

HOLLEY CENTRAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2019

MENGEL METZGER BARR & CO. LLP

RAYMOND F. WAGER, CPA, P.C. DIVISION

TABLE OF CONTENTS

	Pages
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis (Unaudited)	4 - 13
Basic Financial Statements:	
Statement of Net Position	14
Statement of Activities and Changes in Net Position	15
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities	18
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	19
Notes to the Basic Financial Statements:	20 - 49
Required Supplementary Information:	
Schedule of Changes in District's Total OPEB Liability and Related Ratio (Unaudited)	50
Schedule of the District's Proportionate Share of the Net Pension Liability (Unaudited)	51
Schedule of District Contributions (Unaudited)	52
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund (Unaudited)	53 - 54
Supplementary Information:	
Schedule of Change from Adopted Budget to Final Budget and Real Property Tax Limit - General Fund	55
Schedule of Capital Projects Fund - Project Expenditures and Financing Resources	56
Net Investment in Capital Assets	57
Schedule of Expenditures of Federal Awards	58
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	59 - 60

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Holley Central School District, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Holley Central School District, New York, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Holley Central School District, New York, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress postemployment benefit plan, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, and budgetary comparison information on pages 4–13 and 50–54 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 Holley Central School District, New York's basic financial statements. The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019 on our consideration of the Holley Central School District, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holley Central School District, New York's internal control over financial reporting and compliance.

Rochester, New York
October 15, 2019

Raymond F. Wager, CPA, PC

Holley Central School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2019. This section is a summary of the School District's financial activities based on currently known facts, decisions, and/or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

Financial Highlights

At the close of the fiscal year, the total assets plus deferred outflows (what the district owns) exceeded its total liabilities plus deferred inflows (what the district owes) by \$17,730,039 (net position), an increase of \$1,183,669 from the prior year.

General revenues, which include Property Taxes, Non Property Taxes, State and Federal Aid, Investment Earnings, Compensation for Loss, and Miscellaneous accounted for \$24,901,668, or 94% of all revenues. Program specific revenues in the form of Charges for Services and Operating Grants and Contributions accounted for \$1,572,289, or 6% of total revenues.

As of the close of the fiscal year, the School District's governmental funds reported combined fund balances of \$4,864,830, an increase of \$7,342,517 in comparison with the prior year.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains individual fund statements and schedules in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets plus deferred outflow of resources and liabilities plus deferred inflow of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *governmental* activities of the School District include instruction, pupil transportation, cost of food sales, general administrative support, community service, and interest on long-term debt.

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School District maintains four individual governmental funds; the General Fund, Special Aid Fund, School Lunch Fund, and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the special aid fund, and the capital projects fund, which are reported as major funds. Data for the school lunch fund is aggregated into a single column and reported as a non-major fund.

The School District adopts and voters approve an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund within the basic financial statements to demonstrate compliance with the budget.

The *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity which accounts for assets held by the School District on behalf of others. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are *not* available to support the School District's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statement section of this report.

<u>Major Feature of the District-Wide and Fund Financial Statements</u>			
	<u>Government-Wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statement section of this report.

Government-Wide Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets plus deferred outflow of resources and liabilities plus deferred inflow of resources, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. Additional non-financial factors such as changes in the District's property tax base and the condition of the school buildings and facilities must also be considered to assess the District's overall health.

All of the District's services are reported in the government-wide financial statements as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes, federal and state aid, and investment earnings finance most of these activities.

Financial Analysis of the School District as a Whole

Net Position

The District's combined net position was more on June 30, 2019 than the year before, increasing 7% to \$17,730,039, as shown in the table below.

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2019</u>	<u>2018</u>	<u>Variance</u>
<u>ASSETS:</u>			
Current and Other Assets	\$ 7,891,378	\$ 6,345,102	\$ 1,546,276
Capital Assets	37,512,345	39,311,961	(1,799,616)
Total Assets	<u>\$ 45,403,723</u>	<u>\$ 45,657,063</u>	<u>\$ (253,340)</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows of Resources	<u>\$ 5,553,632</u>	<u>\$ 6,037,080</u>	<u>\$ (483,448)</u>
<u>LIABILITIES:</u>			
Long-Term Debt Obligations	\$ 29,319,574	\$ 24,405,313	\$ 4,914,261
Other Liabilities	2,326,435	8,687,304	(6,360,869)
Total Liabilities	<u>\$ 31,646,009</u>	<u>\$ 33,092,617</u>	<u>\$ (1,446,608)</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows of Resources	<u>\$ 1,581,307</u>	<u>\$ 2,055,156</u>	<u>\$ (473,849)</u>
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 14,310,591	\$ 14,347,065	\$ (36,474)
<u>Restricted For:</u>			
Unemployment Insurance Reserve	711,697	711,697	-
Accrued Benefit Liability Reserve	929,717	929,717	-
Workers' Compensation Reserve	872,567	242,640	629,927
Other Purposes	881,137	593,550	287,587
Unrestricted	24,330	(278,299)	302,629
Total Net Position	<u>\$ 17,730,039</u>	<u>\$ 16,546,370</u>	<u>\$ 1,183,669</u>

The District's financial position is the product of many factors.

By far, the largest component of the School District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

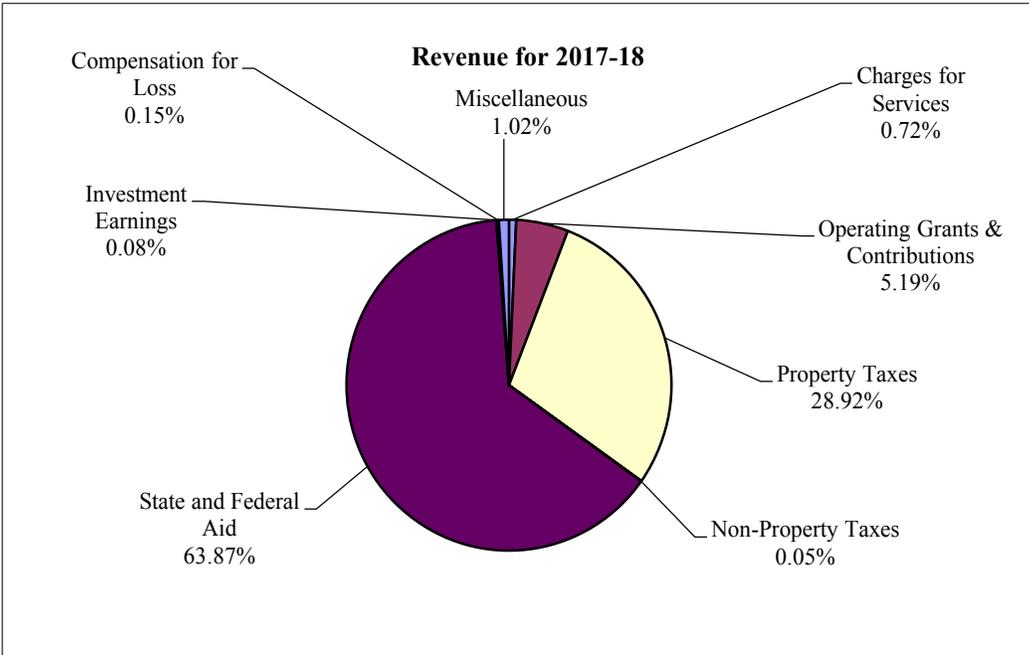
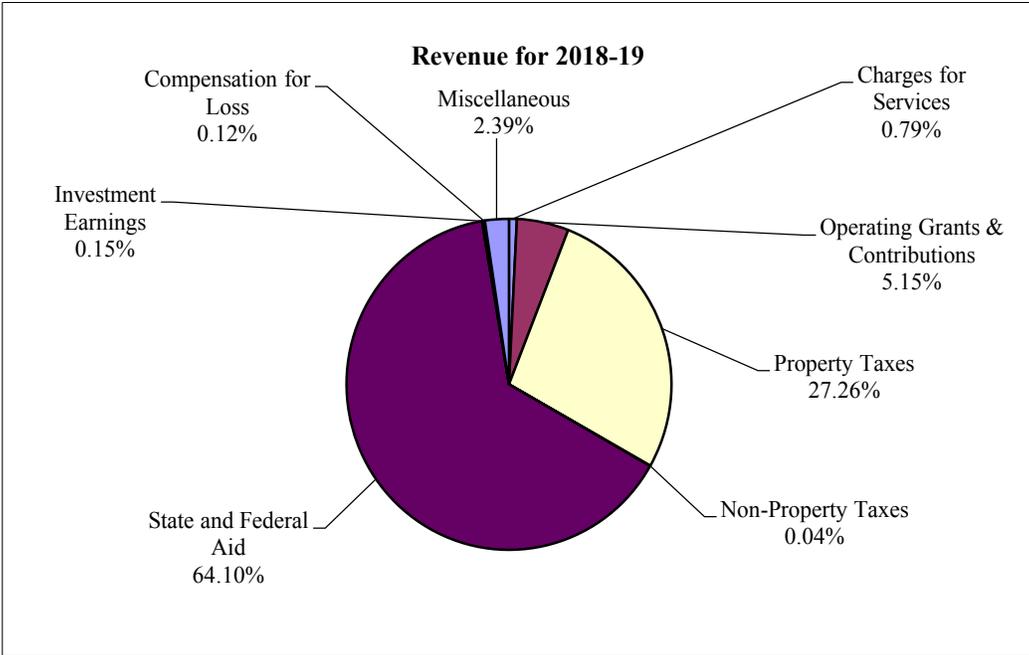
There are four restricted net position balances, Unemployment Insurance Reserve, Accrued Benefit Liability Reserve, Workers' Compensation Reserve, and Other Purposes. The remaining balance of unrestricted net position was a surplus of \$24,330.

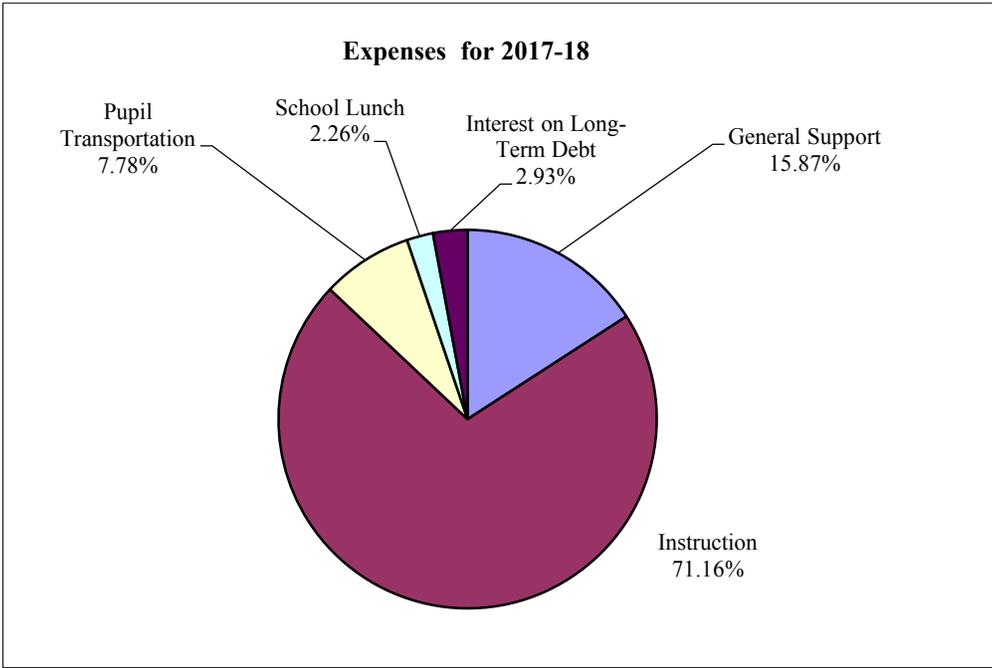
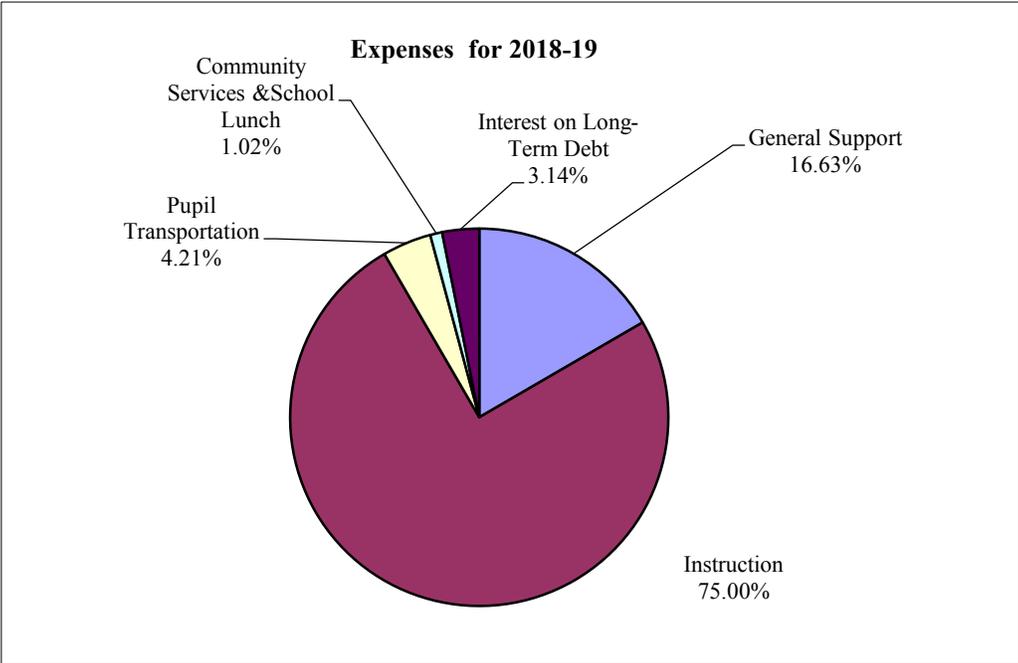
Changes in Net Position

The District’s total revenue increased 9% to \$26,473,957. State and federal aid (64%) and property taxes (27%) accounted for most of the District’s revenue. The remaining 9% of the revenue comes from operating grants, charges for services, non property taxes, investment earnings, compensation for loss, and miscellaneous revenues.

The total cost of all the programs and services decreased 2% to \$25,290,288. The District’s expenses are predominately related to education and caring for the students, or Instruction (75%). General support, which included expenses associated with the operation, maintenance and administration of the District, accounted for 17% of the total costs. See table below:

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2019</u>	<u>2018</u>	<u>Variance</u>
<u>REVENUES:</u>			
<u>Program -</u>			
Charges for Service	\$ 209,405	\$ 176,652	\$ 32,753
Operating Grants & Contributions	1,362,884	1,266,304	96,580
Total Program	\$ 1,572,289	\$ 1,442,956	\$ 129,333
<u>General -</u>			
Property Taxes	\$ 7,217,426	\$ 7,055,341	\$ 162,085
Non Property Taxes	9,657	13,411	(3,754)
State and Federal Aid	16,970,394	15,582,575	1,387,819
Investment Earnings	39,355	20,413	18,942
Compensation for Loss	31,503	37,240	(5,737)
Miscellaneous	633,333	244,881	388,452
Total General	\$ 24,901,668	\$ 22,953,861	\$ 1,947,807
TOTAL REVENUES	\$ 26,473,957	\$ 24,396,817	\$ 2,077,140
<u>EXPENSES:</u>			
General Support	\$ 4,205,484	\$ 4,088,687	\$ 116,797
Instruction	18,967,979	18,326,752	641,227
Pupil Transportation	1,064,164	2,003,987	(939,823)
Community Services	5,000	-	5,000
School Lunch	252,596	581,225	(328,629)
Interest	795,065	754,895	40,170
TOTAL EXPENSES	\$ 25,290,288	\$ 25,755,546	\$ (465,258)
INCREASE IN NET POSITION	\$ 1,183,669	\$ (1,358,729)	
NET POSITION, BEGINNING OF YEAR	16,546,370	17,905,099	
NET POSITION, END OF YEAR	\$ 17,730,039	\$ 16,546,370	





Financial Analysis of the School District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$4,864,830, which is more than last year's ending fund balance of (\$2,477,687).

The General Fund is the chief operating fund of the District. At the end of the current year, the total fund balance of the General Fund was \$5,334,404. Fund balance for the General Fund increased by \$1,009,584 compared with the prior year. See table below:

<u>General Fund Balances:</u>	<u>2019</u>	<u>2018</u>	<u>Total Variance</u>
Restricted	\$ 3,395,118	\$ 2,477,604	\$ 917,514
Assigned	908,086	870,469	37,617
Unassigned	1,031,200	976,747	54,453
Total General Fund Balances	<u>\$ 5,334,404</u>	<u>\$ 4,324,820</u>	<u>\$ 1,009,584</u>

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$25,469. This change is attributable to \$25,469 of carryover encumbrances from the 2016-17 school year and \$5,000 for a grant.

The key factors for budget variances in the general fund are listed below along with explanations for each.

Revenue Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Miscellaneous	\$501,949	Received \$116,000 more in BOCES prior year; Erate \$86,000; Premiums on Bonds/BANS \$276,000
Expenditure Items:	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Teaching-Regular School	\$300,803	Salaries of retired teachers included in budget.
Pupil Transportation	\$263,346	Anticipated fuel increase; more efficient routing
Employee Benefits	\$316,531	Anticipated changes in retirement system rates and additional health insurance

Capital Asset and Debt Administration

Capital Assets

By the end of the 2018-19 fiscal year, the District had invested \$37,512,345 in a broad range of capital assets, including land, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below:

	<u>2019</u>	<u>2018</u>
Land	\$ 137,000	\$ 137,000
Work in Progress	8,520,782	8,442,194
Buildings and Improvements	26,690,327	28,329,725
Machinery and Equipment	2,164,236	2,403,042
Total Capital Assets	<u>\$ 37,512,345</u>	<u>\$ 39,311,961</u>

More detailed information can be found in the footnotes to the financial statements.

Long-Term Debt

At year-end, the District had \$29,319,574 in general obligation bonds and other long-term debt outstanding as follows:

<u>Type</u>	<u>2019</u>	<u>2018</u>
Serial Bonds	\$ 22,620,000	\$ 18,055,000
OPEB	2,656,128	2,657,717
Net Pension Liability	561,330	256,540
Compensated Absences	3,482,116	3,436,056
Total Long-Term Obligations	<u>\$ 29,319,574</u>	<u>\$ 24,405,313</u>

More detailed information can be found in the footnotes to the financial statements.

Factors Bearing on the District's Future

The District continues to be concerned with revenue limitations of its two main sources, State Aid and the Property Tax Levy which could impact future budgets.

Contacting the School District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the following:

Holley Central School District
3800 North Main Street
Holley, New York 14470

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Net Position

June 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,423,052
Accounts receivable	1,571,044
Inventories	20,209
Net pension asset	877,073
Capital Assets:	
Land	137,000
Work in progress	8,520,782
Other capital assets (net of depreciation)	28,854,563
TOTAL ASSETS	<u>\$ 45,403,723</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	<u>\$ 5,553,632</u>
LIABILITIES	
Accounts payable	\$ 199,320
Accrued liabilities	181,367
Unearned revenues	22,759
Due to teachers' retirement system	875,486
Due to employees' retirement system	90,589
Bond anticipation notes payable	956,914
Long-Term Obligations:	
Due in one year	2,700,529
Due in more than one year	26,619,045
TOTAL LIABILITIES	<u>\$ 31,646,009</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	<u>\$ 1,581,307</u>
NET POSITION	
Net investment in capital assets	\$ 14,310,591
Restricted For:	
Worker's compensation reserve	872,567
Unemployment insurance reserve	711,697
Accrued benefit liability reserve	929,717
Other purposes	881,137
Unrestricted	24,330
TOTAL NET POSITION	<u>\$ 17,730,039</u>

(See accompanying notes to financial statements)

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Activities

For Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
<u>Primary Government -</u>				
General support	\$ 4,205,484	\$ -	\$ -	\$ (4,205,484)
Instruction	18,967,979	92,114	955,943	(17,919,922)
Pupil transportation	1,064,164	-	-	(1,064,164)
Community services	5,000	-	-	(5,000)
School lunch	252,596	117,291	406,941	271,636
Interest	795,065	-	-	(795,065)
Total Primary Government	<u>\$ 25,290,288</u>	<u>\$ 209,405</u>	<u>\$ 1,362,884</u>	<u>\$ (23,717,999)</u>

General Revenues:

Property taxes	\$ 7,217,426
Non property taxes	9,657
State and federal aid	16,970,394
Investment earnings	39,355
Compensation for loss	31,503
Miscellaneous	633,333
Total General Revenues	<u>\$ 24,901,668</u>
Changes in Net Position	\$ 1,183,669
Net Position, Beginning of Year	<u>16,546,370</u>
Net Position, End of Year	<u>\$ 17,730,039</u>

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK

Balance Sheet

Governmental Funds

June 30, 2019

	General <u>Fund</u>	Special Aid <u>Fund</u>	Capital Projects <u>Fund</u>	Nonmajor School Lunch <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,984,457	16,033	415,259	\$ 7,303	\$ 5,423,052
Receivables	1,109,939	12	-	71,243	1,181,194
Inventories	-	-	-	20,209	20,209
Due from other funds	390,100	-	-	-	390,100
TOTAL ASSETS	<u>\$ 6,484,496</u>	<u>\$ 16,045</u>	<u>\$ 415,259</u>	<u>\$ 98,755</u>	<u>\$ 7,014,555</u>
 LIABILITIES AND FUND BALANCES					
<u>Liabilities</u> -					
Accounts payable	\$ 179,610	\$ 5,765	\$ 13,344	\$ 601	\$ 199,320
Accrued liabilities	4,407	-	-	-	4,407
Notes payable - bond anticipation notes	-	-	956,914	-	956,914
Due to other funds	-	381,770	7,977	353	390,100
Due to TRS	875,486	-	-	-	875,486
Due to ERS	90,589	-	-	-	90,589
Unearned revenue	-	18,360	-	4,399	22,759
TOTAL LIABILITIES	<u>\$ 1,150,092</u>	<u>\$ 405,895</u>	<u>\$ 978,235</u>	<u>\$ 5,353</u>	<u>\$ 2,539,575</u>
 <u>Fund Balances</u> -					
Nonspendable	\$ -	\$ -	\$ -	\$ 20,209	\$ 20,209
Restricted	3,395,118	-	18,778	-	3,413,896
Assigned	908,086	-	-	73,193	981,279
Unassigned	1,031,200	-	(581,754)	-	449,446
TOTAL FUND BALANCE	<u>\$ 5,334,404</u>	<u>\$ -</u>	<u>\$ (562,976)</u>	<u>\$ 93,402</u>	<u>\$ 4,864,830</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,484,496</u>	<u>\$ 405,895</u>	<u>\$ 415,259</u>	<u>\$ 98,755</u>	

**Amounts reported for governmental activities in the
Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

37,512,345

Interest is accrued on outstanding bonds in the statement of net position but not in the funds.

(176,960)

The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:

Serial bonds payable	(22,620,000)
OPEB	(2,656,128)
Compensated absences	(3,482,116)
Net pension asset	877,073
Deferred outflow - pension	5,224,020
Deferred outflow - OPEB	329,612
Net pension liability	(561,330)
Deferred inflow - pension	(1,312,265)
Deferred inflow - OPEB	(269,042)

Net Position of Governmental Activities

\$ 17,730,039

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2019

	General Fund	Special Aid Fund	Capital Projects Fund	Nonmajor School Lunch Fund	Total Governmental Funds
REVENUES					
Real property taxes and tax items	\$ 7,217,426	\$ -	\$ -	\$ -	\$ 7,217,426
Non-property taxes	9,657	-	-	-	9,657
Charges for services	92,114	-	-	-	92,114
Use of money and property	39,355	-	-	-	39,355
Sale of property and compensation for loss	31,503	-	-	-	31,503
Miscellaneous	633,333	-	-	-	633,333
State sources	16,883,076	332,900	-	12,161	17,228,137
Federal sources	76,473	633,888	-	394,780	1,105,141
Sales	-	-	-	117,291	117,291
TOTAL REVENUES	\$ 24,982,937	\$ 966,788	\$ -	\$ 524,232	\$ 26,473,957
EXPENDITURES					
General support	\$ 2,866,272	\$ 14,540	\$ -	\$ -	\$ 2,880,812
Instruction	11,364,256	896,112	-	-	12,260,368
Pupil transportation	1,023,298	83,375	212,870	-	1,319,543
Community services	5,000	-	-	-	5,000
Employee benefits	5,595,973	7,312	-	5,630	5,608,915
Debt service - principal	2,054,600	-	-	-	2,054,600
Debt service - interest	873,424	-	-	-	873,424
Cost of sales	-	-	-	41,530	41,530
Other expenses	-	-	-	476,090	476,090
Capital outlay	-	-	230,758	-	230,758
TOTAL EXPENDITURES	\$ 23,782,823	\$ 1,001,339	\$ 443,628	\$ 523,250	\$ 25,751,040
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	\$ 1,200,114	\$ (34,551)	\$ (443,628)	\$ 982	\$ 722,917
OTHER FINANCING SOURCES (USES)					
Transfers - in	\$ -	\$ 34,551	\$ 152,170	\$ 3,809	\$ 190,530
Transfers - out	(190,530)	-	-	-	(190,530)
Proceeds from obligations	-	-	6,045,000	-	6,045,000
BAN's redeemed from appropriations	-	-	574,600	-	574,600
TOTAL OTHER FINANCING SOURCES (USES)	\$ (190,530)	\$ 34,551	\$ 6,771,770	\$ 3,809	\$ 6,619,600
NET CHANGE IN FUND BALANCE	\$ 1,009,584	\$ -	\$ 6,328,142	\$ 4,791	\$ 7,342,517
FUND BALANCE, BEGINNING OF YEAR	4,324,820	-	(6,891,118)	88,611	(2,477,687)
FUND BALANCE, END OF YEAR	\$ 5,334,404	\$ -	\$ (562,976)	\$ 93,402	\$ 4,864,830

(See accompanying notes to financial statements)

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For Year Ended June 30, 2019

NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS \$ 7,342,517

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets are lower than depreciation in the current period:

Capital Outlay	\$ 162,723	
Additions to Assets, Net	208,111	
Depreciation	<u>(2,170,449)</u>	(1,799,615)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. The following details these items as they effect the governmental activities:

Debt Repayments	\$ 2,054,600	
Proceeds from Bond Issuance	(6,045,000)	
Proceeds from BAN Redemption	<u>(574,600)</u>	(4,565,000)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 78,359

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. 80,569

(Increase) decrease in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds

Teachers' Retirement System		127,061
Employees' Retirement System		<u>(34,162)</u>

In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:

Compensated Absences		<u>(46,060)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,183,669**

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Fiduciary Net Position

June 30, 2019

	Private Purpose <u>Trust</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 21,081	\$ 150,330
Investments	2,438	-
TOTAL ASSETS	<u>\$ 23,519</u>	<u>\$ 150,330</u>
LIABILITIES		
Accounts payable	\$ -	\$ 62
Extracurricular activity balances	-	56,315
Other liabilities	-	93,953
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 150,330</u>
NET POSITION		
Restricted for scholarships	\$ 23,519	
TOTAL NET POSITION	<u>\$ 23,519</u>	

Statement of Changes in Fiduciary Net Position

For Year Ended June 30, 2019

	Private Purpose <u>Trust</u>
ADDITIONS	
Contributions	\$ 19,079
Investment earnings	90
TOTAL ADDITIONS	<u>\$ 19,169</u>
DEDUCTIONS	
Other expenses	\$ 11,099
TOTAL DEDUCTIONS	<u>\$ 11,099</u>
CHANGE IN NET POSITION	\$ 8,070
NET POSITION, BEGINNING OF YEAR	<u>15,449</u>
NET POSITION, END OF YEAR	<u>\$ 23,519</u>

HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK

Notes To The Basic Financial Statements

June 30, 2019

I. Summary of Significant Accounting Policies

The financial statements of the Holley Central School District, New York (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units* and GASB Statement No. 61, *The Financial Reporting Entity*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the District's reporting entity.

1. Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions, and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office. The District accounts for assets held as an agency for various student organizations in an agency fund.

B. Joint Venture

The District is a component of the Monroe II BOCES. The BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

(I.) (Continued)

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

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

During the year, the District was billed \$3,245,270 for BOCES administrative and program costs and \$68,035 for the BOCES CIP.

The District's share of BOCES aid amounted to \$1,584,181.

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

C. Basis of Presentation

1. Districtwide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. 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 program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Statements

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

(I.) (Continued)

The District reports the following governmental funds:

a. **Major Governmental Funds**

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

Capital Projects Fund - Used to account for the acquisition construction or major repair of capital facilities and bus purchases.

Special Aid Fund - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

b. **Nonmajor Governmental** - The other funds which are not considered major are aggregated and reported as nonmajor governmental funds as follows:

School Lunch Fund - Used to account for transactions of the District's lunch, breakfast and milk programs.

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

Private Purpose Trust Funds - These funds are used to account for trust arrangements in which principal and income benefit annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

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

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

(I.) (Continued)

The District-Wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the 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 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 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.

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 20, 2018. Taxes are collected during the period September 1, 2018 to October 31, 2018.

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

F. Restricted Resources

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

G. Interfund Transactions

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

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

(I.) (Continued)

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

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

H. Estimates

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

I. Cash and Cash Equivalents

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

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

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

J. Receivables

Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Inventory and Prepaid Items

Inventories of food and/or supplies for school lunch are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

(I.) (Continued)

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

A non-spendable 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.

L. Capital Assets

In the District-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	SL	15-50 Years
Machinery and Equipment	\$ 5,000	SL	5-25 Years

The investment in infrastructure type assets have not been segregated for reporting purposes since all costs associated with capital projects are consolidated and reported as additions to buildings and improvements.

M. Unearned Revenue

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

(I.) (Continued)

N. Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue-property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect on the net changes of assumptions or other inputs.

O. Vested Employee Benefits

1. 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 in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

(I.) (Continued)

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

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

P. Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health coverage to retired employees in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits may be shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Q. Short-Term Debt

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

R. Accrued Liabilities and Long-Term Obligations

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

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

S. Equity Classifications

1. District-Wide Statements

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

(I.) (Continued)

- a. **Net Investment in Capital Assets** - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
- b. **Restricted Net Position** - reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

On the Statement of Net Position the following balances represent the restricted for other purposes:

	<u>Total</u>
Insurance	\$ 247,962
Tax Certiorari	6,799
Repair	275,049
Debt	<u>351,327</u>
Total Net Position - Restricted for Other Purposes	<u>\$ 881,137</u>

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

2. **Fund Statements**

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

- a. **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes \$20,209 in Inventory in School Lunch.
- b. **Restricted Fund Balances** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the general fund are classified as restricted fund balance. The District has established the following restricted fund balances:

Employee Benefit Accrued Liability Reserve - According to General Municipal Law §6-p, must be used for the payment of accrued employee benefits due to 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.

(I.) (Continued)

Insurance Reserve - According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriation, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

Repair Reserve - According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

Tax Certiorari Reserve - According to General Municipal Law §3651.1-a, must be used to establish a reserve fund for tax certiorari claims 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 proceeding 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.

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

(I.) (Continued)

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

Reserve for Debt Service - According to General Municipal Law §6-1, the Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

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

Restricted fund balances include the following:

	<u>Total</u>
<u>General Fund -</u>	
Workers' Compensation	\$ 242,640
Unemployment Costs	711,697
Insurance	247,962
Tax Certiorari	6,799
Repair	275,049
Debt	351,327
Employee Benefit Accrued Liability	929,717
<u>Capital Fund -</u>	
Capital Projects	18,778
Total Restricted Fund Balance	<u><u>\$ 2,783,969</u></u>

c. **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2019.

(I.) (Continued)

d. **Assigned Fund Balance** – Includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance. Encumbrances represent purchase commitments made by the District’s purchasing agent through their authorization of a purchase order prior to year end. The District assignment is based on the functional level of expenditures.

Management has determined significant encumbrances for the General Fund to be \$35,000, and the Capital Projects Fund to be \$1,500. There were no significant encumbrances at year end.

Assigned fund balances include the following:

	<u>Total</u>
General Fund - Encumbrances	\$ 18,086
General Fund - Appropriated for Taxes	890,000
School Lunch Fund - Year End Equity	73,193
Total Assigned Fund Balance	<u><u>\$ 981,279</u></u>

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

3. **Order of Use of Fund Balance**

The District’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, the remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

T. **New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2019, the District implemented the following new standards issued by GASB:

GASB has issued Statement 83, *Certain Asset Retirement Obligations*, which will be effective for reporting periods beginning after June 15, 2018.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for reporting periods beginning after June 15, 2018.

(I.) (Continued)

U. Future Changes in Accounting Standards

GASB has issued Statement 84, *Fiduciary Activities*, which will be effective for the periods beginning after December 15, 2018.

GASB has issued Statement 87, *Leases*, which will be effective for the periods beginning after December 15, 2019.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for reporting periods beginning after December 15, 2019.

GASB has issued Statement No. 90, *Majority equity Interests – an amendment of GASB statements No. 14 and No. 61*, which will be effective for reporting periods beginning after December 15, 2018.

GASB has issued statement No. 91, *Conduit Debt Obligations*, which will be effective for reporting periods beginning after December 15, 2020.

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

II. Stewardship, Compliance and Accountability

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.

The voters of the District approved the proposed appropriation budget.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restriction, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. During the 2018-19 fiscal year, the budget was amended \$25,469 for carryover encumbrances from the prior year.

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

(II.) (Continued)

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

B. Encumbrances

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

C. Deficit Fund Balance – Capital Projects Fund

The Capital Projects Fund had a deficit fund balance of \$562,976 at June 30, 2019, which is a result of bond anticipation notes which are used as a temporary means of financing capital projects. These proceeds are not recognized as revenue but merely serve to provide cash to meet expenditures. This results in the creation of a fund deficit which will remain until the notes are replaced by permanent financing (i.e., bonds, grants-in-aid, or redemption from current appropriations).

III. Cash and Cash Equivalents

Credit risk: In compliance with the State Law, District investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and obligations issued by other municipalities and authorities within the State.

Concentration of Credit risk: To promote competition in rates and service cost, and to limit the risk of institutional failure, District deposits and investments are placed with multiple institutions. The District's investment policy limits the amounts that may be deposited with any one financial institution.

Interest rate risk: The District has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates

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

(III.) (Continued)

Uncollateralized	\$	-
Collateralized with Securities held by the Pledging Financial Institution		31,987
Collateralized within Trust Department or Agent		5,270,857
Total		<u><u>\$ 5,302,844</u></u>

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes \$3,413,896 within the governmental funds and \$23,519 in the fiduciary funds.

IV. Investments

The District's investments are recorded at fair value and have been categorized based upon a fair market value.

The following table presents information about the District's investments measured at fair value as of June 30, 2019:

<u>Investments</u>	<u>Carrying Amount</u>	<u>Unrealized Investment Gain/(Loss)</u>	<u>Category</u>
OI Limited-Term Government Fund	<u>\$ 2,438</u>	<u>\$ -</u>	Level 1

The fair value measurements of the investments noted above have been classified by the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investments. The levels of the fair value hierarchy are as follows:

1. **Level 1** – Quoted price for identical assets in an active market.
2. **Level 2** – (A) Quoted prices for similar assets or liabilities in active markets; (B) Quoted prices for identical or similar assets or liabilities in markets that are not active; (C) Inputs other than quoted prices that are observable for the assets or liability, such as (1) invest rates and yield curves observable at commonly quoted intervals (2) implied volatilities (3) credit spreads; (D) Market-corroborated inputs.
3. **Level 3** – Unobservable inputs for an asset or liability are significant to the fair value measurement.

Credit risk: In compliance with the State Law, District investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and obligations issued by other municipalities and authorities within the State.

Concentration of Credit risk: To promote competition in rates and service cost, and to limit the risk of institutional failure, District deposits and investments are placed with multiple institutions. The District's investment policy limits the amounts that may be deposited with any one financial institution at \$15 Million.

(IV.) (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The District invests operating funds primarily in short-term securities, money market funds, or similar investment pools although the Town does not have a formal policy relating to a specific investment related risk.

V. Receivables

Receivables at June 30, 2019 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	
Accounts Receivable	\$ 8,704	\$ -	\$ -	\$ 8,704
Due From State and Federal	362,717	389,862	71,243	823,822
Due From Other Governments	738,518	-	-	738,518
Total Receivables	\$ 1,109,939	\$ 389,862	\$ 71,243	\$ 1,571,044

District management has deemed the amounts to be fully collectible.

VI. Interfund Receivables, Payables, Revenues and Expenditures

Interfund Receivables, Payables, Revenues and Expenditures at June 30, 2019 were as follows:

	<u>Interfund</u>			
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 407,712	\$ -	\$ -	\$ 190,530
Special Aid Fund	-	381,770	34,551	-
School Lunch Fund	-	17,965	3,809	-
Capital Projects Fund	-	7,976	152,170	-
Total	\$ 407,712	\$ 407,711	\$ 190,530	\$ 190,530

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.

VII. Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2019</u>
Governmental Activities:				
<u>Capital Assets that are not Depreciated -</u>				
Land	\$ 137,000	\$ -	\$ -	\$ 137,000
Work in progress	8,442,194	78,588	-	8,520,782
<i>Total Nondepreciable</i>	<u>\$ 8,579,194</u>	<u>\$ 78,588</u>	<u>\$ -</u>	<u>\$ 8,657,782</u>
<u>Capital Assets that are Depreciated -</u>				
Buildings and Improvements	\$ 45,670,148	\$ 84,135	\$ -	\$ 45,754,283
Machinery and equipment	5,184,572	227,410	202,457	5,209,525
<i>Total Depreciated Assets</i>	<u>\$ 50,854,720</u>	<u>\$ 311,545</u>	<u>\$ 202,457</u>	<u>\$ 50,963,808</u>
<u>Less Accumulated Depreciation -</u>				
Buildings and Improvements	\$ 17,340,423	\$ 1,723,533	\$ -	\$ 19,063,956
Machinery and equipment	2,781,530	446,916	183,157	3,045,289
<i>Total Accumulated Depreciation</i>	<u>\$ 20,121,953</u>	<u>\$ 2,170,449</u>	<u>\$ 183,157</u>	<u>\$ 22,109,245</u>
<i>Total Capital Assets Depreciated, Net of Accumulated Depreciation</i>	<u>\$ 30,732,767</u>	<u>\$ (1,858,904)</u>	<u>\$ 19,300</u>	<u>\$ 28,854,563</u>
Total Capital Assets	<u>\$ 39,311,961</u>	<u>\$ (1,780,316)</u>	<u>\$ 19,300</u>	<u>\$ 37,512,345</u>

Depreciation expense for the period was charged to functions/programs as follows:

Governmental Activities:

General Government Support	\$ 231,505
Instruction	1,636,172
Pupil Transportation	299,967
School Lunch	2,805
Total Depreciation Expense	<u>\$ 2,170,449</u>

VIII. Short-Term Debt

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

	<u>Original Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2019</u>
BAN	\$ 6,375,000	2019	2.25%	\$ 6,375,000	\$ -	\$ 6,375,000	\$ -
BAN	\$ 978,600	2019	1.48%	978,600	-	978,600	-
BAN	\$ 6,210,000	2019	2.50%	-	6,210,000	6,210,000	-
BAN	\$ 956,914	2020	2.34%	-	956,914	-	956,914
Total Short-Term Debt				<u>\$ 7,353,600</u>	<u>\$ 7,166,914</u>	<u>\$ 13,563,600</u>	<u>\$ 956,914</u>

(VIII.) (Continued)

A summary of the short-term interest expense for the year is as follows:

Interest Paid	\$ 305,803
Less: Interest Accrued in the Prior Year	(151,360)
Plus: Interest Accrued in the Current Year	19,539
Total Short-Term Interest Expense	\$ 173,982

IX. Long-Term Debt Obligations

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

	<u>Balance</u> <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2019</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
<u>Bonds and Notes Payable -</u>					
Serial Bonds	\$ 18,055,000	\$ 6,045,000	\$ 1,480,000	\$ 22,620,000	\$ 1,830,000
<u>Other Liabilities -</u>					
Net Pension Liability	\$ 256,540	\$ 304,790	\$ -	\$ 561,330	\$ -
OPEB	2,657,717	-	1,589	2,656,128	-
Compensated Absences	3,436,056	46,060	-	3,482,116	870,529
Total Other Liabilities	\$ 6,350,313	\$ 350,850	\$ 1,589	\$ 6,699,574	\$ 870,529
Total Long-Term Obligations	\$ 24,405,313	\$ 6,395,850	\$ 1,481,589	\$ 29,319,574	\$ 2,700,529

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

Existing serial and statutory bond obligations:

<u>Description</u>	<u>Original</u> <u>Amount</u>	<u>Issue</u> <u>Date</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u> <u>Outstanding</u> <u>6/30/2019</u>
Building Project	\$ 3,788,400	2010	2025	3.0%-3.6%	\$ 1,740,000
Building Project	\$ 16,000,000	2012	2029	3.25%-3.50%	10,835,000
Bus Garage & Reconstruction	\$ 5,500,000	2014	2034	1.50%-3.25%	4,000,000
Building Project	\$ 6,045,000	2019	2033	3.00%	6,045,000
Total Serial Bonds					\$ 22,620,000

(IX.) (Continued)

The following is a summary of debt service requirements:

<u>Year</u>	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,830,000	\$ 741,666
2021	1,935,000	651,359
2022	2,020,000	594,159
2023	2,070,000	532,871
2024	2,140,000	469,278
2025-29	10,010,000	1,359,890
2030-34	2,615,000	212,750
Total	\$ 22,620,000	\$ 4,561,973

Interest on long-term debt for June 30, 2019 was composed of:

Interest Paid	\$ 567,621
Less: Interest Accrued in the Prior Year	(103,959)
Plus: Interest Accrued in the Current Year	157,421
Total Long-Term Interest Expense	\$ 621,083

X. Deferred Inflows/Outflows of Resources

The following is a summary of the deferred inflows/outflows of resources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension	\$ 5,931,678	\$ 1,931,343
OPEB	105,402	123,813
Total	\$ 6,037,080	\$ 2,055,156

XI. Pension Plans

A. General Information

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

(XI.) (Continued)

B. Provisions and Administration

A 10 member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). 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. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

ERS 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. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

C. Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year.

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30, 2019:

<u>Contributions</u>		<u>ERS</u>		<u>TRS</u>
2019	\$	364,650	\$	875,486

(XI.) (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Net pension assets/(liability)	\$ (561,330)	\$ 877,073
District's portion of the Plan's total net pension asset/(liability)	0.007922%	0.048504%

For the year ended June 30, 2019, the District recognized pension expenses of \$398,810 for ERS and \$713,180 for TRS. At June 30, 2019 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expended and actual experience	\$ 110,538	\$ 655,429	\$ 37,681	\$ 118,724
Changes of assumptions	141,095	3,065,944	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	144,068	973,617
Changes in proportion and differences between the District's contributions and proportionate share of contributions	93,773	226,814	5,152	33,023
Subtotal	<u>\$ 345,406</u>	<u>\$ 3,948,187</u>	<u>\$ 186,901</u>	<u>\$ 1,125,364</u>
District's contributions subsequent to the measurement date	90,589	839,838	-	-
Grand Total	<u>\$ 435,995</u>	<u>\$ 4,788,025</u>	<u>\$ 186,901</u>	<u>\$ 1,125,364</u>

(XI.) (Continued)

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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</u>	<u>ERS</u>	<u>TRS</u>
2019	\$ -	\$ 911,607
2020	148,382	629,358
2021	(86,033)	95,434
2022	9,919	627,292
2023	86,237	433,954
Thereafter	-	125,178
Total	\$ 158,505	\$ 2,822,823

E. 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:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.00%	7.25%
Salary scale	4.20%	4.72%-1.90%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2009- June 30, 2014 System's Experience
Inflation rate	2.50%	2.25%
COLA's	1.30%	1.50%

For ERS, annuitant mortality rates are based on Society of Actuaries Scale MP-2014 System's experience with adjustments for mortality improvements based on MP-2019. For TRS, annuitant mortality rates are based on plan member experience adjustments for mortality improvements based on Society of Actuaries Scale AA.

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 as follows:

(XI.) (Continued)

Long Term Expected Rate of Return		
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
<u>Asset Type -</u>		
Domestic equity	4.55%	5.80%
International equity	6.35%	7.30%
Global equity	0.00%	6.70%
Private equity	7.50%	8.90%
Real estate	5.55%	4.90%
Absolute return strategies *	3.75%	0.00%
Opportunistic portfolios	5.68%	0.00%
Real assets	5.29%	0.00%
Bonds and mortgages	1.31%	0.00%
Cash	-0.25%	0.00%
Inflation-indexed bonds	1.25%	0.00%
Private debt	0.00%	6.80%
Real estate debt	0.00%	2.80%
High-yield fixed income securities	0.00%	3.50%
Domestic fixed income securities	0.00%	1.30%
Global fixed income securities	0.00%	0.90%
Short-term	0.00%	0.30%

The real rate of return is net of the long-term inflation assumption of 2.5% for ERS and 2.3% for TRS.

* Excludes equity-oriented long-only funds. For investment management purposes, these funds are included in domestic equity and internal equity.

F. Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon 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 liability.

(XI.) (Continued)

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6% for ERS and 6.25% for TRS) or 1-percentagepoint higher (8% for ERS and 8.25% for TRS) than the current rate :

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
<u>ERS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (2,454,222)	\$ (561,330)	\$ 1,028,835
	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<u>TRS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (6,025,632)	\$ 877,073	\$ 6,659,621

H. 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:

	(In Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2019	June 30, 2018
Employers' total pension liability	\$ 189,803,429	\$ 118,107,253
Plan net position	182,718,124	119,915,517
Employers' net pension asset/(liability)	<u>\$ (7,085,305)</u>	<u>\$ 1,808,264</u>
Ratio of plan net position to the employers' total pension asset/(liability)	96.27%	101.53%

I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$90,589.

(XI.) (Continued)

3 For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer’s contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$875,486.

XII. Postemployment Benefits

A. General Information About the OPEB Plan

Plan Description – The District’s defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At March 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	204
Active Employees	98
Total	302

B. Total OPEB Liability

The District’s total OPEB liability of \$2,656,128 was measured as of March 31, 2019, and was determined by an actuarial valuation as of that date.

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

Inflation	2.36 percent
Salary Increases	3.36 percent, average, including inflation
Discount Rate	3.44 percent
Healthcare Cost Trend Rates	5.20 percent for 2019, decreasing to an ultimate rate of 4.32 percent.
Retirees' Share of Benefit-Related Costs	50-100% of life insurance premiums dependent on contract 100% of projected health insurance premiums for current retirees

The discount rate was based on tax exempt, high quality 20-year tax exempt general obligation municipal bond yield or index rate.

(XII.) (Continued)

Mortality rates were based on Pub-2010 Public Retirement Plans Mortality Tables, Headcount-weighted, distinct for Teachers, General, and Safety, without separate contingent survivor mortality, fully generational using scale MP-2018.

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	<u>\$ 2,657,717</u>
<u>Changes for the Year -</u>	
Service cost	\$ 51,754
Interest	93,849
Differences between expected and actual experience	424,030
Changes in assumptions or other inputs	(461,433)
Benefit payments	<u>(109,789)</u>
Net Changes	<u>\$ (1,589)</u>
Balance at June 30, 2019	<u><u>\$ 2,656,128</u></u>

There were no changes in plan provisions.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.61 effective July 1, 2018 and 3.44 effective June 30, 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.44%) or 1 percentage-point higher (4.44%) than the current discount rate:

	1% Decrease	Discount	1% Increase
	(2.44%)	Rate	(4.44%)
	<u>(2.44%)</u>	<u>(3.44%)</u>	<u>(4.44%)</u>
Total OPEB Liability	\$ 2,954,861	\$ 2,656,128	\$ 2,403,140

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – Healthcare costs can be subject to considerable volatility over time. The following exhibit demonstrates the effect on liabilities of a 1% change in healthcare cost trend rates.

	1% Decrease	Healthcare	1% Increase
	(4.20%	Cost Trend Rates	(6.20%
	Decreasing	(5.20%	Decreasing
	to 3.32%)	Decreasing	Decreasing
	<u>to 3.32%)</u>	to 4.32%)	<u>to 5.32%)</u>
Total OPEB Liability	\$ 2,554,306	\$ 2,656,128	\$ 2,772,833

(XII.) (Continued)

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$125,600. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expensed and actual experience	\$ 278,789	\$ -
Changes of assumptions	23,376	392,855
Contributions after measurement date	27,447	-
Total	<u>\$ 329,612</u>	<u>\$ 392,855</u>

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

<u>Year</u>	
2020	\$ 3,896
2021	(22,274)
2022	(13,643)
2023	(13,643)
2024	(13,643)
Thereafter	(31,383)
Total	<u>\$ (90,690)</u>

XIII. Risk Management

A. General Information

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

B. Health Plan

The District incurs costs related to the Orleans-Niagara Experience Rated Health Insurance Group Plan (Plan) sponsored by the Orleans-Niagara Board of Cooperative Educational Services 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. Membership in the Plan may be offered to only public school districts and BOCES served by Blue Cross/Blue Shield of Western New York or by any other health or medical insurance organizations as determined by the Board of Governors. There is a required waiting period of one year from request of enrollment to actual enrollment date. Also, during the year prior to requested membership acceptance the new members experience rating should equal or better the experience rating of the group as then constituted.

(XIII.) (Continued)

Voluntary withdrawal from the Plan is subject to the following constraints:

1. If the member's experience rating is better than the group as a whole, upon one year's written notice and at the anniversary date of membership or
2. If the member's experience rating is below that of the group as a whole, upon one month's written notice.

Plan members include Orleans-Niagara BOCES and nine districts with the Holley Central School District bearing an equal and proportionate share of the Plan's assets and claim liabilities. Pursuant to the Municipal Cooperative Agreement as signed by the participants, the Plan is a risk sharing pool and all monies paid to the Treasurer shall be pooled and administered as a common fund. No refunds shall be made to a participant and no assessment shall be charged to a participant other than the annual premium equivalent. If surplus funds exist at the end of any fiscal year, the distribution of such funds shall be determined by the Board of Directors.

The Plan purchases, on an annual basis, stop-loss insurance policies to limit its exposure for claims paid within any fiscal year.

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 expenses in the periods in which they are made. During the year ended June 30, 2019, the District incurred premiums or contribution expenditures totaling \$3,203,231.

C. Workers' Compensation

The District incurs costs related to the Rochester Area School Workers' Compensation Plan (Plan) sponsored by the Board of Cooperative Educational Services, Second Supervisory District of Monroe and Orleans Counties and its component districts. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any component district of the Monroe #1 and Monroe #2 BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of Intention to Withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

(XIII.) (Continued)

Plan membership is currently comprised of two BOCES and seventeen districts. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments are charged to a participant other than the annual premium equivalent. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee.

The Plan purchases, on an annual basis, stop-loss insurance policies to limit its exposure for claims paid.

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 expenses in the periods in which they are made. During the year ended June 30, 2019, the District incurred premiums or contribution expenditures totaling \$81,340.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2018, revealed that the Plan was underfunded.

D. Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2018-19 fiscal year totaled \$3,949. The balance of the fund at June 30, 2019 was \$711,697 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2019, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

XIII. Commitments and Contingencies

A. Litigation

There are pending claims filed against the District and any potential liability cannot be determined at this time.

(XIII.) (Continued)

B. Grants

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

XIV. Tax Abatement

The County of Orleans IDA, and the District enter into various property tax abatement programs for the purpose of Economic Development. As a result the District property tax revenue was reduced \$99,380. The District received payment in lieu of tax (PILOT) payment totaling \$88,356 to help offset the property tax reduction.

XV. Rental of District Property

The District leases a classroom. Total rental income for the 2018-19 fiscal year totaled \$8,800.

XVI. Subsequent Event

On August 13, 2019, the District issued a Bond Anticipation Note for buses in the amount of \$845,000 with a net interest rate of 1.7485%.

Required Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Changes in District's Total OPEB Liability and Related Ratio
(Unaudited)
For Year Ended June 30, 2019

TOTAL OPEB LIABILITY			
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 51,754	\$ 52,374	\$ 55,366
Interest	93,849	94,126	78,804
Changes in benefit terms	-	(16,276)	243,724
Differences between expected and actual experiences	424,030	27,547	13,120
Changes of assumptions or other inputs	(461,433)	75,324	(153,647)
Benefit payments	(109,789)	(109,728)	(92,811)
Net Change in Total OPEB Liability	\$ (1,589)	\$ 123,367	\$ 144,556
Total OPEB Liability - Beginning	\$ 2,657,717	\$ 2,534,350	\$ 2,389,794
Total OPEB Liability - Ending	\$ 2,656,128	\$ 2,657,717	\$ 2,534,350
Covered Employee Payroll	\$ 10,104,957	\$ 9,781,199	\$ 9,781,199
Total OPEB Liability as a Percentage of Covered Employee Payroll	26.29%	27.17%	25.91%

10 years of historical information is not available, and will be added each year subsequent to the year of implementation until 10 years of historical data is present.

Required Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability
(Unaudited)
For Year Ended June 30, 2019

NYSERS Pension Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0079%	0.007949%	0.007899%	0.008010%	0.008421%
Proportionate share of the net pension liability (assets)	\$ 561,330	\$ 256,540	\$ 742,240	\$ 1,285,585	\$ 284,497
Covered-employee payroll	\$ 2,502,828	\$ 2,430,877	\$ 2,255,178	\$ 2,279,189	\$ 2,319,653
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	22.428%	10.553%	32.913%	56.405%	12.265%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%	97.90%

NYSTRS Pension Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0485%	0.051415%	0.052039%	0.052520%	0.051118%
Proportionate share of the net pension liability (assets)	\$ (877,073)	\$ (390,804)	\$ 557,364	\$ (5,455,111)	\$ (5,694,258)
Covered-employee payroll	\$ 8,138,045	\$ 8,259,647	\$ 8,249,797	\$ 7,889,156	\$ 7,555,616
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	-10.777%	-4.731%	6.756%	-69.147%	-75.365%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.66%	99.01%	110.46%	111.48%

10 years of historical information is not available, and will be added each year subsequent to the year of implementation until 10 years of historical data is present.

(See Independent Auditors' Report)

Required Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District Contributions
(Unaudited)
For Year Ended June 30, 2019

NYSERS Pension Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 364,650	\$ 359,841	\$ 336,500	\$ 396,515	\$ 406,991
Contributions in relation to the contractually required contribution	<u>(364,650)</u>	<u>(359,841)</u>	<u>(336,500)</u>	<u>(396,515)</u>	<u>(406,991)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 2,502,828	\$ 2,430,877	\$ 2,255,178	\$ 2,279,189	\$ 2,319,653
Contributions as a percentage of covered-employee payroll	14.57%	14.80%	14.92%	17.40%	17.55%

NYSTRS Pension Plan

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 875,486	\$ 819,018	\$ 999,349	\$ 1,064,805	\$ 1,382,969
Contributions in relation to the contractually required contribution	<u>(875,486)</u>	<u>(819,018)</u>	<u>(999,349)</u>	<u>(1,064,805)</u>	<u>(1,382,969)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,138,045	\$ 8,259,647	\$ 8,249,797	\$ 8,030,204	\$ 7,889,156
Contributions as a percentage of covered-employee payroll	10.76%	9.92%	12.11%	13.26%	17.53%

10 years of historical information is not available, and will be added each year subsequent to the year of implementation until 10 years of historical data is present.

Required Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2019

	Original Budget	Amended Budget	Current Year's Revenues	Over (Under) Revised Budget
REVENUES				
Local Sources -				
Real property taxes	\$ 5,433,032	\$ 5,433,032	\$ 5,494,778	\$ 61,746
Real property tax items	1,768,937	1,768,937	1,722,648	(46,289)
Non-property taxes	8,000	8,000	9,657	1,657
Charges for services	40,000	40,000	92,114	52,114
Use of money and property	12,000	12,000	39,355	27,355
Sale of property and compensation for loss	20,000	20,000	31,503	11,503
Miscellaneous	131,384	131,384	633,333	501,949
State Sources -				
Basic formula	15,219,626	15,219,626	13,286,214	(1,933,412)
Lottery aid	-	-	1,916,670	1,916,670
BOCES	1,560,971	1,560,971	1,584,181	23,210
Textbooks	56,910	56,910	56,911	1
All Other Aid -				
Computer software	33,152	33,152	33,119	(33)
Library loan	5,988	5,988	5,981	(7)
Federal Sources	<u>75,000</u>	<u>75,000</u>	<u>76,473</u>	<u>1,473</u>
TOTAL REVENUES	<u>\$ 24,365,000</u>	<u>\$ 24,365,000</u>	<u>\$ 24,982,937</u>	<u>\$ 617,937</u>
Appropriated fund balance	<u>\$ 845,000</u>	<u>\$ 845,000</u>		
Prior year encumbrances	<u>\$ 25,469</u>	<u>\$ 25,469</u>		
TOTAL REVENUES AND APPROPRIATED RESERVES/ FUND BALANCE	<u><u>\$ 25,235,469</u></u>	<u><u>\$ 25,235,469</u></u>		

Required Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2019

	<u>Original</u> <u>Budget</u>	<u>Amended</u> <u>Budget</u>	<u>Current</u> <u>Year's</u> <u>Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered</u> <u>Balances</u>
EXPENDITURES					
General Support -					
Board of education	\$ 39,080	\$ 45,094	\$ 44,173	\$ -	\$ 921
Central administration	216,039	216,917	213,215	-	3,702
Finance	259,824	269,344	254,053	1,766	13,525
Staff	197,305	176,077	168,528	5,000	2,549
Central services	1,963,912	1,841,007	1,795,302	3,005	42,700
Special items	426,534	414,087	391,001	-	23,086
Instructional -					
Instruction, administration and improvement	1,069,893	1,095,710	1,031,754	7,268	56,688
Teaching - regular school	5,907,464	5,851,623	5,550,583	237	300,803
Programs for children with handicapping conditions	3,235,534	3,292,262	3,179,696	-	112,566
Occupational education	459,023	464,445	464,445	-	-
Teaching - special schools	14,303	14,303	11,446	-	2,857
Instructional media	189,410	212,604	196,193	810	15,601
Pupil services	897,747	986,789	930,139	-	56,650
Pupil Transportation	1,281,539	1,286,644	1,023,298	-	263,346
Community Services	5,000	5,000	5,000	-	-
Employee Benefits	5,930,704	5,912,504	5,595,973	-	316,531
Debt service - principal	2,054,600	2,054,600	2,054,600	-	-
Debt service - interest	864,523	873,424	873,424	-	-
TOTAL EXPENDITURES	<u>\$ 25,012,434</u>	<u>\$ 25,012,434</u>	<u>\$ 23,782,823</u>	<u>\$ 18,086</u>	<u>\$ 1,211,525</u>
Other Uses -					
Transfers - out	\$ 223,035	\$ 223,035	\$ 190,530	\$ -	\$ 32,505
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 25,235,469</u>	<u>\$ 25,235,469</u>	<u>\$ 23,973,353</u>	<u>\$ 18,086</u>	<u>\$ 1,244,030</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,009,584</u>		
FUND BALANCE, BEGINNING OF YEAR	<u>4,324,820</u>	<u>4,324,820</u>	<u>4,324,820</u>		
FUND BALANCE, END OF YEAR	<u>\$ 4,324,820</u>	<u>\$ 4,324,820</u>	<u>\$ 5,334,404</u>		

Note to Required Supplementary Information:

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.

Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Change From Adopted Budget To Final Budget
And The Real Property Tax Limit
For Year Ended June 30, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget		\$ 25,210,000
Prior year's encumbrances		25,469
FINAL BUDGET		\$ 25,235,469

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2019-20 voter approved expenditure budget		\$ 25,780,000
<u>Unrestricted fund balance:</u>		
Assigned fund balance	\$ 908,086	
Unassigned fund balance	1,031,200	
Total Unrestricted fund balance	\$ 1,939,286	
<u>Less adjustments:</u>		
Appropriated fund balance	\$ 890,000	
Encumbrances included in assigned fund balance	18,086	
Total adjustments	\$ 908,086	
General fund fund balance subject to Section 1318 of Real Property Tax Law		1,031,200
ACTUAL PERCENTAGE		4.00%

Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
CAPITAL PROJECTS FUND
Schedule of Project Expenditures
For Year Ended June 30, 2019

<u>Project Title</u>	<u>Original</u> <u>Appropriation</u>	<u>Revised</u> <u>Appropriation</u>	<u>Expenditures</u>			<u>Unexpended</u> <u>Balance</u>	<u>Methods of Financing</u>			<u>Fund</u> <u>Balance</u>
			<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u>		<u>Obligations</u>	<u>Local</u> <u>Sources</u>	<u>Total</u>	
2014-15 Phase 3	\$ 8,955,000	\$ 8,955,000	\$ 8,442,199	\$ 78,588	\$ 8,520,787	\$ 434,213	\$ 6,045,000	\$ 2,830,760	\$ 8,875,760	\$ 354,973
15-16 Bus Purchases	355,000	355,000	351,658	-	351,658	3,342	-	211,658	211,658	(140,000)
16-17 Bus Purchases	339,000	339,000	338,400	-	338,400	600	-	135,000	135,000	(203,400)
17-18 Equipment Purchases	496,600	496,600	487,057	-	487,057	9,543	-	106,600	106,600	(380,457)
18-19 Bus Purchases	222,914	222,914	-	212,870	212,870	10,044	-	-	-	(212,870)
2018-19 Capital Outlay	100,000	100,000	-	84,135	84,135	15,865	-	84,135	84,135	-
Old Capital Projects	-	49,130	30,352	-	30,352	18,778	-	49,130	49,130	18,778
BOCES Capital Project	960,230	960,230	892,043	68,035	960,078	152	-	960,078	960,078	-
TOTAL	\$ 11,428,744	\$ 11,477,874	\$ 10,541,709	\$ 443,628	\$ 10,985,337	\$ 492,537	\$ 6,045,000	\$ 4,377,361	\$ 10,422,361	\$ (562,976)

Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
For Year Ended June 30, 2019

Capital assets, net		\$ 37,512,345
Add:		
Unspent bond proceeds	<u>\$ 354,973</u>	354,973
Deduct:		
Short-term portion of bonds payable	\$ 1,520,000	
Long-term portion of bonds payable	21,100,000	
Assets purchased with short-term financing	<u>936,727</u>	
		<u>23,556,727</u>
Net Investment in Capital Assets		<u><u>\$ 14,310,591</u></u>

Supplementary Information
HOLLEY CENTRAL SCHOOL DISTRICT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2019

<u>Grantor / Pass - Through Agency</u> <u>Federal Award Cluster / Program</u>	<u>CFDA</u> <u>Number</u>	<u>Grantor</u> <u>Number</u>	<u>Pass-Through</u> <u>Agency</u> <u>Number</u>	<u>Total</u> <u>Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
<u>Special Education Cluster IDEA -</u>				
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	0032-18-0705	\$ 1,265
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	0032-19-0705	310,208
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	0033-19-0705	12,624
<i>Total Special Education Cluster IDEA</i>				<u>\$ 324,097</u>
Title IIA - Supporting Effective Instruction State Grant	84.367	N/A	0147-19-2315	40,568
Food Service Equipment Grant	10.579	N/A	0005-18-0016	14,540
Title IV	84.424A	N/A	0204-19-2315	4,671
Title I - School Improvement Grant	84.010A	N/A	0011-19-2098	6,174
Title I - Grants to Local Educational Agencies	84.010	N/A	0021-19-2315	243,838
Total U.S. Department of Education				<u><u>\$ 633,888</u></u>
<u>U.S. Department of Agriculture:</u>				
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
<u>Child Nutrition Cluster -</u>				
National School Lunch Program	10.555	N/A	N/A	\$ 239,905
National School Lunch Program-Non-Cash Assistance (Commodities)	10.555	N/A	A071	37,632
National School Snack Program	10.555	N/A	N/A	14,156
National Summer Food Service program	10.559	N/A	N/A	7,757
National School Breakfast Program	10.553	N/A	N/A	95,330
<i>Total Child Nutrition Cluster</i>				<u>\$ 394,780</u>
Total U.S. Department of Agriculture				<u><u>\$ 394,780</u></u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 1,028,668</u></u>

**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***

Independent Auditors' Report

To the Board of Education
Holley Central School District, 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 the Holley Central School District, New York, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Holley Central School District, New York's basic financial statements, and have issued our report thereon dated October 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Holley Central School District, New York's internal control over financial reporting 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 Holley Central School District, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Holley Central School District, New York'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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Holley Central School District, New York'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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rochester, New York
October 15, 2019