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred charges on defeased debt		<u>771,818</u>
Pension		<u>11,032,808</u>
Total Deferred Outflows of Resources		<u>11,804,626</u>

LIABILITIES

Current Liabilities

Payables:		
Accounts payable		<u>394,360</u>
Accrued liabilities		<u>83,519</u>
Due to other governments		<u>215,857</u>
Bond interest and matured bonds		<u>119,967</u>
Due to Teachers' Retirement System		<u>1,865,202</u>
Due to Employees' Retirement System		<u>115,083</u>
Compensated absences payable		<u>40,827</u>
Unearned revenues		<u>14,184</u>
Current portion of long-term liabilities:		
Bonds payable		<u>3,206,946</u>
Installment debt payable		<u>111,764</u>
Total Current Liabilities		<u>6,167,709</u>

Noncurrent Liabilities and Obligations

Bonds payable		<u>30,490,999</u>
Installment debt payable		<u>317,083</u>
Compensated absences payable		<u>1,565,419</u>
Other postemployment benefits liability		<u>14,252,341</u>
Net pension liability - Proportionate share		<u>2,050,003</u>
Total Noncurrent Liabilities and Obligations		<u>48,675,845</u>

Total Liabilities		<u>54,843,554</u>
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DEFERRED INFLOWS OF RESOURCES

Pension		<u>602,134</u>
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NET POSITION

Net investment in capital assets		<u>29,944,446</u>
Restricted		<u>12,383,562</u>
Unrestricted (deficit)		<u>(5,024,541)</u>

Total Net Position	\$	<u>37,303,467</u>
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See Independent Auditor's Report and Notes to Basic Financial Statements

HOMER CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Capital Grants	
General support	\$ 4,519,183	\$ 44,598	\$	\$	\$ (4,474,585)
Instruction	29,396,572	33,004	1,246,049		(28,117,519)
Pupil transportation	2,832,891				(2,832,891)
Community services	25,421				(25,421)
School lunch program	987,349	378,851	542,766		(65,732)
Interest on debt	425,650				(425,650)
Total Functions and Programs	\$ 38,187,066	\$ 456,453	\$ 1,788,815	\$ -	(35,941,798)
GENERAL REVENUES					
Real property taxes					13,361,542
Real property tax items					2,618,108
Use of money and property					80,314
State sources					23,031,679
Sale of property and compensation for loss					(22,374)
Miscellaneous					449,015
Total General Revenues					39,518,284
Change in Net Position					3,576,486
Total Net Position - Beginning of Year					33,726,981
Total Net Position - End of Year					\$ 37,303,467

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

HOMER CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	Major Funds		
	General Fund	Special Revenue Fund	
		Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 982,080	\$ 322,442	\$ 390,277
Cash - Restricted	7,108,105		147,775
Receivables:			
Due from other funds	1,152,389	25,201	38,518
State and Federal aid	2,181,491	207,444	1,403
Due from other governments	254,298		
Other	27,838		2,338
Inventories			13,980
Total Assets	\$ 11,706,201	\$ 555,087	\$ 594,291
LIABILITIES			
Accounts payable	\$ 394,094	\$ 266	\$
Accrued liabilities	61,083	16,990	5,446
Due to other funds	991,471	537,831	419,456
Due to other governments	215,757		100
Due to Teachers' Retirement System	1,865,202		
Due to Employees' Retirement System	115,083		
Unearned revenues	6,650		7,534
Compensated absences payable	40,827		
Total Liabilities	3,690,167	555,087	432,536
FUND BALANCES			
Nonspendable			13,980
Restricted	5,483,519		147,775
Assigned	897,150		
Unassigned	1,635,365		
Total Fund Balances (Deficit)	8,016,034	-	161,755
Total Liabilities and Fund Balances	\$ 11,706,201	\$ 555,087	\$ 594,291

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

Major Funds		
Debt Service Fund	Capital Projects Fund - Construction	Total Governmental Funds
\$	\$ 889,760	\$ 2,584,559
<u>3,987,783</u>	<u>1,125,919</u>	<u>12,369,582</u>
<u>2,060,858</u>	<u>651,841</u>	<u>3,928,807</u>
		<u>2,390,338</u>
		<u>254,298</u>
	<u>2,176</u>	<u>32,352</u>
		<u>13,980</u>
\$ <u>6,048,641</u>	\$ <u>2,669,696</u>	\$ <u>21,573,916</u>
\$	\$	\$ 394,360
		<u>83,519</u>
	<u>1,980,049</u>	<u>3,928,807</u>
		<u>215,857</u>
		<u>1,865,202</u>
		<u>115,083</u>
		<u>14,184</u>
		<u>40,827</u>
<u>-</u>	<u>1,980,049</u>	<u>6,657,839</u>
		<u>13,980</u>
<u>6,048,641</u>	<u>689,647</u>	<u>12,369,582</u>
		<u>897,150</u>
		<u>1,635,365</u>
<u>6,048,641</u>	<u>689,647</u>	<u>14,916,077</u>
\$ <u>6,048,641</u>	\$ <u>2,669,696</u>	\$ <u>21,573,916</u>

HOMER CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Fund Balances - Total Governmental Funds **\$ 14,916,077**

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	\$ 84,962,387	
Less accumulated depreciation	<u>(21,662,967)</u>	63,299,420

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 liability - Proportionate share	\$ (1,052,482)	
ERS net pension liability - Proportionate share	<u>(997,521)</u>	(2,050,003)

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 and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred charges on defeased debt	\$ 771,818	
ERS deferred outflows - pension	737,177	
ERS deferred inflows - pension	(209,898)	
TRS deferred outflows - pension	10,295,631	
TRS deferred inflows - pension	<u>(392,236)</u>	11,202,492

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	\$ (29,650,000)	
Installment debt payable	(428,847)	
Premium on obligations	<u>(4,047,945)</u>	(34,126,792)

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	\$ (1,565,419)	
Other postretirement benefits liability	(14,252,341)	
Accrued interest on long-term debt	<u>(119,967)</u>	<u>(15,937,727)</u>

Net Position of Governmental Activities **\$ 37,303,467**

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

HOMER CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	\$ 13,361,542	\$	\$
Other tax items	2,616,258		
Nonproperty taxes	1,850		
Charges for services	50,967		
Use of money and property	78,445		2
Sale of property and compensation for loss	54,943		
Miscellaneous	442,362		983
State sources	22,999,294	169,376	50,520
Federal sources	26,635	1,076,673	524,631
Sales - School lunch			377,868
Total Revenues	39,632,296	1,246,049	954,004
EXPENDITURES			
General support	4,155,947		
Instruction	19,867,314	1,240,651	403,713
Pupil transportation	1,604,832	38,775	
Community services	16,953		
Employee benefits	8,580,805		162,994
Debt service			
Principal	6,767,898		
Interest	1,255,465		
Cost of sales			408,614
Capital outlay			
Total Expenditures	42,249,214	1,279,426	975,321
Excess (Deficiency) of Revenues Over Expenditures	(2,616,918)	(33,377)	(21,317)
OTHER FINANCING SOURCES AND (USES)			
Redeemed from appropriations			
Premium on obligations			
Proceeds of obligations			
Operating transfers in	3,200,211	33,377	
Operating transfers (out)	(359,895)		
Total Other Sources	2,840,316	33,377	-
Net Change in Fund Balances	223,398	-	(21,317)
Fund Balances - Beginning of Year	7,792,636	-	183,072
Fund Balances - End of Year	\$ 8,016,034	\$ -	\$ 161,755

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

Major Funds		
Debt Service Fund	Capital Projects Fund - Construction	Total Governmental Funds
\$ _____	\$ _____	\$ 13,361,542
_____	_____	2,616,258
_____	_____	1,850
_____	_____	50,967
1,867	_____	80,314
_____	_____	54,943
_____	6,653	449,998
_____	_____	23,219,190
_____	_____	1,627,939
_____	_____	377,868
1,867	6,653	41,840,869
_____	_____	4,155,947
_____	_____	21,511,678
_____	_____	1,643,607
_____	_____	16,953
_____	_____	8,743,799
_____	_____	6,767,898
_____	_____	1,255,465
_____	_____	408,614
_____	11,171,783	11,171,783
-	11,171,783	55,675,744
1,867	(11,165,130)	(13,834,875)
_____	2,748,520	2,748,520
2,973,286	_____	2,973,286
_____	16,125,000	16,125,000
291,140	326,518	3,851,246
(3,200,211)	(291,140)	(3,851,246)
64,215	18,908,898	21,846,806
66,082	7,743,768	8,011,931
5,982,559	(7,054,121)	6,904,146
\$ 6,048,641	\$ 689,647	\$ 14,916,077

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, 2017

Net Change in Fund Balances - Total Governmental Funds **\$ 8,011,931**

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 capital outlay exceeded depreciation expense and disposals:

Capital outlay	\$ 11,171,783	
Net book value of disposed assets	(77,317)	
Depreciation expense	<u>(889,992)</u>	10,204,474

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	\$ (129,426)	
TRS	<u>21,343</u>	(108,083)

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.

Proceeds of debt	\$ (16,125,000)	
Premiums on obligations	(2,748,520)	
Principal payments	<u>3,910,000</u>	(14,963,520)

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.

Decrease in compensated absences	\$ 163,017	
Installment lease	109,378	
(Increase) in other postemployment benefits liability	(802,432)	
Retainage payable	<u>356,672</u>	(173,365)

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	\$ (143,823)	
Premiums on BAN's	211,050	
Amortization of bond premium	254,796	
Decrease in accrued interest payable	<u>283,026</u>	<u>605,049</u>

Net Change in Net Position of Governmental Activities **\$ 3,576,486**

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

HOMER CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2017

	Private Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash - Unrestricted	\$ <u> </u>	\$ <u>151,843</u>
Cash - Restricted	<u>110,758</u>	
Investments - Unrestricted	<u> </u>	<u>20,000</u>
Total Assets	<u>110,758</u>	\$ <u><u>171,843</u></u>
LIABILITIES		
Extraclassroom activity balances	<u> </u>	\$ <u>86,945</u>
Other liabilities	<u> </u>	<u>84,898</u>
Total Liabilities	<u>-</u>	\$ <u><u>171,843</u></u>
NET POSITION		
Restricted for scholarships	\$ <u><u>110,758</u></u>	

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

HOMER CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ <u>3,049</u>
Total Additions	<u>3,049</u>
DEDUCTIONS	
Scholarships and awards	<u>4,275</u>
Total Deductions	<u>4,275</u>
Change in Net Position	(1,226)
Net Position - Beginning of Year	<u>111,984</u>
Net Position - End of Year	\$ <u><u>110,758</u></u>

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

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***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 financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

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

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

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

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

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Joint Venture

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

BOCES are organized under §1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (§ 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 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).

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

Basis of Presentation - District-wide Financial Statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those specifically associated with and clearly identifiable to a particular function. Indirect expenses related to the administration and support of the School District's programs, including personnel, overall administration and finance. Employee benefits are allocated to functional expenses as a percentage of payroll expense.

Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Governmental Fund Financial Statements

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

The School District reports the following Major Governmental Funds:

- **General Fund:** The School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Funds:** Account for proceeds of specific revenue sources (other than capital projects) legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - **Special Aid Fund:** Accounts for the proceeds of specific revenue sources, such as Federal, State and local grants legally restricted to expenditures for specified purposes, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
 - **School Lunch Fund:** Accounts for revenues and expenditures in connection with the School District's food service program.
- **Debt Service Fund:** Accounts for the accumulation of resources and payment of principal and interest on long-term general obligation debt of Governmental Activities.
- **Capital Projects Fund - Construction:** Accounts for the financial resources used for the renovation of the educational complex.

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

The School District reports the following Fiduciary Funds:

- **Private-Purpose Trust Fund:** Accounts for scholarship funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Governmental Fund Financial Statements - Continued

- 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.

Measurement Focus and Basis of Accounting

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

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

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

Cash and Investments

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

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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.

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

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

Capital Assets

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

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Capital Assets - Continued

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:

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

Vested Employee Benefits - Compensated Absences

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

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

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

Consistent with GASB Statement 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.

Postemployment Benefits

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

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Postemployment Benefits - Continued

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

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.

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 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:

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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

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, the Board of Education, prior 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.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Equity Classifications - Governmental Fund Financial Statements - Continued

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction and encumbrances included in committed and assigned fund balance.

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

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.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Legally Adopted Reserves - Continued

- 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.
- 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.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Property Taxes - Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 25, 2016. Taxes were collected during the period September 9, to October 30, 2016.

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, and due from (to) other funds have been eliminated in the Statement of Net Position. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

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 will sometimes report 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 second item is related to pensions reported in the District-wide Statement of Net Position. The types of deferred outflows of resources related to pensions are described in Note 10.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Deferred Outflows and Deferred Inflows of Resources - Continued

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 is described in Note 10.

New Accounting Standards

The School District may adopt and implement the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended June 30, 2017:

- GASB has issued Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 77, “Tax Abatement Disclosures,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 80, “Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 81, “Irrevocable Split-Interest Agreements,” effective for the year ended June 30, 2017.
- GASB has issued Statement No. 82, “Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73,” effective for the year ended June 30, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Future Changes in Accounting Standards

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

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Future Changes in Accounting Standards - Continued

- GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."
- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending June 30, 2019.
- 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. 85, "Omnibus 2017," effective for the year ending June 30, 2018.
- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ending June 30, 2018.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.

***Note 2* Participation in BOCES**

During the year ended June 30, 2017, the School District's share of BOCES income amounted to \$1,636,660. The School District was billed \$4,563,101 for BOCES administration and program costs. Financial statements for the OCM BOCES are available from their administrative office at 6820 Thompson Road, Syracuse, NY 13221.

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

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement 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.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

The School District's aggregate bank balances of \$17,491,163 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

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

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

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

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

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

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

Restricted cash and investments at June 30, 2017 consisted of the following:

General Fund reserves	\$	5,483,519
Restricted for debt		5,757,501
Restricted for capital projects		980,787
Restricted for school lunch		147,775
Subtotal		<u>12,369,582</u>
Private Purpose Trust Fund		<u>110,758</u>
Total	\$	<u>12,480,340</u>

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 4 Other Receivables

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

	Description		Amount
General Fund	Reimbursements	\$	27,838
School Lunch Fund	Sales		2,338
Capital Fund	Reimbursements		2,176
Total		\$	32,352

Note 5 Interfund Balances and Activity

Interfund balances at June 30, 2017, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 1,152,389	\$ 991,471	\$ 3,200,211	\$ 359,895
Special Aid Fund	25,201	537,831	33,377	
School Lunch Fund	38,518	419,456		
Debt Service Fund	2,060,858		291,140	3,200,211
Capital Projects Funds	651,841	1,980,049	326,518	291,140
Total	\$ 3,928,807	\$ 3,928,807	\$ 3,851,246	\$ 3,851,246

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

The School District typically transfers to and from the General Fund for the School District's share of expenditures of a Special Aid Fund project and from the General Fund and Capital Projects Fund - Construction to the Debt Service Fund for payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to 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 FOR THE YEAR ENDED JUNE 30, 2017

Note 6 Capital Assets

Capital asset balances and activity for the year ended June 30, 2017, 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	9,420,642	11,171,783	(20,153,478)	438,947
Total Nondepreciable Historical Cost	<u>9,470,042</u>	<u>11,171,783</u>	<u>(20,153,478)</u>	<u>488,347</u>
Capital assets that are depreciated:				
Buildings	60,236,284		20,057,928	80,294,212
Furniture and equipment	4,285,268		(105,440)	4,179,828
Total Depreciable Historical Cost	<u>64,521,552</u>	<u>-</u>	<u>19,952,488</u>	<u>84,474,040</u>
Total Historical Cost	<u>73,991,594</u>	<u>11,171,783</u>	<u>(200,990)</u>	<u>84,962,387</u>
Less accumulated depreciation:				
Buildings	(18,309,243)	(65,854)	50,642	(18,324,455)
Furniture and equipment	(2,587,405)	(824,138)	73,031	(3,338,512)
Total Accumulated Depreciation	<u>(20,896,648)</u>	<u>(889,992)</u>	<u>123,673</u>	<u>(21,662,967)</u>
Total Historical Cost, Net	<u>\$ 53,094,946</u>	<u>\$ 10,281,791</u>	<u>\$ (77,317)</u>	<u>\$ 63,299,420</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 10,765
Instruction	221,729
Pupil transportations	<u>657,498</u>
Total	<u>\$ 889,992</u>

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 7 Short-term Debt

The School District may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The School District did not issue or redeem any RANs or TANs during the year.

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

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds.

State law requires BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. No BANs were outstanding at June 30, 2017.

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN - Construction	2.00%	7/15/2016	\$ 15,000,000	\$	\$ (15,000,000)	\$
Add premiums			211,050		(211,050)	
BAN - Construction	2.00%	6/30/2017		18,856,272	(18,856,272)	
Add premiums				224,767	(224,767)	
Total			\$ 15,211,050	\$ 19,081,039	\$ (34,292,089)	\$ -

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

Interest paid	\$ 662,459
Less interest accrued in the prior year	(288,493)
Plus interest accrued in the current year	<u> </u>
Total	\$ <u>373,966</u>

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 8 Long-term Debt

At June 30, 2017, the total outstanding indebtedness of the School District represented 37.16% of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

- Serial Bonds and Statutory Installment Bonds - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.
- Installment Purchase Debt - During 2015-2016, the School District entered into installment purchase agreements for the purchase of school buses. Total vehicles under this lease amounted to \$1,626,975. Depreciation expense of \$174,229 was recorded during the year ended June 30, 2017. Total accumulated depreciation on installment purchase debt at year end totaled \$696,916.

The following is a summary of the School District's long-term debt for the year ended June 30, 2017:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2017</u>
Refunding Bonds				
Refunding Bonds	10/01/2010	2/15/2022	3.00% - 4.00%	\$ 3,710,000
Refunding Bonds	4/19/2016	3/15/2021	2.00% - 4.00%	1,404,000
Refunding Bonds	4/19/2016	3/15/2024	2.00% - 4.00%	7,016,000
Plus: unamortized premium				4,047,945
Net Refunding Bonds				16,177,945
Serial Bonds				
2009 Serial Bonds	7/15/2009	6/15/2024	3.00% - 3.75%	1,075,000
2012 Serial Bonds	9/15/2012	9/15/2018	1.75%	80,000
2013 Serial Bonds	11/19/2013	11/15/2018	1.50% - 1.75%	240,000
2017 Serial Bonds	6/08/2017	6/15/2032	3.00% - 5.00%	16,125,000
Total Serial Bonds				17,520,000
Total Bonds Payable				\$ 33,697,945

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

Interest paid	\$ 593,006
Less interest accrued in the prior year	(114,500)
Plus interest accrued in the current year	119,967
Plus amortization of deferred charges on defeased debt	143,823
Less amortization of bond premium	(254,796)
Less amortization of BAN premium	(435,816)
Total	\$ 51,684

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 8 Long-term Debt - Continued

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	\$ 17,435,000	\$ 16,125,000	\$ (3,910,000)	\$ 29,650,000	\$ 2,940,000
Unamortized premium	1,554,221	2,748,520	(254,796)	4,047,945	266,946
Installment purchase debt	538,225		(109,378)	428,847	111,764
Total	\$ 19,527,446	\$ 18,873,520	\$ (4,274,174)	\$ 34,126,792	\$ 3,318,710

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,940,000	\$ 1,562,719	\$ 4,502,719
2019	3,165,000	1,130,000	4,295,000
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
2023-2027	8,050,000	2,852,900	10,902,900
2028-2032	6,360,000	919,450	7,279,450
Total	\$ 29,650,000	\$ 9,192,669	\$ 38,842,669

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2017.

<u>Year Ending June 30,</u>	<u>Payments</u>
2018	\$ 111,764
2019	317,083
Present Value - Minimum Lease Payments	\$ 428,847

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 3.000% and 4.000%. The School District issued the bonds to advance refund the \$11,990,000 of outstanding various general obligation bonds with interest rates ranging from 4.000% to 4.500%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$11,990,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$3,710,000 at June 30, 2017.

On April 19, 2016, the School District issued \$8,830,000 in general obligation bonds, with interest rates ranging between 1.5000% and 4.000%. The School District issued the bonds to advance refund the \$8,830,000 of outstanding various general obligation bonds with interest rates ranging from 3.500 % to 4.000%. 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 \$8,420,000 at June 30, 2017.

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Deferred charges on defeased debt	\$ 915,641	\$	\$ (143,823)	\$ 771,818	\$ 149,943
Total	\$ 915,641	\$ -	\$ (143,823)	\$ 771,818	\$ 149,943

Note 9 Compensated Absences

Compensated absences, which represent the value of the earned and unused portion of the liability for sick time. This liability is liquidated from the General and School Lunch Funds.

2016-2017 activity consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated Absences	\$ 1,728,436	\$ -	\$ (163,017)	\$ 1,565,419

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Plan Descriptions and Benefits Provided - Teachers' Retirement System (TRS)

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. 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 NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Plan Descriptions and Benefits Provided - Employees' Retirement System (ERS)

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 New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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

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. Plan 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. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

Contributions

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

	<u>ERS</u>	<u>TRS</u>
2017	\$ 446,908	\$ 2,007,733
2016	563,316	2,654,266
2015	500,913	2,375,633

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

At June 30, 2017, 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, 2017 for ERS and June 30, 2016 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.

	ERS	TRS
Actuarial valuation date	4/1/2016	6/30/2015
Net pension (asset) liability	\$ 9,396,223,126	\$ 1,071,041,940
School District's proportionate share of the Plan's total net pension (asset) liability	997,521	1,052,482
School District's share of the net pension (asset) liability	0.0106162%	0.098267%

For the year ended June 30, 2017, the School District recognized pension expense of \$(567,630) for ERS and \$1,759,196 for TRS in the District-wide financial statements. At June 30, 2017 the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 24,997	\$ 5,995,608	\$ 151,479	\$ 341,905
Changes of assumptions	340,790			
Net differences between projected and actual earnings on pension plan investments	199,245	2,366,533		
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	57,062	156,315	58,419	50,331
School District's contributions subsequent to the measurement date	115,083	1,777,175		
Total	\$ 737,177	\$ 10,295,631	\$ 209,898	\$ 392,236

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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 ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>ERS</u>	<u>TRS</u>
2018	\$ 185,039	\$ 750,315
2019	185,039	750,315
2020	178,959	2,588,230
2021	(136,842)	2,016,401
2022		934,682
Thereafter		1,086,279

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Investment rate of return	7.0%	7.5%
Salary increases	3.8%	1.9% - 4.72%
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 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.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 actuarial assumptions used in the April 1, 2016 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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

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. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

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:

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Asset Type:		
Domestic equities	4.55%	6.1%
International equities	6.35%	7.3%
Real estate	5.80%	5.4%
Private equity/Alternative investments	7.75%	9.2%
Absolute return strategies	4.00%	
Opportunistic portfolio	5.89%	
Real assets	5.54%	
Cash	-0.25%	
Inflation-indexed bonds	1.50%	
Domestic fixed income securities		1.0%
Global fixed income securities		0.8%
Mortgages and bonds	1.31%	3.1%
Short-term		0.1%

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 7.5% 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 7.5% 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:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension (asset) liability	\$ 3,185,884	\$ 997,521	\$ (852,736)
TRS	1% Decrease (6.5%)	Current (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension (asset) liability	\$ 13,732,021	\$ 1,052,482	\$ (9,582,450)

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 Plan Fiduciary Net Position

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

Measurement date	Dollars in Thousands	
	ERS	TRS
	March 31, 2017	June 30, 2016
Employers' total pension (asset) liability	\$ 177,400,586	\$ 108,577,184
Plan net position	168,004,363	107,506,142
Employers' net pension (asset) liability	\$ 9,396,223	\$ 1,071,042
Ratio of Plan Net Position to the Employers' Total Pension (Asset) Liability	94.7%	99.0%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$115,083.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October, and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 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, 2017 amounted to \$1,865,202.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Effect on Net Position

Changes in the net pension (asset) liability and deferred outflows and deferred inflows of resources for the year ended June 30, 2017 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
ERS:			
Net pension liability	\$ 1,870,036	\$ (872,515)	\$ 997,521
Deferred outflows of resources	(1,787,970)	1,050,793	(737,177)
Deferred inflows of resources	258,750	(48,852)	209,898
Subtotal	340,816	129,426	470,242
TRS:			
Net pension (asset)	(10,469,734)	11,522,216	1,052,482
Deferred outflows of resources	(2,016,667)	(8,278,964)	(10,295,631)
Deferred inflows of resources	3,656,831	(3,264,595)	392,236
Subtotal	(8,829,570)	(21,343)	(8,850,913)
Total	\$ (8,488,754)	\$ 108,083	\$ (8,380,671)

Note 11 Other Postemployment Benefits - Postemployment Benefits Other than Pensions

The School District follows GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." In the past, the School District reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. An actuarial valuation of the School District Postretirement Health Care Plans (Plan) was performed as of July 1, 2016 for the fiscal years ending June 30, 2017 and July 1, 2014 for the fiscal years ending June 30, 2016 and 2015.

Plan Description - The School District provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the School District has in place with different classifications of employees. The School District acquires health insurance through a consortium known as the Onondaga-Cayuga-Madison Health Insurance Consortium. Benefits provided by the Consortium are administered by Blue Cross/Blue Shield. The Consortium plan covers medical and pharmaceutical costs.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 11 Other Postemployment Benefits - Postemployment Benefits Other than Pensions - Continued

The contribution requirements of Plan members and the School District are established and may be amended by the Board of Education. The Board of Education has negotiated several collective bargaining agreements, which include obligations of Plan members and the School District. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2017, 196 retirees and their families participated in the Plan. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and accumulate sufficient total accruals for all postretirement benefits when due.

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

Normal cost	\$	1,312,280
Amortization of unfunded actuarial accrued liability (UAAL)		1,245,764
Total Annual Required Contribution		2,558,044
Interest on net OPEB obligation		672,495
Adjustment to annual required contribution		(503,761)
Annual OPEB Cost (Expense)		2,726,778
Expected employer contributions		(1,924,346)
Increase in Net OPEB Obligation		802,432
 Net OPEB Obligation - July 1, 2016		 13,449,909
 Net OPEB Obligation - June 30, 2017	\$	14,252,341

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 2,726,778	70.6%	\$ 14,252,341
6/30/2016	2,820,846	51.5%	13,449,909
6/30/2015	2,712,348	65.1%	12,082,451

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 11* Other Postemployment Benefits - Postemployment Benefits Other than Pensions - Continued**

Funded Status and Funding Progress - As of June 30, 2017, the Plan was not funded. The actuarial accrued liability for benefits was \$33,260,642; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$17,345,111 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 191.8%.

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

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

In the July 1, 2016, Actuarial Valuation Report, the most recent actuarial valuation date, the projected unit credit method was used. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. The actuarial assumptions included an annual discount rate of 3.5%. Additional actuarial assumptions included an annual medical cost trend rate of 7.0% initially, ending at an ultimate rate of 3.94% after 70 years. The remaining amortization period of the UAAL was 22 years.

***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.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

***Note 12* Commitments and Contingencies - Continued**

Risk Financing and Related Insurance - Health Insurance - Continued

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, 2017, the School District incurred premiums or contribution expenditures totaling \$4,755,526.

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

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, 2017, the School District had reserved \$1,065,310 in the General Fund to fund any claims. Workers' compensation charges for the year ended June 30, 2017 were \$75,966.

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.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 12 Commitments and Contingencies - Continued

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 Fund Balance Detail

At June 30, 2017, nonspendable, restricted, assigned, and unassigned fund balance in the Governmental Funds was as follows:

	General Fund	School Lunch Fund	Debt Service Fund	Capital Projects Fund Construction
Nonspendable				
Inventory	\$ _____	\$ 13,980	\$ _____	\$ _____
Total Nonspendable Fund Balance	\$ -	\$ 13,980	\$ -	\$ -
Restricted				
Retirement contribution reserve	\$ 1,603,874	\$ _____	\$ _____	\$ _____
Unemployment insurance reserve	247,549			
Workers compensation reserve	1,065,310			
Employee benefit accrued liability reserve	1,835,429			
Tax certiorari reserve	200,000			
Capital reserve	531,357			689,647
School lunch		147,775		
Debt			6,048,641	
Total Restricted Fund Balance	\$ 5,483,519	\$ 147,775	\$ 6,048,641	\$ 689,647
Assigned				
Appropriated for next year's budget	\$ 680,000	\$ _____	\$ _____	\$ _____
Encumbered for:				
General support	79,862			
Instruction	134,134			
Pupil transportation	3,154			
Employee benefits				
School lunch				
Total Assigned Fund Balance	\$ 897,150	\$ -	\$ -	\$ -
Unassigned				
Unreserved, undesignated	\$ 1,635,365	\$ _____	\$ _____	\$ _____
Total Unassigned Fund Balance	\$ 1,635,365	\$ -	\$ -	\$ -

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Note 14 Restricted Fund Balances

Portions of fund balance are restricted and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended June 30, 2017 of the restricted fund balances 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>
General Fund:					
Retirement contribution reserve	\$ 1,603,859	\$	15	\$	\$ 1,603,874
Employee benefit accrued liability reserve	1,835,066		363		1,835,429
Unemployment insurance reserve	247,546		3		247,549
Workers compensation reserve	1,065,099		211		1,065,310
Tax certiorari reserve	200,002			(2)	200,000
Capital reserve	382,841	148,516	-		531,357
Total General Fund	\$ 5,334,413	\$ 148,516	\$ 592	\$ (2)	\$ 5,483,519
Debt Service Fund	\$ 5,982,559	\$ 3,264,426	\$ 1,867	\$ (3,200,211)	\$ 6,048,641

Note 15 Stewardship, Compliance and Accountability

Deficit Net Position

At June 30, 2017, the District-wide Statement of Net Position had an unrestricted deficit net position of \$(5,024,541). 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.

Note 16 Tax Abatements

For the year ended June 30, 2017, 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 FOR THE YEAR ENDED JUNE 30, 2017

Note 16 Tax Abatements - Continued

The Town entered into a property tax abatement agreement 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 Town.

Information relevant to disclosure of the programs for the year ended June 30, 2017 is as follows:

	Taxable Assesed Value	Combined Tax Rates	Tax Value	PILOT Received	Taxes Abated
Cortland County Industrial Development Agency					
Forkey Construction & Fabricating Inc.	\$ 1,700,000	19.86	\$ 33,762	\$ 8,441	\$ 25,321
Village of Homer					
Homer Housing Company	509,500	19.86	10,119	1,200	8,919
Total PILOT Agreements	\$ 2,209,500		\$ 43,881	\$ 9,641	\$ 34,240

HOMER CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources:				
Real property taxes	\$ 13,321,602	\$ 13,321,602	\$ 13,361,542	\$ 39,940
Real property tax items	2,613,868	2,613,868	2,616,258	2,390
Nonproperty taxes	3,000	3,000	1,850	(1,150)
Charges for services	98,000	98,000	50,967	(47,033)
Use of money and property	105,536	105,536	78,445	(27,091)
Sale of property and compensation for loss	10,000	10,000	54,943	44,943
Miscellaneous	462,415	462,415	442,362	(20,053)
Total Local Sources	16,614,421	16,614,421	16,606,367	(8,054)
State sources	24,233,255	24,233,255	22,999,294	(1,233,961)
Federal sources	35,000	35,000	26,635	(8,365)
Total Revenues	40,882,676	40,882,676	39,632,296	(1,250,380)
OTHER FINANCING SOURCES				
Operating transfers in	323,762	3,070,791	3,200,211	129,420
Total Revenues and Other Financing Sources	41,206,438	43,953,467	\$ 42,832,507	\$ (1,120,960)
Appropriated Reserves				
Appropriated Fund Balance	680,000	680,000		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	102,766	102,766		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	\$ 41,989,204	\$ 44,736,233		

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

HOMER CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget
EXPENDITURES		
General Support:		
Board of Education	\$ 23,881	\$ 23,881
Central administration	208,219	226,627
Finance	505,826	555,828
Staff	139,667	208,060
Central services	2,659,028	2,652,177
Special items	351,986	875,587
Total General Support	3,888,607	4,542,160
Instruction:		
Instruction, administration, and improvement	1,145,950	1,244,839
Teaching - Regular school	11,305,712	11,195,161
Programs for children with handicapping conditions	3,693,193	4,138,107
Occupational education	972,305	972,305
Teaching - Special school	15,000	15,000
Instructional media	1,064,784	1,145,680
Pupil services	1,904,545	1,920,262
Total Instruction	20,101,489	20,631,354
Pupil transportation	2,141,255	1,931,267
Community services		16,953
Employee benefits	9,935,176	9,209,893
Debt Service:		
Principal	4,531,272	6,767,899
Interest	1,391,405	1,259,352
Total Debt Service	5,922,677	8,027,251
Total Expenditures	41,989,204	44,358,878
OTHER FINANCING USES		
Operating transfers out	-	377,355
Total Expenditures and Other Financing Uses	\$ 41,989,204	\$ 44,736,233
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

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

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 20,255	\$ 396	\$ 3,230
223,358	1,198	2,071
495,379	3,078	57,371
198,183		9,877
2,447,945	75,190	129,042
770,827		104,760
4,155,947	79,862	306,351
1,181,750	750	62,339
10,864,428	130,829	199,904
4,053,399	153	84,555
966,338		5,967
9,177	-	5,823
1,060,207	1,631	83,842
1,732,015	771	187,476
19,867,314	134,134	629,906
1,604,832	3,154	323,281
16,953		-
8,580,805		629,088
6,767,898		1
1,255,465		3,887
8,023,363	-	3,888
42,249,214	217,150	1,892,514
359,895		17,460
42,609,109	\$ 217,150	\$ 1,909,974
223,398		
7,792,636		
\$ 8,016,034		

HOMER CENTRAL SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
06/30/2017	7/1/2015	\$ -	\$ 33,260,642	\$ 33,260,642	0.0%	\$ 17,345,111	191.8%
06/30/2016	7/1/2014	-	35,608,212	35,608,212	0.0%	17,440,287	204.2%
06/30/2015	7/1/2014	-	34,347,330	34,347,330	0.0%	16,057,451	213.9%
06/30/2014	7/1/2012	-	39,907,790	39,907,790	0.0%	18,381,565	217.1%
06/30/2013	7/1/2012	-	37,934,218	37,934,218	0.0%	18,478,617	205.3%

See Independent Auditor's Report and Notes to Supplementary Information

HOMER CENTRAL SCHOOL DISTRICT

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

	2017	2016	2015
Contractually required contribution	\$ 446,908	\$ 563,316	\$ 500,913
Contributions in relation to the contractually required contribution	(466,908)	(563,316)	(500,913)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	3,112,302	3,220,366	3,064,569
Contributions as a percentage of covered - employee payroll	14.4%	17.5%	16.3%

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

	2017	2016	2015
Contractually required contribution	\$ 1,777,175	\$ 2,007,733	\$ 2,654,266
Contributions in relation to the contractually required contribution	(1,777,175)	(2,007,733)	(2,654,266)
Contribution deficiency (excess)	-	-	-
School District's covered - employee payroll	15,163,309	15,141,275	15,142,989
Contributions as a percentage of covered - employee payroll	11.7%	13.3%	17.5%

* Information currently unavailable at this time

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 631,180	\$ 609,827	\$ 461,529	\$ 354,860	\$ 255,573	\$ 255,513	\$ 259,615
(631,180)	(609,827)	(461,529)	(354,860)	(255,573)	(255,513)	(259,615)
-	-	-	-	-	-	-
3,183,592	3,251,047	3,099,768	3,184,951	*	*	*
19.8%	18.8%	14.9%	11.1%	N/A	N/A	N/A

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 2,375,633	\$ 1,790,258	\$ 1,603,408	\$ 1,244,046	\$ 1,015,556	\$ 1,112,939	\$ 1,212,288
(2,375,633)	(1,790,258)	(1,603,408)	(1,244,046)	(1,015,556)	(1,112,939)	(1,212,288)
-	-	-	-	-	-	-
14,619,280	15,120,422	14,432,115	14,432,088	16,406,397	14,586,356	13,886,460
16.3%	11.8%	11.1%	8.6%	6.2%	7.6%	8.7%

HOMER CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2017	2016	2015
School District's proportion of the net pension (asset) liability	.0106162%	.0116511%	.0115939%
School District's proportionate share of the net pension (asset) liability	\$ 997,521	\$ 1,870,036	\$ 391,671
School District's covered-employee payroll during the measurement period	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	32.6%	59.4%	12.9%
Plan fiduciary net position as a percentage of the total pension (asset) liability	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,

	2017	2016	2015
School District's proportion of the net pension (asset) liability	0.098267%	0.100798%	.098969%
School District's proportionate share of the net pension (asset) liability	\$ 1,052,482	\$ (10,469,734)	\$ (11,024,542)
School District's covered-employee payroll during the measurement period	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	7.0%	(69.1%)	(75.4%)
Plan fiduciary net position as a percentage of the total pension (asset) liability	99.0%	110.5%	111.5%

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

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

***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 FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 41,886,438
Prior year's encumbrances	<u>102,766</u>
Original budget	<u>41,989,204</u>
Additions	<u>2,747,029</u>
Final Budget	\$ <u>44,736,233</u>

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, 2017.

Note 4 **Schedule of Funding Progress**

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

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.

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 for the April 1, 2015 actuarial valuation.

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

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**

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, 2015 actuarial valuation

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2015 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. 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 FOR THE YEAR ENDED JUNE 30, 2017

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 join 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. 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 on book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition 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 FOR THE YEAR ENDED JUNE 30, 2017

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 Five-year phased in deferred recognition of 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 subject to the five-year phase in.

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, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 41,886,438
Prior year's encumbrances	<u>102,766</u>
Original Budget	<u>41,989,204</u>
Budget Revision:	
Appropriation of BAN premium	<u>2,747,029</u>
Total Additions	<u>2,747,029</u>
Final Budget	\$ <u><u>44,736,233</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next year's budget is a voter approved budget	\$ <u><u>40,884,142</u></u>
2017-2018 expenditure budget maximum allowed (4% of 2017-2018 budget)	\$ 1,635,366
General Fund Fund Balance Subject to §1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned fund balance	\$ 897,150
Unassigned fund balance	<u>1,635,365</u>
Total Unrestricted Fund Balance	<u>2,532,515</u>
Less:	
Appropriated fund balance	\$ 680,000
Encumbrances included in assigned fund balance	<u>217,150</u>
Total Adjustments	<u>897,150</u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law	\$ <u><u>1,635,365</u></u>
Actual Percentage	4.00%

See Independent Auditor's Report

HOMER CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR JUNE 30, 2017

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Total
			Prior Years	Current Year	Adjustments	
Senior High School	\$ 16,595,214	\$ 19,746,740	\$ 8,410,851	\$ 11,335,889	\$	\$ 19,746,740
Intermediate Jr. High School	80,000	163,331		163,331		163,331
Bus Garage - 0601	503,100	101,111	498,794	(397,683)		101,111
Phase III			438,947			438,947
Track and Field - Reconciling items			338,950			338,950
Renovations-9901	29,528,755	29,426,624	29,426,624			29,426,624
Track and Field-0401	4,900,000	4,900,000	4,786,615			4,786,615
2016-17 Net Zero 0002-013	100,000	100,000		70,246		70,246
Totals	\$ 51,707,069	\$ 54,437,806	\$ 43,900,781	\$ 11,171,783	\$ -	\$ 55,072,564

See Independent Auditor's Report

<u>Unexpended Balance</u>	<u>Proceeds of Obligations</u>	<u>Methods of Financing</u>			<u>Fund Balance June 30, 2017</u>
		<u>State Aid</u>	<u>Local Sources</u>	<u>Total</u>	
\$ _____	\$ 16,125,000	\$ _____	\$ 3,621,740	\$ 19,746,740	\$ _____ -
_____	163,331	_____	_____	163,331	_____ -
_____	101,111	_____	_____	101,111	_____ -
_____	_____	_____	1,128,594	1,128,594	_____ 689,647
_____	215,516	_____	123,434	338,950	_____ -
_____	27,301,869	124,755	2,000,000	29,426,624	_____ -
113,385	4,786,615	_____	_____	4,786,615	_____ -
29,754	_____	_____	70,246	70,246	_____ -
<u>\$ 143,139</u>	<u>\$ 48,693,442</u>	<u>\$ 124,755</u>	<u>\$ 6,944,014</u>	<u>\$ 55,762,211</u>	<u>\$ 689,647</u>

HOMER CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR DEND JUNE 30, 2017

Capital assets, net	\$ <u>63,299,420</u>
Add:	
Amounts deferred on refunding	<u>771,818</u>
Deduct:	
Premium on bonds	<u>(4,047,945)</u>
Short-term portion of bonds payable, before deferred amounts	<u>(2,940,000)</u>
Long-term portion of bonds payable, before deferred amounts	<u>(26,710,000)</u>
Short-term portion of installment purchase debt	<u>(111,764)</u>
Long-term portion of installment purchase debt	<u>(317,083)</u>
Net Investment in Capital Assets	\$ <u><u>29,944,446</u></u>

See Independent Auditor's Report

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

Board of Education
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, 2017, 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 September 28, 2017.

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,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 28, 2017

**INDEPENDENT AUDITOR'S 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, 2017. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's 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, 2017.

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,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 28, 2017

HOMER CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/Pass - Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Pass - Through Grantor #</u>	<u>Pass - Through to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Education				
Passed Through NYS Department of Title I Grants to Local Educational Agencies	84.010	0021160570	\$	\$ 394,130
Title I Grants to Local Educational Agencies	84.010	0021150570		32,920
		Subtotal		<u>427,050</u>
Special Education Cluster:				
Special Education - Grants to States	84.027	0032160154		534,754
Special Education - Preschool Grants	84.173	0033160154		12,464
		Subtotal		<u>547,218</u>
Improving Teacher Quality State Grants	84.367	0147160570		64,207
Improving Teacher Quality State Grants	84.367	0147150570		38,198
		Subtotal		<u>102,405</u>
Total Department of Education				<u>-</u> <u>1,076,673</u>
U.S. Department of Agriculture				
Passed Through NYS Department of Child Nutrition Cluster:				
National School Lunch Program	10.555	006731		432,645
School Breakfast Program	10.553	006731		91,986
Total U.S. Department of Agriculture				<u>-</u> <u>524,631</u>
Total Expenditures of Federal Awards				<u>-</u> <u>\$ 1,601,304</u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

HOMER CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, the School District received \$72,488 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, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs

Material weakness(es) identified? yes no

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

Type of auditor's 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 no

Identification of major programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555, 10.553</u>	<u>Child Nutrition Cluster</u>

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

Auditee qualified as low-risk? yes no

Section II - Financial Statement Findings None

Section III - Federal Award Findings and Questioned Costs None