

PERU CENTRAL SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Peru Central School District
Peru, New York 12972

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Peru Central School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the District's 2018 financial statements, and in our report dated November 8, 2018, we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 15), budgetary comparison information (pages 55 & 56) and Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 59) and Schedules of District's Proportionate Share of the Net Pension Liability – ERS and TRS, and Schedules of the District's Contributions – ERS and TRS (pages 60-63) 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Peru Central School District's basic financial statements as a whole. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures, and Net Investment in Capital Assets are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of Peru Central School District. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures, Net Investment in Capital Assets, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2019, on our consideration of the Peru Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Peru Central School District's internal control over financial reporting and compliance.

Boulrice & Wood CPAs, PC

Boulrice & Wood CPAs, PC
October 13, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Peru School District's annual financial report presents its discussion and analysis of financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the financial statements which immediately follow this section.

FINANCIAL HIGHLIGHTS

- State Aid increased by 2.88% over fiscal year 2018.
- The District ended the year with a modest surplus for the sixth straight year.
- The impact of mandatory GASB 75 reporting of Post-employment benefits and GASB 68 reporting of Pension benefits remains visible throughout the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are entity-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the operations in more detail than the entity-wide statements.
- The governmental fund statements tell how basic services such as instruction and support functions were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Table A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Table A-1: Major Features of the Entity-Wide and Fund Financial Statements

| | Entity-Wide | Fund Financial Statements | |
|---|--|---|---|
| | Statements | Governmental | Fiduciary |
| Scope | Entire entity (except fiduciary funds) | The day-to-day operating activities of the District, such as special education and instruction | Instances in which the District administers resources on behalf of others, such as employee benefits |
| Required Financial Statements | Statement of Net Position Statement of Activities | Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances | 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 and current financial resources measurement focus | Accrual accounting and economic resources focus |
| Type of Asset and Liability Information | All asset liabilities, both financial and capital, short-term and long-term | Current assets and liabilities that come during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, short-term and long-term; funds do not contain capital assets although they can |
| Type of Inflow and Outflow Information | All revenues and expenses during year; regardless of when cash is received or paid | Revenues for which cash is received during the year or soon thereafter; 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 |
| | | | |

Entity-wide Statements

The entity-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 of the 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 entity-wide statements report the District's net position and how they have changed. Net position, the difference between the assets and liabilities, is one way to measure the financial health or position of the District.

- Over time, increases and decreases in net position is an indicator of whether the financial position is improving or deteriorating, respectively.

For assessment of the overall health of the District additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - Net position invested in capital assets, net of related debt;
 - Restricted net position are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation; and
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

Governmental funds: Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the entity-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often have a budgetary orientation. Included are the general fund, special revenue funds, debt service funds, capital project funds and permanent funds. Required statements are the balance sheet and the statement of revenues, expenditures, and changes in fund balances.

Fiduciary funds: The District is the trustee or fiduciary for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the entity-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position was significantly less on June 30, 2019 than it was the year before, decreasing to -\$103 million as detailed in Tables A-2 and A-3. This drop of net position is predominantly the result of the mandatory GASB 75 reporting of post-employment benefits.

Table A- 2: Condensed Statement of Net Position - Governmental Activities

| | Fiscal Year 2019 | Fiscal Year 2018 | Percent Change |
|-------------------------------|-----------------------------|-----------------------------|---------------------------|
| Current and Other Assets | \$ 14,308,748 | \$ 14,541,684 | -1.6% |
| Capital Assets | 45,201,010 | 43,458,701 | 4.0% |
| Total Assets | 59,509,758 | 58,000,385 | 2.6% |
| | | | |
| Defeasance Loss | 6,750 | 33,750 | -80.0% |
| Pensions | 8,929,673 | 10,038,169 | -11.0% |
| OPEB (GASB 75) | 16,467,959 | 4,605,903 | 257.5% |
| | \$ 84,914,140 | \$ 72,678,207 | 16.8% |
| | | | |
| Current Liabilities | \$ 5,250,406 | \$ 6,338,123 | -17.2% |
| Long-Term Liabilities | 159,450,742 | 155,144,730 | 2.8% |
| Total Liabilities | 164,701,148 | 161,482,853 | 2.0% |
| | | | |
| Defeasance Gain | - | 30,000 | -100.0% |
| Pensions | 2,557,053 | 3,546,522 | -27.9% |
| OPEB (GASB 75) | 20,963,869 | 15,734,250 | 33.2% |
| Total Deferred Inflows | 23,520,922 | 19,310,772 | 21.8% |
| | | | |
| Net Position | | | |
| Net Investment in | | | |
| Capital Assets | 37,727,760 | 32,202,451 | 17.2% |
| Restricted | 2,826,337 | 2,952,101 | -4.3% |
| Unrestricted | (143,862,027) | (143,269,970) | 0.4% |
| Total Net Position | \$ (103,307,930) | \$ (108,115,418) | -4.4% |
| | | | |
| | \$ 84,914,140 | \$ 72,678,207 | 16.8% |

Changes in Net Position

The District's fiscal year 2019 revenues totaled \$48.7 million. (See Table A-3) Property taxes and state formula aid accounted for most of the District's revenue by contributing 31.0 percent and 56.1 percent, respectively, of every dollar raised. (See Table A-4) The remainder came from fees charged for services, operating grants, and other miscellaneous sources.

The total cost of all programs and services totaled \$43.8 million for fiscal year 2019. These expenses are predominantly support to general instruction and caring for (pupil services) and transporting students. (See Table A-5) Net position increased by \$4.8 million.

Table A-3: Changes in Net Position from Operating Results Governmental Activities Only

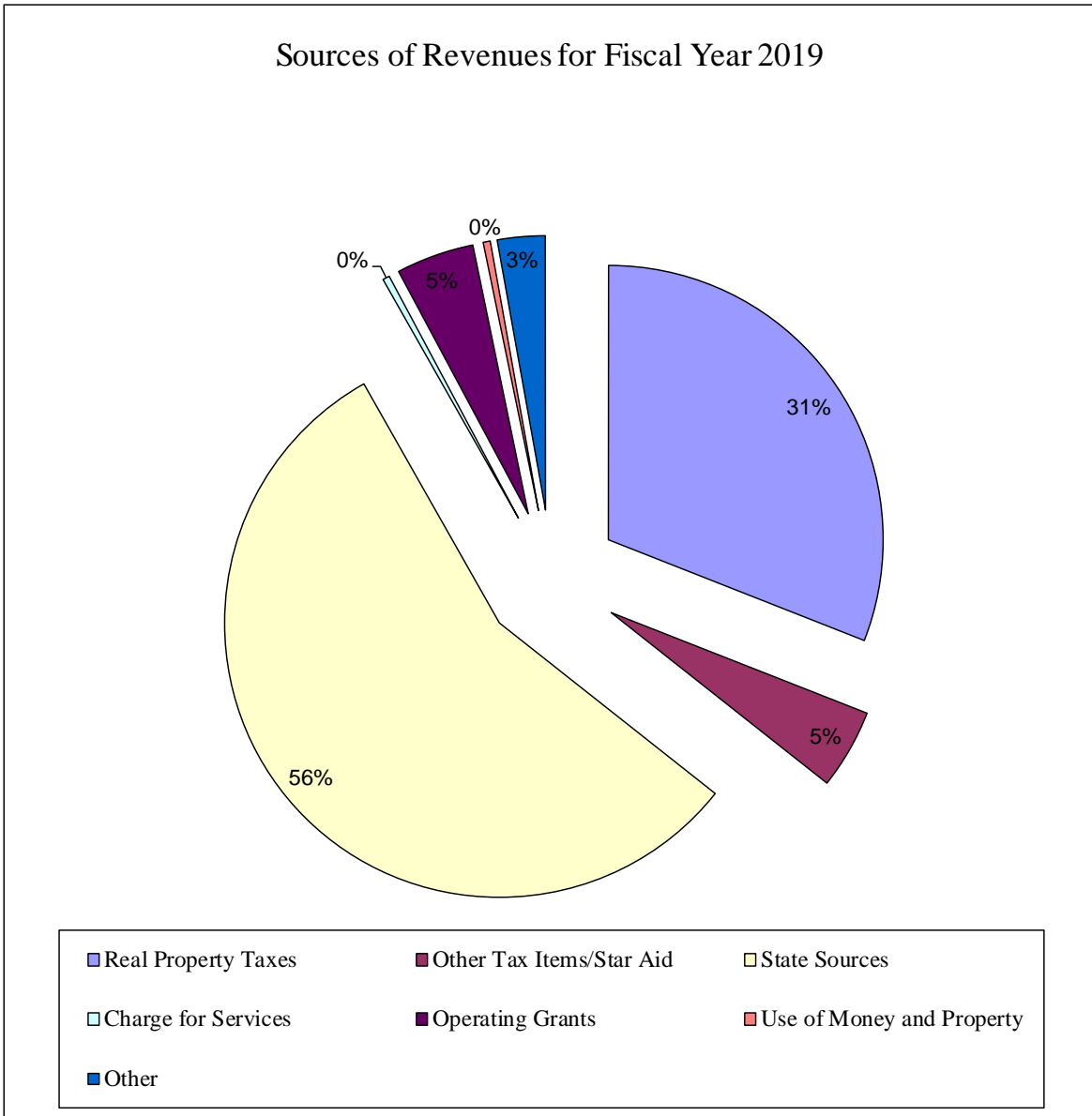
| | Fiscal Year 2019 | Fiscal Year 2018 | Total % Change |
|-------------------------------|-----------------------------|-----------------------------|---------------------------|
| Revenues | | | |
| Programs Revenues | | | |
| Charge for Services | \$ 196,394 | \$ 185,372 | 5.95% |
| Operating Grants | 2,220,511 | 2,149,745 | 3.29% |
| General Revenues | | | |
| Property Taxes | 15,068,629 | 14,754,365 | 2.13% |
| Other Tax Items/STAR Aid | 2,285,675 | 2,353,409 | -2.88% |
| State Formula Aid | 27,309,933 | 25,964,798 | 5.18% |
| Use of Money and Property | 202,849 | 121,291 | 67.24% |
| Other | 1,371,527 | 1,384,108 | -0.91% |
| Total Revenues | 48,655,518 | 46,913,088 | 3.71% |
| Expenses | | | |
| Instruction | 21,529,666 | 20,872,004 | 3.15% |
| General Support | 6,180,478 | 5,954,566 | 3.79% |
| Pupil Transportation | 1,945,882 | 2,196,036 | -11.39% |
| Employee Benefits | 12,917,947 | 15,019,132 | -13.99% |
| Capital Outlay | 789,924 | 445,119 | 77.46% |
| Other | 484,133 | 587,653 | -17.62% |
| Total Expenses | 43,848,030 | 45,074,510 | -2.72% |
| Increase in Net Assets | \$ 4,807,488 | \$ 1,838,578 | 161.48% |

Governmental Activities

Revenues for the District's governmental activities totaled \$48.7 million while total expenses equaled \$43.8 million. Therefore, the increase in net position for governmental activities was \$4,807,488 in 2019. The majority of the increase resulted from the application of GASB 75 "Accounting for other Post-Employment Benefits" which decreased employee benefit expense by \$2.1 million and increases in state aid of \$1.4 million. The continuation of the District's good financial condition, absent Post-employment Benefit amounts, can be credited to:

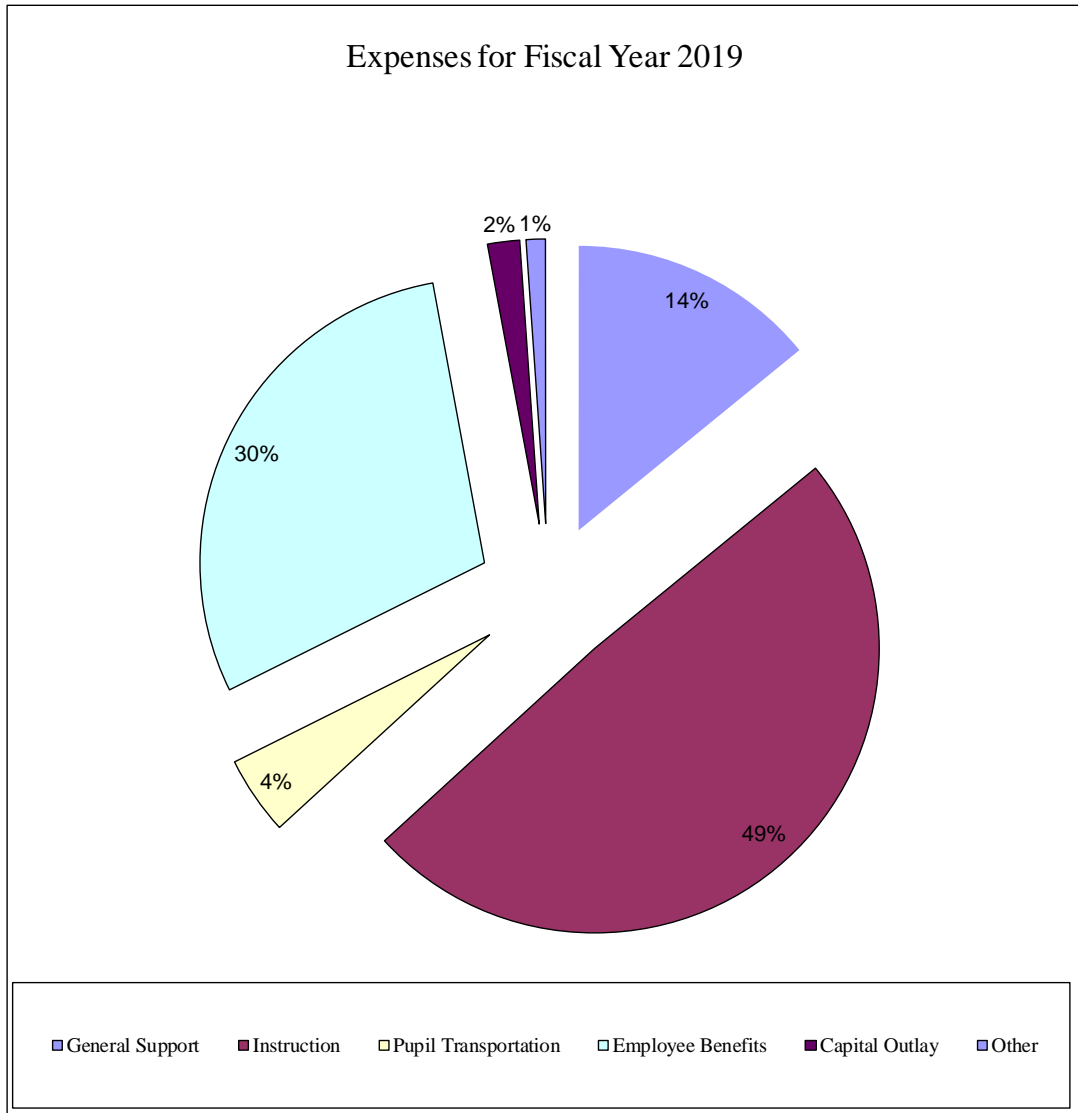
- Continued stability of the District's governing team;
- Approval of the District's proposed annual budget;
- Continued state and federal aid;
- Capital Project Financial Plan;
- Multi-Year Financial Planning;
- Investment of idle funds and
- Conservative budgeting

Table A-4 Sources of Revenues for Fiscal Year 2019



| Revenue Source | Amount |
|---------------------------|----------------------|
| Real Property Taxes | \$ 15,068,629 |
| Other Tax Items/Star Aid | 2,285,675 |
| State Sources | 27,309,933 |
| Charge for Services | 196,394 |
| Operating Grants | 2,220,511 |
| Use of Money and Property | 202,849 |
| Other | 1,371,527 |
| Total | \$ 48,655,518 |

Table A-5 Expenses for Fiscal Year 2019



| Expenditures | Amount |
|----------------------|----------------------|
| General Support | \$ 6,180,478 |
| Instruction | 21,529,666 |
| Pupil Transportation | 1,945,882 |
| Employee Benefits | 12,917,947 |
| Capital Outlay | 789,924 |
| Other | 484,133 |
| Total | \$ 43,848,030 |

Table A-6 presents the cost of the District's activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions

Table A-6: Net Cost of Governmental Activities

| | 2019 | | 2018 | |
|------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Total Cost | Net Cost | Total Cost | Net Cost |
| Instruction | \$ 21,529,666 | \$ 19,812,801 | \$ 20,872,004 | \$ 19,216,866 |
| General Support | 6,180,478 | 6,180,478 | 5,954,566 | 5,954,566 |
| Employee Benefits | 12,917,947 | 12,917,947 | 15,019,132 | 15,019,132 |
| Cost of Sales (School Lunch) | 219,224 | (480,816) | 210,836 | (469,143) |
| Pupil Transportation | 1,945,882 | 1,945,882 | 2,196,036 | 2,196,036 |
| Capital Outlay | 789,924 | 789,924 | 445,119 | 445,119 |
| Other Costs | 264,909 | 264,909 | 376,817 | 376,817 |
| Total | \$ 43,848,030 | \$ 41,431,125 | \$ 45,074,510 | \$ 42,739,393 |

- The cost of all governmental activities this year was \$43.8 million.
- The users of the District’s programs financed some of the cost.
- The federal and state governments subsidized certain programs with grants and contributions (\$2.2 million)
- Most of the District’s net costs (\$41.4 million) were financed by taxpayers and state aid.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The District’s governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds’ projects and capital assets purchased by the funds.

Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. See Table A-7 for an analysis of the District’s governmental funds.

**Table A-7: Schedule of General Fund Revenues and Expenditure – Budget and Actual
Year End June 30, 2019**

PERU CENTRAL SCHOOL DISTRICT

**SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2019**

| | Adopted Budget | Final Budget | Actual (Budgetary Basis) | Final Budget Variance with Budgetary Actual |
|---|----------------------|----------------------|-----------------------------|--|
| Revenues: | | | | |
| Local Sources: | | | | |
| Real Property Taxes | \$ 15,051,231 | \$ 15,051,231 | \$ 15,068,629 | \$ 17,398 |
| Other Tax Items/STAR Aid | 2,409,400 | 2,409,400 | 2,285,675 | (123,725) |
| Charges for Services | 7,000 | 7,000 | 196 | (6,804) |
| Other Districts and Governments | 357,800 | 357,800 | 535,069 | 177,269 |
| Use of Money and Property | 100,000 | 100,000 | 167,468 | 67,468 |
| Sale of Property and Compensation for Loss | 8,000 | 8,000 | 15,818 | 7,818 |
| Miscellaneous | 639,000 | 684,836 | 641,080 | (43,756) |
| Interfund Revenues | 18,000 | 18,000 | 3,953 | (14,047) |
| State Sources | 27,192,034 | 27,192,034 | 26,712,709 | (479,325) |
| Federal Sources | 50,000 | 50,000 | 143,746 | 93,746 |
| Total Revenues | 45,832,465 | 45,878,301 | 45,574,343 | (303,958) |
| Other Financing Sources | | | | |
| Interfund Transfers | 550,000 | 550,000 | 50,000 | (500,000) |
| Appropriated Reserves | - | 85,888 | - | |
| | 550,000 | 635,888 | 50,000 | (500,000) |
| Total revenues and appropriated fund balance | \$ 46,382,465 | \$ 46,514,189 | \$ 45,624,343 | \$ (803,958) |
| Expenditures: | | | | |
| General Support: | | | | |
| Board of Education | \$ 21,909 | \$ 41,530 | \$ 37,492 | \$ 4,038 |
| Central Administration | 242,255 | 238,955 | 235,633 | 3,322 |
| Finance | 453,907 | 495,785 | 482,193 | 13,592 |
| Staff | 198,604 | 198,236 | 126,092 | 72,144 |
| Central Services | 2,678,000 | 2,926,114 | 2,358,897 | 524,754 |
| Special Items | 1,163,924 | 1,534,209 | 1,421,707 | 112,502 |
| Instructional: | | | | |
| Instruction, Administration, and Improvement | 1,648,631 | 1,653,325 | 1,446,479 | 206,846 |
| Teaching - Regular School | 10,790,079 | 10,738,328 | 10,297,596 | 431,501 |
| Programs for Children with Handicapping Conditions | 5,932,572 | 5,476,263 | 4,926,828 | 549,435 |
| Occupational Education | 1,279,128 | 1,210,779 | 1,068,197 | 142,582 |
| Teaching - Special School | 39,003 | 39,003 | 706 | 38,297 |
| Instructional Media | 896,200 | 1,018,694 | 949,671 | 69,023 |
| Pupil Service | 1,651,269 | 1,658,051 | 1,582,655 | 73,516 |
| Pupil Transportation | 2,413,383 | 2,414,169 | 2,049,948 | 338,206 |
| Community Services | 1,800 | 1,800 | - | 1,800 |
| Employee Benefits | 15,311,162 | 14,823,309 | 13,817,932 | 1,005,377 |
| Debt Service | 4,134,159 | 4,134,159 | 4,047,909 | 86,250 |
| Total Expenditures | 48,855,985 | 48,602,709 | 44,849,935 | 3,673,185 |
| Other Uses: | | | | |
| Interfund Transfer | 223,000 | 608,000 | 562,844 | 45,156 |
| Total Expenditures and Other Uses | 49,078,985 | 49,210,709 | 45,412,779 | \$ 3,718,341 |
| Net change in fund balance | (2,696,520) | (2,696,520) | 211,564 | |
| Fund balance - beginning | 8,218,834 | 8,218,834 | 8,218,834 | |
| Fund balance - ending | \$ 5,522,314 | \$ 5,522,314 | \$ 8,430,398 | |

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019, the District had invested \$45.2 million (net of accumulated depreciation) in a broad range of capital assets, including major renovations to the District's school buildings, athletic facilities, computer and audio-visual equipment.

Table A-8: Capital Assets (net of depreciation)

| | 2019 | 2018 | % Change |
|--------------------------|----------------------|----------------------|-----------------|
| Land & Land Improvement | \$ 49,250 | \$ 49,250 | 0.00% |
| Construction in Progress | 2,702,961 | 206,388 | 1209.65% |
| Buildings | 39,715,800 | 40,820,387 | -2.71% |
| Equipment & Furniture | 2,732,999 | 2,382,676 | 14.70% |
| Total | \$ 45,201,010 | \$ 43,458,701 | 4.01% |

Long-Term Debt

At year-end, the District had \$162.1 million in long-term debt outstanding. This represents an increase of 1.28% from 2018 resulting predominantly from the increase in due to retirement systems and the change in post-employment benefits liability.

Table A-9: Outstanding Long-Term Debt

| | 2019 | 2018 | % Change |
|---------------------------|-----------------------|-----------------------|-----------------|
| Due to Retirement Systems | \$ 1,794,803 | \$ 1,613,689 | 11.22% |
| Compensated Absences | 1,387,921 | 1,459,079 | -4.88% |
| Bonds Payable | 7,480,000 | 11,260,000 | -33.57% |
| Post Employment Benefits | 151,487,090 | 145,774,745 | 3.92% |
| Total | \$ 162,149,814 | \$ 160,107,513 | 1.28% |

FACTORS BEARING ON THE FUTURE OF DISTRICT

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

- Federal Budget's impact on the State's financial health and the impact this condition will have on state aid.
- Fluctuating fuel and utility cost.
- Fluctuations associated with premium costs and employer contributions to health insurance and retirement plans.
- Labor negotiations are underway with the largest bargaining unit, the Peru Association of Teachers, regarding salary and benefits.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Peru Central School District Offices
Attn: Randolph B. Sapp
17 School Street, P.O. Box 68
Peru, NY 12972-0068
(518) 643-6004

PERU CENTRAL SCHOOL DISTRICT

EXHIBIT 1

STATEMENTS OF NET POSITION
June 30, 2019 and 2018

| ASSETS | <u>2019</u> | <u>2018</u> |
|--|-----------------------------|-----------------------------|
| Cash: | | |
| Unrestricted | \$ 5,797,590 | \$ 5,863,901 |
| Restricted | 4,120,626 | 5,365,135 |
| Receivables: | | |
| State and Federal Aid Receivable | 1,677,854 | 1,508,190 |
| Due from Other Governments | 1,101,622 | 1,003,306 |
| Prepaid Expenses | 4,521 | - |
| Accounts Receivable | 21,909 | 110,052 |
| Inventories | 25,246 | 28,869 |
| Capital Assets, Net | 45,201,010 | 43,458,701 |
| Net Pension Asset-Proportionate Share | 1,559,380 | 662,231 |
| Total Assets | <u>\$ 59,509,758</u> | <u>\$ 58,000,385</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Defeasance loss | 6,750 | 33,750 |
| Pensions | 8,929,673 | 10,038,169 |
| OPEB (GASB 75) | 16,467,959 | 4,605,903 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 84,914,140</u> | <u>\$ 72,678,207</u> |
| LIABILITIES | | |
| Payables: | | |
| Accounts Payable | \$ 1,502,065 | \$ 786,984 |
| Due to other Governments | 125 | 121 |
| Unearned Revenues | 2,256 | 8,415 |
| Due to Teacher's Retirement System | 1,655,680 | 1,469,872 |
| Due to Employees' Retirement System | 139,123 | 143,817 |
| Long-Term Liabilities | | |
| Due and payable within one year: | | |
| Bonds Payable - Current | 1,815,000 | 3,780,000 |
| Compensated Absences Payable | 136,157 | 148,914 |
| Due and payable after one year: | | |
| Bonds Payable - Non-Current | 5,665,000 | 7,480,000 |
| Compensated Absences Payable | 1,387,921 | 1,459,079 |
| Other Post-Employment Benefits | 151,487,090 | 145,774,745 |
| Net Pension Liability-Proportionate Share | 910,731 | 430,906 |
| Total Liabilities | <u>164,701,148</u> | <u>161,482,853</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Defeasance gain | - | 30,000 |
| Pensions | 2,557,053 | 3,546,522 |
| OPEB (GASB 75) | 20,963,869 | 15,734,250 |
| Total Deferred Inflows of Resources | <u>23,520,922</u> | <u>19,310,772</u> |
| Net Position | | |
| Net Investment in Capital Assets | 37,727,760 | 32,202,451 |
| Restricted | 2,826,337 | 2,952,101 |
| Unrestricted | <u>(143,862,027)</u> | <u>(143,269,970)</u> |
| Total Net Position | <u>(103,307,930)</u> | <u>(108,115,418)</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 84,914,140</u> | <u>\$ 72,678,207</u> |

See Notes to the Financial Statements.

PERU CENTRAL SCHOOL DISTRICT

EXHIBIT 2

STATEMENT OF ACTIVITIES

Years Ended June 30, 2019 and 2018

| Functions/ Programs | 2019 | | | 2018 | |
|---|------------------------|-------------------------|---------------------|--|--|
| | EXPENSES | PROGRAM REVENUES | | NET (EXPENSE) REVENUE AND CHANGES IN Net Position | NET (EXPENSE) REVENUE AND CHANGES IN Net Position |
| | | CHARGES FOR SERVICES | OPERATING GRANTS | | |
| General Support | \$ (6,180,478) | \$ - | \$ - | \$ (6,180,478) | \$ (5,954,566) |
| Instruction | (21,529,666) | - | 1,716,865 | (19,812,801) | (19,216,866) |
| Pupil Transportation | (1,945,882) | - | - | (1,945,882) | (2,196,036) |
| Employee Benefits | (12,917,947) | - | - | (12,917,947) | (15,019,132) |
| Capital Outlay | (789,924) | - | - | (789,924.00) | (445,119) |
| Debt Services | (264,909) | - | - | (264,909) | (376,817) |
| Cost of Sales | (219,224) | 196,394 | 503,646 | 480,816 | 469,143 |
| Total Functions and Programs | \$ (43,848,030) | \$ 196,394 | \$ 2,220,511 | (41,431,125) | (42,739,393) |
| General Revenues | | | | | |
| Real Property Taxes | | | | 15,068,629 | 14,754,365 |
| Other Tax Items/STAR Aid | | | | 2,285,675 | 2,353,409 |
| Charges for services | | | | 196 | 5,075 |
| Other Districts and Governments | | | | 535,069 | 362,544 |
| Use of Money and Property | | | | 202,849 | 121,291 |
| Sale of Property and Compensation for Loss | | | | 15,818 | 21,541 |
| Miscellaneous | | | | 672,745 | 872,395 |
| Interfund Revenues | | | | 3,953 | 24,229 |
| State Sources | | | | 27,309,933 | 25,964,798 |
| Federal Sources | | | | 143,746 | 98,324 |
| Total General Revenues | | | | 46,238,613 | 44,577,971 |
| Change in Net Position | | | | 4,807,488 | 1,838,578 |
| Total Net Position - Beginning of Year | | | | (108,115,418) | (109,953,996) |
| Total Net Position - End of Year | | | | \$ (103,307,930) | \$ (108,115,418) |

See Notes to the Financial Statements.

PERU CENTRAL SCHOOL DISTRICT

EXHIBIT 3

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019 and 2018

| | GENERAL FUND | SPECIAL AID | CAPITAL PROJECTS | Debt Service | 2019 TOTAL | 2018 TOTAL |
|--|----------------------|---------------------|---------------------|-------------------|----------------------|----------------------|
| ASSETS | | | | | | |
| Cash | \$ 5,737,485 | \$ 60,105 | \$ - | \$ - | \$ 5,797,590 | \$ 5,863,901 |
| Cash - Restricted | 2,358,191 | - | 1,321,459 | 440,976 | 4,120,626 | 5,365,135 |
| Due from Other Funds | 1,719,932 | 105,162 | 385,000 | 27,170 | 2,237,264 | 1,341,202 |
| Inventories | - | 25,246 | - | - | 25,246 | 28,869 |
| Due From State and Federal | 644,650 | 1,033,204 | - | - | 1,677,854 | 1,508,190 |
| Due From Other Governments | 1,101,622 | - | - | - | 1,101,622 | 1,003,306 |
| Prepaid Expense | - | - | 4,521 | - | 4,521 | - |
| Accounts Receivable | 13,469 | 8,440 | - | - | 21,909 | 110,052 |
| Total Assets | \$ 11,575,349 | \$ 1,232,157 | \$ 1,710,980 | \$ 468,146 | \$ 14,986,632 | \$ 15,220,655 |
| LIABILITIES | | | | | | |
| Accounts Payable and Accrued Expenses | \$ 779,435 | \$ 191,360 | \$ 531,270 | \$ - | \$ 1,502,065 | \$ 786,984 |
| Due to Other Funds | 433,990 | 1,038,982 | 764,292 | - | 2,237,264 | 1,341,202 |
| Due To Other Governments | - | 125 | - | - | 125 | 121 |
| Due to Teachers' Retirement System | 1,655,680 | - | - | - | 1,655,680 | 1,469,872 |
| Due to Employees' Retirement System | 139,123 | - | - | - | 139,123 | 143,817 |
| Compensated Absences | 136,157 | - | - | - | 136,157 | 148,914 |
| Unearned Revenue | 566 | 1,690 | - | - | 2,256 | 8,415 |
| Total Liabilities | 3,144,951 | 1,232,157 | 1,295,562 | - | 5,672,670 | 3,899,325 |
| FUND BALANCES | | | | | | |
| Nonspendable | | | | | | |
| Inventory | - | 25,246 | - | - | 25,246 | 28,869 |
| Restricted | | | | | | |
| Employee benefit accrued liability | 1,479,922 | - | - | - | 1,479,922 | 1,458,843 |
| Debt service | - | - | - | 468,146 | 468,146 | 482,805 |
| Retirement Reserve - ERS | 878,269 | - | - | - | 878,269 | 1,010,453 |
| Capital project | - | - | 415,418 | - | 415,418 | 2,619,691 |
| Assigned | | | | | | |
| Encumbrances (Note 11) | 79,589 | - | - | - | 79,589 | 85,888 |
| Appropriated Fund Balance | 2,801,520 | - | - | - | 2,801,520 | 2,696,520 |
| Unassigned | 3,191,098 | (25,246) | - | - | 3,165,852 | 2,938,261 |
| Total Fund Balances | 8,430,398 | - | 415,418 | 468,146 | 9,313,962 | 11,321,330 |
| Total Liabilities and Fund Balances | \$ 11,575,349 | \$ 1,232,157 | \$ 1,710,980 | \$ 468,146 | \$ 14,986,632 | \$ 15,220,655 |

See Notes to the Financial Statements.

PERU CENTRAL SCHOOL DISTRICT

EXHIBIT 4

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Years Ended June 30, 2019 and 2018

| | | | | | 2019 | 2018 |
|---|-------------------|--------------------|---------------------|-----------------|--------------------|-------------------|
| | General | Special Revenue | Capital Projects | Debt Service | TOTAL | TOTAL |
| REVENUES | | | | | | |
| Real Property Taxes | \$ 15,068,629 | \$ - | \$ - | \$ - | \$ 15,068,629 | \$ 14,754,365 |
| Other Tax Items/STAR Aid | 2,285,675 | - | - | - | 2,285,675 | 2,353,409 |
| Charges for Services | 196 | - | - | - | 196 | 5,075 |
| Other Districts and Governments | 535,069 | - | - | - | 535,069 | 362,544 |
| Use of Money and Property | 167,468 | 40 | - | 35,341 | 202,849 | 121,291 |
| Sale of Property and Compensation for Loss | 15,818 | - | - | - | 15,818 | 21,541 |
| Miscellaneous | 641,080 | 31,665 | - | - | 672,745 | 872,395 |
| Interfund Revenues | 3,953 | - | - | - | 3,953 | 24,229 |
| State Sources | 26,712,709 | 850,981 | 597,224 | - | 28,160,914 | 26,207,331 |
| Federal Sources | 143,746 | 1,313,546 | - | - | 1,457,292 | 1,954,596 |
| Surplus Food | - | 55,984 | - | - | 55,984 | 50,940 |
| Sales | - | 196,394 | - | - | 196,394 | 185,372 |
| Total Revenues | 45,574,343 | 2,448,610 | 597,224 | 35,341 | 48,655,518 | 46,913,088 |
| EXPENDITURES | | | | | | |
| General Support | 4,662,014 | 413,878 | - | - | 5,075,892 | 4,729,143 |
| Instruction | 20,272,132 | 1,503,790 | - | - | 21,775,922 | 21,282,715 |
| Pupil Transportation | 2,049,948 | - | - | - | 2,049,948 | 2,226,176 |
| Employee Benefits | 13,817,932 | 389,562 | - | - | 14,207,494 | 12,682,894 |
| Debt Service | 4,047,909 | - | - | - | 4,047,909 | 4,063,817 |
| Cost of Sales | - | 219,224 | - | - | 219,224 | 210,836 |
| Capital Outlay | - | - | 3,286,497 | - | 3,286,497 | 574,533 |
| Total Expenditures | 44,849,935 | 2,526,454 | 3,286,497 | - | 50,662,886 | 45,770,114 |
| Excess (Deficit) of Revenues over Expenditures | 724,408 | (77,844) | (2,689,273) | 35,341 | (2,007,368) | 1,142,974 |

See Notes to the Financial Statements.

OTHER SOURCES AND USES

| | | | | | | |
|--|----------------------------|--------------------|--------------------------|--------------------------|-----------------------------------|-----------------------------|
| Proceeds From Bonds | - | - | - | - | - | 359,000 |
| Operating Transfers In | 50,000 | 77,844 | 485,000 | - | 612,844 | 2,993,639 |
| Operating Transfers (Out) | <u>(562,844)</u> | <u>-</u> | <u>-</u> | <u>(50,000)</u> | <u>(612,844)</u> | <u>(2,993,639)</u> |
| Total Other Sources and Uses | <u>(512,844)</u> | <u>77,844</u> | <u>485,000</u> | <u>(50,000)</u> | <u>-</u> | <u>359,000</u> |
| Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses | 211,564 | - | (2,204,273) | (14,659) | (2,007,368) | 1,501,974 |
| Fund Balances, Beginning of Year | <u>8,218,834</u> | <u>-</u> | <u>2,619,691</u> | <u>482,805</u> | <u>11,321,330</u> | <u>9,819,356</u> |
| Fund Balances, End of Year | <u><u>\$ 8,430,398</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 415,418</u></u> | <u><u>\$ 468,146</u></u> | <u><u>\$ 9,313,962</u></u> | <u><u>\$ 11,321,330</u></u> |

See Notes to the Financial Statements.

PERU CENTRAL SCHOOL DISTRICT

EXHIBIT 5

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019 and 2018

| | Private Purpose Trusts | Agency | <u>2019</u> Total | <u>2018</u> Total |
|---|---------------------------|--------------------------|---------------------------------|--------------------------|
| ASSETS | | | | |
| Cash | \$ 211,450 | \$ 152,194 | \$ 363,644 | \$ 355,693 |
| Cash, restricted | <u>26,475</u> | <u>-</u> | <u>26,475</u> | <u>26,498</u> |
| Total Assets | <u><u>\$ 237,925</u></u> | <u><u>\$ 152,194</u></u> | <u><u>\$ 390,119</u></u> | <u><u>\$ 382,191</u></u> |
| LIABILITIES | | | | |
| Other Liabilities | \$ - | \$ 49,704 | \$ 49,704 | \$ 45,323 |
| Extraclassroom Activities | <u>-</u> | <u>102,490</u> | <u>102,490</u> | <u>94,498</u> |
| Total Liabilities | <u>-</u> | <u>152,194</u> | <u>152,194</u> | <u>139,821</u> |
| Net Position | | | | |
| Reserved for Scholarships | <u>237,925</u> | <u>-</u> | <u>237,925</u> | <u>242,370</u> |
| Total Net Position | <u>237,925</u> | <u>-</u> | <u>237,925</u> | <u>242,370</u> |
| Total Liabilities and Net Position | <u><u>\$ 237,925</u></u> | <u><u>\$ 152,194</u></u> | <u><u>\$ 390,119</u></u> | <u><u>\$ 382,191</u></u> |

See Notes to the Financial Statements.

PERU CENTRAL SCHOOL DISTRICT

EXHIBIT 6

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------------|-----------------------------|
| | <u>Expendable Trust</u> | <u>Expendable Trust</u> |
| ADDITIONS | | |
| Gifts and contributions | \$ 6,446 | \$ 14,413 |
| Investment Earnings | <u>3,344</u> | <u>1,214</u> |
| Total Additions | <u>9,790</u> | <u>15,627</u> |
| DEDUCTIONS | | |
| Scholarships and awards | <u>14,235</u> | <u>18,460</u> |
| Total Deductions | <u>14,235</u> | <u>18,460</u> |
| Changes in Net Position | (4,445) | (2,833) |
| Net Position, Beginning of Year | <u>242,370</u> | <u>245,203</u> |
| Net Position, End of Year | <u><u>\$ 237,925</u></u> | <u><u>\$ 242,370</u></u> |

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019

| | TOTAL GOVERNMENT FUNDS | LONG-TERM ASSETS, LIABILITIES | RECLASSIFICATION AND ELIMINATIONS | STATEMENT OF NET POSITION TOTALS |
|--|------------------------------|-------------------------------------|---|--|
| ASSETS | | | | |
| Cash | \$ 5,797,590 | \$ - | \$ - | \$ 5,797,590 |
| Cash - Restricted | 4,120,626 | - | - | 4,120,626 |
| Due From Other Funds | 2,237,264 | - | (2,237,264) | - |
| Inventories | 25,246 | - | - | 25,246 |
| Due From State and Federal | 1,677,854 | - | - | 1,677,854 |
| Due From Other Governments | 1,101,622 | - | - | 1,101,622 |
| Prepaid Expense | 4,521 | - | - | 4,521 |
| Accounts Receivables | 21,909 | - | - | 21,909 |
| Capital Assets, Net | - | 45,201,010 | - | 45,201,010 |
| Net pension asset-proportionate share | - | 1,559,380 | - | 1,559,380 |
| Total Assets | \$ 14,986,632 | \$ 46,760,390 | \$ (2,237,264) | \$ 59,509,758 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Defeasance | - | 6,750 | - | 6,750 |
| Pensions | - | 8,929,673 | - | 8,929,673 |
| OPEB (GASB 75) | - | 16,467,959 | - | 16,467,959 |
| Total Assets and Deferred Outflows of Resources | \$ 14,986,632 | \$ 72,164,772 | \$ (2,237,264) | \$ 84,914,140 |
| LIABILITIES | | | | |
| Accounts Payable and Accrued Expenses | \$ 1,502,065 | \$ - | \$ - | \$ 1,502,065 |
| Due to Other Funds | 2,237,264 | - | (2,237,264) | - |
| Due To Other Governments | 125 | - | - | 125 |
| Due to Teachers' Retirement System | 1,655,680 | - | - | 1,655,680 |
| Due to Employees' Retirement System | 139,123 | - | - | 139,123 |
| Compensated Absences | 136,157 | - | - | 136,157 |
| Unearned Revenue | 2,256 | - | - | 2,256 |
| Long-Term Debt, other than Compensated Absences | - | 7,480,000 | - | 7,480,000 |
| Compensated Absences-Long Term | - | 1,387,921 | - | 1,387,921 |
| Other post employment benefits | - | 151,487,090 | - | 151,487,090 |
| Net pension liability-proportionate share | - | 910,731 | - | 910,731 |
| Total Liabilities | 5,672,670 | 161,265,742 | (2,237,264) | 164,701,148 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pensions | - | 2,557,053 | - | 2,557,053 |
| OPEB (GASB 75) | - | 20,963,869 | - | 20,963,869 |
| Total Deferred Inflows of Resources | - | 23,520,922 | - | 23,520,922 |
| FUND BALANCE/Net Position | | | | |
| Total Fund Balance/ Net Position | 9,313,962 | (112,621,892) | - | (103,307,930) |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position | \$ 14,986,632 | \$ 72,164,772 | \$ (2,237,264) | \$ 84,914,140 |

**RECONCILIATION OF GOVERNMENTAL FUNDS - REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES**
Year Ended June 30, 2019

| | TOTAL GOVERNMENT FUNDS | LONG-TERM REVENUE EXPENSES | CAPITAL RELATED ITEMS | LONG-TERM DEBT TRANSACTION | RECLASSIFICATION AND ELIMINATIONS | STATEMENT OF ACTIVITIES TOTALS |
|---|------------------------------|----------------------------------|-----------------------------|----------------------------------|---|--------------------------------------|
| REVENUES | | | | | | |
| Real Property Taxes | \$ 15,068,629 | \$ - | \$ - | \$ - | \$ - | \$ 15,068,629 |
| Other Tax Items/STAR Aid | 2,285,675 | - | - | - | - | 2,285,675 |
| Charges for Services | 196 | - | - | - | - | 196 |
| Other Districts and Governments | 535,069 | - | - | - | - | 535,069 |
| Use of Money and Property | 202,849 | - | - | - | - | 202,849 |
| Sale of Property and Compensation for Loss | 15,818 | - | - | - | - | 15,818 |
| Miscellaneous | 672,745 | - | - | - | - | 672,745 |
| Interfund Revenues | 3,953 | - | - | - | - | 3,953 |
| State Sources | 28,160,914 | - | - | - | - | 28,160,914 |
| Federal Sources | 1,457,292 | - | - | - | - | 1,457,292 |
| Surplus Food | 55,984 | - | - | - | - | 55,984 |
| Sales | 196,394 | - | - | - | - | 196,394 |
| Total Revenues | 48,655,518 | - | - | - | - | 48,655,518 |
| EXPENDITURES | | | | | | |
| General Support | 5,075,892 | - | 1,104,586 | - | - | 6,180,478 |
| Instruction | 21,775,922 | - | (246,256) | - | - | 21,529,666 |
| Pupil Transportation | 2,049,948 | - | (104,066) | - | - | 1,945,882 |
| Employee Benefits | 14,207,494 | (1,289,547) | - | - | - | 12,917,947 |
| Debt Service | 4,047,909 | (3,000) | - | (3,780,000) | - | 264,909 |
| Cost of Sales | 219,224 | - | - | - | - | 219,224 |
| Capital Outlay | 3,286,497 | - | (2,496,573) | - | - | 789,924 |
| Total Expenditures | 50,662,886 | (1,292,547) | (1,742,309) | (3,780,000) | - | 43,848,030 |
| Excess (Deficit) of Revenues over Expenditures | (2,007,368) | 1,292,547 | 1,742,309 | 3,780,000 | - | 4,807,488 |
| OTHER SOURCES AND USES | | | | | | |
| Operating Transfers In | 612,844 | - | - | - | (612,844) | - |
| Operating Transfers Out | (612,844) | - | - | - | 612,844 | - |
| Total Other Sources and Uses | - | - | - | - | - | - |
| Net Change for the Year | \$ (2,007,368) | \$ 1,292,547 | \$ 1,742,309 | \$ 3,780,000 | \$ - | \$ 4,807,488 |

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies

- A. Reporting entity: The Peru Central School District (District) is governed by the Education Law and other general laws of the State of New York. The governing body is the Board of Education of Peru Central School (Board). The Board is the basic level of government, which has oversight responsibilities and control over all activities related to the public school education in the region of Peru Central School District. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since Board members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

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

B. Basis of presentation

1. District-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program 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. Program revenues include charges paid by the recipients of good or services offered by the programs, and grants and contributions that are restricted to meeting the operations 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 Functional Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Nonmajor funds are aggregated and presented in a single column. The District elects to report all governmental funds as major funds.

The District reports the following major governmental funds:

General Fund - the general fund is the principal operating fund of the District and is used to account for all financial resources, except those accounted for in another fund.

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes. Special revenue funds include the following funds:

- School Lunch Fund - used to account for transactions for the School District food service programs.
- Special Aid Fund - used to account for special operating projects or programs supported in whole, or in part, with federal funds or state grants.

Capital Projects Fund - the capital projects funds are to account for and report financial resources to be used for the acquisition, or construction or renovation of major capital facilities, or equipment.

Debt Service - the debt service funds are to account for the accumulation of resources and the payment of general long-term debt principal and interest.

Fiduciary Fund - the fiduciary funds consist of expendable trust and non-expendable trust that are used to account for and report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or funds. Expendable trust includes scholarship funds and Extraclassroom activity funds. Non-expendable trust are agency funds that are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. 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.

C. Measurement Focus and Basis of Accounting

The District-wide and fiduciary fund financial statements are reported using 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

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

value in exchange, include property taxes, grants and donations. On a modified accrual basis, revenue from property taxes is recognized by estimating how much will be collected during the ensuing fiscal year. Revenue from grants and donations is in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred except for:

- a. Prepays and inventory-type items are recognized at the time of purchase.
 - b. Principal and interest on indebtedness are not recognized as an expenditure until due.
 - c. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.
 - d. Pension costs are recognized as an expenditure when billed by the state.
 - e. The School District recognizes the cost of providing post-retirement health insurance coverage and survivor benefits by recording its share of insurance premiums as an expenditure in the year paid.
- D. Inventories: Inventories of food and supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value, which approximates market. Purchases of supplies in other funds are recorded as expenditures at the time of purchase, and year-end inventory balances are not maintained.
- E. Capital assets: Acquisitions of equipment and capital facilities are treated as expenditures in the various funds of the School District, and are also reflected in the general fixed asset group of accounts. The assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|-------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Buildings | \$ 750 | Straight Line | 50 years |
| Land Improvements | \$ 750 | Straight Line | 20 years |
| Machinery and Equipment | \$ 750 | Straight Line | 5-20 years |

Note 1. Summary of Significant Accounting Policies (continued)

- F. Unearned revenue: Unearned revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability of unearned revenues is removed and revenues are recognized.
- G. Deferred Compensation: Employees of the District may elect to participate in an Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 403(b). The plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement.
- H. Post-Employment Benefits: In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. The cost of providing post-retirement benefits is paid by the District or is shared between the District and the retired employee, depending on length of service and/or classification of employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums for retirees and their dependents as an expenditure or operating transfer to other funds in the General Fund in the year paid.
- I. Property Taxes: Real property taxes are levied annually by the Board of Education no later than September 1st. Uncollected real property taxes are subsequently enforced by the County of Clinton. An amount representing uncollected real property taxes is transmitted to the county for enforcement and is paid by the county to the District no later than the forthcoming April 1st.
- J. Retirement plan: The School District provides retirement benefits for substantially all of its regular full-time employees through contributions to the New York State Teachers' Retirement System and the New York State Employees' Retirement System. These systems provide various plans and options, some of which require employee contributions.
- K. Budgetary Procedures and Budgetary Accounting

a. General

The School District's policy relating to budgetary information as shown in the accompanying financial statements is as follows:

A public hearing is held upon completion and filing of the tentative budget. Subsequent to such public hearing, the budget is adopted by the Board of Education. The budget is then approved by the voters within the School District.

Note 1. Summary of Significant Accounting Policies (continued)

Appropriations established by adoption of the budget constitute limitations on expenditures (and encumbrances) which may be incurred.

The New York Uniform System of Accounts requires that fixed budgetary control be used for all governmental fund types.

Budget appropriations lapse at year-end.

b. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as part of assigned fund balance and such commitments will be honored through budget appropriations in the subsequent year. Encumbrances do not constitute expenditures or liabilities.

L. Equity Classifications:

District- wide statements:

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

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

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

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

Fund statements:

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

Non-spendable 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. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$25,246.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

Employee Benefits Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit 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.

Capital

According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Encumbrances

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

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Committed – Includes amounts that can only be used for 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 School District has no committed fund balances as of June 30, 2019.

Assigned – Includes amounts that are constrained by the school 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 in the General Fund. Encumbrances reported in the General Fund amounted to \$79,589.

Unassigned – Includes all other General Fund amounts that does not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

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

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, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

- M. Reclassifications: Certain amounts in the 2018 financial statements may have been reclassified to conform to the 2019 presentation.

Note 1. Summary of Significant Accounting Policies (continued)

- N. Events Occurring After Reporting Date: The District has evaluated events and transactions that occurred between June 30, 2019 and October 13, 2019, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.
- O. Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.
- P. Deferred Outflows and Inflows of Resources: In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has four items that qualify for reporting in this category. 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 system not included in pension expense. The third item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date. The fourth item relates to OPEB reporting in the district-wide State of New Position. This amount represents contributions subsequent to the measurement date and differences between expected and actual 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 three items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in the pension expense. The second item relates to debt refinanced where the new bond proceeds were less than the debt retired. The difference is amortized over the life of the refunded debt. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effects of the changes in assumptions or other inputs.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

Q. New Accounting Standards:

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

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*.

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources of the governmental funds.

A. Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net position. This difference primarily results from the additional long-term economic focus of the Statement of Net position versus the solely current financial resources focus of the governmental fund Balance Sheets.

The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives.

Because the governmental funds focus on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenue in the governmental funds, and thus are not included in the fund balance. They are, however, included in the net position of the governmental activities. As of June 30, 2019, the District did not have any assets unavailable to pay for current-period expenditures.

Long-term liabilities are reported in the Statements of Net position, but not in the governmental funds, because they are not due and payable in the current period.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements (continued)

Explanation of Differences Between Governmental Fund Balances and District Wide Net Assets

| | |
|--|-------------------------|
| Ending fund balance reported on Balance Sheet - Governmental Funds (Exhibit 3) | \$ 9,313,962 |
| Capital assets net of related depreciation | 45,201,010 |
| Net pension asset | 1,559,380 |
| Deferred outflows: | |
| Pensions - TRS | 8,263,235 |
| Pensions - ERS | 666,438 |
| OPEB (GASB 75) | 16,467,959 |
| Defeasance loss | 6,750 |
| Liabilities, long term: | |
| Bonds payable | (7,480,000) |
| Other post employment benefits | (151,487,090) |
| Compensated absences | (1,387,921) |
| Net pension liability | (910,731) |
| Deferred inflows: | |
| Pensions - TRS | (2,231,061) |
| Pensions - ERS | (325,992) |
| OPEB (GASB 75) | <u>(20,963,869)</u> |
| Ending net position reported on Statement of Net Position (Exhibit 1) | <u>\$ (103,307,930)</u> |

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

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

1. Long-Term Revenue Differences

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

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements (continued)

2. Capital Related Differences

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

3. Long-Term Debt Transaction Differences

Long-term debt transaction differences occur as a result of proceeds from serial bonds reflected as revenue in governmental funds whereas they are a liability on the statement of net position. Also, both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net position.

4. Other Post-Employment Benefits

Other post-employment benefits occur because retiree health insurance premiums are paid and recorded as expenditures in the governmental fund statements as incurred. GASB 75 requires an actuarial calculation of the future liability and to record the Net OPEB Obligation in the Statement of Net Position.

5. Pension Differences

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

Explanation of Differences Between Governmental Funds Operating Statement and the Statement of Activities

Total Revenues and other Funding Sources

Revenues:

| | |
|--|----------------------|
| Total Revenue reported in Governmental Funds (Exhibit 4) | \$ 48,655,518 |
| No current year adjustments | <u>-</u> |
| Total Revenues Statement of Activities (Exhibit 8) | <u>\$ 48,655,518</u> |

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements (continued)

Expenditures:

Total expenditures reported in governmental funds (Exhibit 4) \$ 50,662,886

In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Compensated absences used exceeded the amount earned during the year. (Exhibit 8) (71,158)

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expense exceeded depreciation expenditures in the current year. (Exhibit 8) (1,742,309)

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense. (920,092)

Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position, and does not effect the Statement of Activities, (Exhibit 8) (3,780,000)

During the year ended June 30, 2012, the District refunded some of its existing debt. The difference between the amount of the new bond proceeds of \$11,630,000 and the outstanding bonds retired of \$11,840,000 is \$210,000 and will be amortized as an adjustment of interest expense in the statement of activities over the average remaining life of the refunded debt (7 years), beginning in the fiscal year ended 6/30/13. (Exhibit 8) (30,000)

During the year ended June 30, 2015, the District refunded some of its existing debt. The difference between the amount of the new bond proceeds of \$4,415,000 and the outstanding bonds retired of \$4,280,000 is \$135,000 and will be amortized as an adjustment of interest expense in the statement of activities over the average remaining life of the refunded debt (6 years), beginning in the fiscal year ended 6/30/15. (Exhibit 8) 27,000

(Increases) decreases in proportionate share of net pensions asset/liability
 Teachers' Retirement System (405,488)
 Employees' Retirement System 107,191

Total expenses of governmental activities in the Statement of Activities (Exhibit 2) \$ 43,848,030

PERU CENTRAL SCHOOL DISTRICT

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

Note 3. Cash and Investments

The District's investment policies are governed by State statutes and the District's own written policy. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposits. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposits not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and Districts.

At June 30, 2019, the District's bank balances totaled \$8,228,703, of which, \$500,000 was covered by Federal depository insurance and \$7,728,703 was covered by collateral held by the pledging banks in the District's name.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2019 was \$4,120,626.

Note 4. Interfund Balances and Activity

Interfund balances and activity at June 30, 2019 and for the fiscal year then ended, were as follows:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> | <u>Interfund Revenues</u> | <u>Interfund Expenditures</u> |
|-------------------|---------------------------------|------------------------------|-------------------------------|-----------------------------------|
| General Fund | \$ 1,719,932 | \$ 433,990 | \$ 50,000 | \$ 562,844 |
| School Lunch Fund | 68,141 | 164,876 | 56,172 | - |
| Special Aid Fund | 37,021 | 874,106 | 21,672 | - |
| Debt Service | 27,170 | - | - | 50,000 |
| Capital Fund | 385,000 | 764,292 | 485,000 | - |
| | <u>\$ 2,237,264</u> | <u>\$ 2,237,264</u> | <u>\$ 612,844</u> | <u>\$ 612,844</u> |

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The district typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

The District transferred funds from the General Fund to the School Lunch Fund to supplement its operations.

The District typically transfers money from the General Fund to the Special Aid Fund for its share of special aid programs.

The District transferred funds from the General Fund to the Capital Projects Fund for the local share of a capital project.

PERU CENTRAL SCHOOL DISTRICT

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

Note 5. Capital Assets

The following is a summary of changes in capital assets:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|------------------|-------------------|----------------------|
| Capital assets that are not Depreciated: | | | | |
| Land | \$ 49,250 | \$ - | \$ - | \$ 49,250 |
| Construction in Progress | 206,388 | 2,664,310 | 167,737 | 2,702,961 |
| | <u>255,638</u> | <u>2,664,310</u> | <u>167,737</u> | <u>2,752,211</u> |
| Capital assets that are Depreciated | | | | |
| Buildings | 67,679,540 | 167,737 | - | 67,847,277 |
| Machinery and Equipment | 7,718,511 | 829,580 | 140,564 | 8,407,527 |
| Total Depreciable Historical Cost | <u>75,398,051</u> | <u>997,317</u> | <u>140,564</u> | <u>76,254,804</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | 26,859,153 | 1,272,324 | - | 28,131,477 |
| Machinery and Equipment | 5,335,835 | 479,257 | 140,564 | 5,674,528 |
| Total Accumulated Depreciation | <u>32,194,988</u> | <u>1,751,581</u> | <u>140,564</u> | <u>33,806,005</u> |
| Total Depreciable Historical Cost, Net | <u>43,203,063</u> | <u>(754,264)</u> | <u>-</u> | <u>42,448,799</u> |
| Total Capital Assets | <u>\$ 43,458,701</u> | <u>1,910,046</u> | <u>\$ 167,737</u> | <u>\$ 45,201,010</u> |

Depreciation was charged to governmental functions as follows:

| | <u>6/30/2019</u> |
|----------------------|---------------------|
| General support | \$ 1,272,323 |
| Instruction | 176,925 |
| Pupil Transportation | 302,333 |
| | <u>\$ 1,751,581</u> |

Note 6. Compensated Absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

District employees are granted vacation in varying amounts, based primarily on length of service and service position.

PERU CENTRAL SCHOOL DISTRICT

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

Note 6. Compensated Absences (continued)

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

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

Note 7. Indebtedness

Long-Term Debt:

1. Long-Term Debt Interest

Interest expense paid was \$267,909 for the year ended June 30, 2019. Amortization of unamortized bond premium was a \$30,000 reduction to interest expense and amortization of defeasance gain was a \$27,000 increase to interest expense resulting in net interest expense of \$264,909.

2. The Changes in the District's indebtedness during the year ended June 30, 2019 are summarized as follows:

| | Balance 6/30/2018 | Additions | Deletions | Balance 6/30/2019 |
|--------------------------------|-----------------------|---------------------|---------------------|-----------------------|
| Serial Bonds | \$ 11,260,000 | \$ - | \$ 3,780,000 | \$ 7,480,000 |
| Compensated Absences | 1,459,079 | - | 71,158 | 1,387,921 |
| Other Post Employment Benefits | 145,774,745 | 5,712,345 | - | 151,487,090 |
| Total | \$ 158,493,824 | \$ 5,712,345 | \$ 3,851,158 | \$ 160,355,011 |

3. Maturity

a) The following is a summary of maturity of indebtedness:

| Description of Issue | Year Issue Date | Final Maturity | Interest Rate | Outstanding 6/30/19 |
|----------------------|--------------------|----------------------|------------------|------------------------|
| Serial Bond | 5/1/2012 | 6/15/2026 | 2.125-3.00% | \$ 4,760,000 |
| Serial Bond | 9/15/2015 | 6/15/1931 | 2.00-3.00% | 1,130,000 |
| Serial Bond | 6/17/2013 | 6/15/2029 | 2.99% | 445,000 |
| Serial Bond | 10/15/2015 | 10/15/2019 | 1.50-1.625% | 70,000 |
| Serial Bond | 6/15/2015 | 6/15/2020 | 1.98% | 850,000 |
| Serial Bond | 10/12/2017 | 6/15/2022 | .5%-2.77% | 225,000 |
| | | Total Long-Term Debt | | 7,480,000 |
| | | Less Current Portion | | 1,815,000 |
| | | Long-Term Portion | | <u>\$ 5,665,000</u> |

PERU CENTRAL SCHOOL DISTRICT

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

Note 7. Indebtedness (Continued)

b) The following is a summary of maturing debt service requirements:

| <u>Fiscal Year Ending June 30:</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|---------------------|-------------------|---------------------|
| 2020 | \$ 1,815,000 | \$ 185,371 | \$ 2,000,371 |
| 2021 | 915,000 | 148,057 | 1,063,057 |
| 2022 | 930,000 | 126,649 | 1,056,649 |
| 2023 | 880,000 | 104,290 | 984,290 |
| 2024 | 900,000 | 82,489 | 982,489 |
| 2025-2029 | 1,720,000 | 133,473 | 1,853,473 |
| 2030-2034 | 320,000 | 9,750 | 329,750 |
| | <u>\$ 7,480,000</u> | <u>\$ 790,079</u> | <u>\$ 8,270,079</u> |

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

Note 8. Pensions

Pension Obligations

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems.)

Plan Descriptions and Benefits Provided:

Teachers' Retirement System (TRS)

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

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8. Pensions (continued)

Employees' Retirement System (ERS)

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

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 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

CONTRIBUTIONS

| | ERS | TRS |
|------|------------|--------------|
| 2019 | \$ 549,407 | \$ 1,376,599 |
| 2018 | \$ 555,599 | \$ 1,618,100 |
| 2017 | \$ 543,097 | \$ 1,722,159 |

ERS has provided additional disclosures for entities that elected to participate in Chapter 260, 57, and 105.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 8. Pensions (continued)

Pension Liabilities, Pension Expense, and Deferred Outflow 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 System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

| | ERS | TRS |
|---|--------------|--------------|
| Measurement Date | 3/31/2019 | 6/30/2018 |
| Net Pension asset/(liability) | \$ (910,731) | \$ 1,559,380 |
| District's portion of the Plan's total net pension asset/(liability) | -0.0128538% | 0.086236% |
| Change in proportion since the prior measurement date | \$ (479,825) | \$ 897,149 |

For the year ended June 30, 2019, the District's recognized pension expense of \$651,933 for ERS and \$1,160,678 for TRS. At June 30, 2019 the District's reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|-----------------------------------|---------------------|----------------------------------|---------------------|
| | ERS | TRS | ERS | TRS |
| Differences between expected and actual experience | \$ 179,342 | \$ 1,165,312 | \$ 61,136 | \$ 211,083 |
| Changes of assumptions | 228,920 | 5,451,056 | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | - | 233,744 | 1,731,031 |
| Changes in proportion and differences between the Districts' contributions and proportionate share of contributions | 119,053 | 81,415 | 31,112 | 288,947 |
| District's contributions subsequent to the measurement date | 139,123 | 1,565,452 | - | - |
| Total | <u>\$ 666,438</u> | <u>\$ 8,263,235</u> | <u>\$ 325,992</u> | <u>\$ 2,231,061</u> |

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8. Pensions (continued)

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

| | <u>ERS</u> | <u>TRS</u> |
|-------------|-------------------|---------------------|
| Year ended: | | |
| 2019 | \$ - | \$ 1,513,468 |
| 2020 | 222,530 | 1,011,648 |
| 2021 | (151,399) | 62,364 |
| 2022 | 3,679 | 1,007,974 |
| 2023 | 126,513 | 694,904 |
| Thereafter | - | 176,364 |
| Total | <u>\$ 201,323</u> | <u>\$ 4,466,722</u> |

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 to total pension liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

| | <u>ERS</u> | <u>TRS</u> |
|--------------------------|--|--|
| Measurement date | 3/31/2019 | 6/30/2018 |
| Actuarial valuation date | 4/1/2018 | 6/30/2017 |
| Interest rate | 7.0% | 7.25% |
| Salary scale | 4.2% | 1.90%-4.72% |
| Decrement tables | April 1, 2010- March 31, 2015 System's Experience | July 1, 2009- June 30, 2014 System Experience |
| Inflation rate | 2.5% | 2.25% |

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 20, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 8. Pensions (continued)

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

The Long term rate of return on pension plan investments was determined using a build 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 target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

| | <u>ERS</u> | <u>TRS</u> |
|------------------------------------|------------|------------|
| Measurement Date | 3/31/2019 | 6/30/2018 |
| Asset Type: | % | % |
| Domestic equity | 4.55 | 5.80 |
| International equity | 6.35 | 7.30 |
| Private equity | 7.50 | 8.90 |
| Real estate | 5.55 | 4.90 |
| Absolute return strategies | 3.75 | - |
| Domestic fixed income securities | - | 1.30 |
| Global fixed income securities | - | 0.90 |
| High-yield fixed income securities | - | 3.50 |
| Mortgages and bonds | 1.31 | 2.80 |
| Opportunistic portfolio | 5.68 | - |
| Real assets | 5.29 | - |
| Cash | (0.25) | - |
| Inflation-indexed bonds | 1.25 | - |
| Short-term | - | 0.30 |
| Private debt | - | 6.80 |
| Global equities | - | 6.70 |

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.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8. Pensions (continued)

Sensitivity of the Proportionate Share for 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 Districts' proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1% lower (6% for ERS and 6.25% for TRS) or 1% higher (8% for ERS and 8.25% for TRS) than the current rate:

| ERS | 1% Decrease 6.0% | Current Assumption 7.0% | 1% Increase 8.0% |
|---|-------------------------|-------------------------------|---------------------------|
| Employer's proportionate share of the net pension asset (liability) | \$ (3,981,860) | \$ (910,731) | \$ 1,669,236 |
| | | | |
| TRS | 1% Decrease 6.25% | Current Decrease 7.25% | 1% Assumption 8.25% |
| Employer's proportionate share of the net pension asset (liability) | \$ (10,713,195) | \$ 1,559,380 | \$ 11,840,388 |

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:

| | ERS | TRS | Total |
|---|-----------------------|-------------------------|-------------------------|
| Valuation date | 3/31/2019 | 6/30/2018 | |
| Employers' total pension asset/(liability) | \$ (189,803,429) | \$ (118,107,253,288) | \$ (118,297,056,717) |
| Plan Net Position | 182,718,124 | 119,915,517,622 | 120,098,235,746 |
| Employers' net pension asset/(liability) | <u>\$ (7,085,305)</u> | <u>\$ 1,808,264,334</u> | <u>\$ 1,801,179,029</u> |
| Ratio of plan net position to the | | | |
| Employers' total pension asset/ (liability) | -96.27% | 101.53% | 101.52% |

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8. Pensions (continued)

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 employers' contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$139,123.

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 for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contribution for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$1,655,680.

Note 9. Post-Employment (Health Insurance) Benefits

The District provides Post-employment (health insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. Post-employment benefits aggregating \$5,866,967 for 496 employees were charged to expenses/expenditures in the Governmental Funds in the current year.

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 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 June 30, 2019, the following employees were covered by the benefit terms:

| | |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 353 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | <u>354</u> |
| | <u><u>707</u></u> |

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

Note 9. Post-Employment (Health Insurance) Benefits (continued)

B. Total OPEB Liability

The District's total OPEB liability of \$151,487,090 was measured as of July 1, 2018, and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Inflation | 2.4 percent |
| Salary Increases | 3.25 percent |
| Discount Rate | 3.87 percent |
| Healthcare Cost Trend Rates | 7.00 percent for 2020, decreasing to a rate of 4.13 percent for 2089 and later years |

The discount rate was based on Bond Buyer GO-20 Municipal Bond Index.

Mortality rates were based on the RP-2014 Mortality Table, as appropriate, with generational mortality adjusted to 2006 using scale MP-2018.

C. Changes in the Total OPEB Liability

| | |
|--|------------------------------|
| Balance at June 30, 2018 | <u>\$ 145,774,745</u> |
| <u>Changes for the Year-</u> | |
| Service Cost | 4,284,249 |
| Interest | 5,319,218 |
| Changes of benefit terms | (2,036,387) |
| Differences between expected and actual experience | 13,461,754 |
| Changes in assumptions or other inputs | (10,710,586) |
| Benefit payments | <u>(4,605,903)</u> |
| Net Changes | <u>5,712,345</u> |
| Balance at June 30, 2019 | <u><u>\$ 151,487,090</u></u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.6% in 2018 to 3.87% in 2019.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9. Post-Employment (Health Insurance) Benefits (continued)

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 (2.87 percent) or 1 percentage point higher (4.87 percent) than the current discount rate:

| | 1% Decrease 2.87% | Discount Rate 3.87% | 1% Increase 4.87% |
|----------------------|-------------------------|---------------------------|-------------------------|
| Total OPEB Liability | <u>\$ 177,110,633</u> | <u>\$ 151,487,090</u> | <u>\$ 130,963,408</u> |

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

| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
|----------------------|-----------------------|-----------------------------------|-----------------------|
| Total OPEB Liability | <u>\$ 129,152,565</u> | <u>\$ 151,487,090</u> | <u>\$ 180,235,376</u> |

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 \$4,560,700. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 10,987,167 | \$ - |
| Changes of assumptions or other inputs | - | (20,963,869) |
| Contributions subsequent to the measurement period | <u>5,480,792</u> | <u>-</u> |
| Total | <u>\$ 16,467,959</u> | <u>\$ (20,963,869)</u> |

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9. Post-Employment (Health Insurance) Benefits (continued)

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

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|-----------------------|
| 2020 | \$ (3,006,380) |
| 2021 | (3,006,380) |
| 2022 | (3,006,380) |
| 2023 | (1,180,085) |
| 2024 and Thereafter | <u>222,523</u> |
| | <u>\$ (9,976,702)</u> |

Note 10. Commitments and Contingencies

Risk Financing and Related Insurance - The Peru Central School District is exposed to the risk of various types of loss which includes torts; theft of, damage to, and destruction of assets; and injuries to employees and students. These risks, and settled claims, 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.

Operating Leases - The District Leases property and equipment under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2019 were approximately \$43,313.

Estimated future rents to be paid under this lease are as follows:

| <u>Year Ending Date</u> | <u>Amount</u> |
|-------------------------|------------------|
| 2020 | \$ 32,382 |
| 2021 | 32,382 |
| 2022 | 21,476 |
| 2023 | <u>10,738</u> |
| | <u>\$ 96,978</u> |

PERU CENTRAL SCHOOL DISTRICT

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

Note 11. Assigned Fund Balance – Encumbrances

Assigned Fund Balance – Other includes year end encumbrances as follows:

| <u>General Fund</u> | <u>2019</u> | <u>2018</u> |
|--|------------------|------------------|
| Board of Education | \$ - | \$ 1,574 |
| Central services | 42,463 | 50,290 |
| Instruction, administration, and improvement | - | 1,481 |
| Teaching - regular school | 9,231 | 4,613 |
| Instruction media | - | 19,241 |
| Pupil service | 1,880 | 8,419 |
| Pupil transportation | 26,015 | 270 |
| | <u>\$ 79,589</u> | <u>\$ 85,888</u> |

Note 12. Joint Venture

The Peru Central School is one of 17 component school districts in the Clinton-Essex-Warren-Washington Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

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

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

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

During the year ended June 30, 2019, the Peru Central School District was billed \$4,119,766 for BOCES administrative and program costs. Participating school districts issue debt on behalf of BOCES. During the year ended June 30, 2019, the Peru Central School District issued no serial bonds on behalf of BOCES. However, per a joint agreement signed March 1, 2019, the District is responsible for their share of the current BOCES capital project amounting to \$4,276,004, of which \$368,738 has been expended during the year ended June 30, 2019. The balance of \$3,907,266 is due no later than June 1, 2020 and will be paid via 2019/20 appropriations and/or bond financing. General-purpose financial statements for the Clinton-Essex-Warren-Washington BOCES are available from BOCES administrative office at P.O. Box 485, Plattsburgh, New York. The District's share of BOCES aid amounted to \$1,898,788. BOCES also refunded the District \$424,573 for excess expenses billed in prior years.

PERU CENTRAL SCHOOL DISTRICT

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

Note 13. Prior Period Information

Comparative prior period information has been presented in summary form. This information was derived from the District's June 30, 2018 financial statements, and in our report dated November 8, 2018, we expressed an unmodified opinion.

Note 14. Stewardship, Compliance and Accountability

The District's unassigned general fund balance was in excess of the New York State Real Property Tax Law Section 1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The unassigned fund balance at June 30, 2019 was \$3,191,098, which represents 6.57% of next year's budget. The excess amounted to \$1,249,507.

The Board of Education appropriated a transfer from the General Fund to the school lunch fund for the 2019 year in the amount of \$56,172 to bring the fund balance to zero.

Note 15. Tax Abatements

Clinton County enters into various property tax abatements programs for the purpose of economic development. The District property tax revenue was reduced \$108,547. The District received payment in lieu of tax (PILOT) totaling \$103,444.

PERU CENTRAL SCHOOL DISTRICT

**Combining Balance Sheet - Special Revenue Funds
June 30, 2019 and 2018**

| | Special Aid | School Lunch | 2019 Total | 2018 Total |
|---|---------------------|-------------------|---------------------|-------------------|
| ASSETS | | | | |
| Cash | \$ - | \$ 60,105 | \$ 60,105 | \$ 33,089 |
| Accounts Receivable | - | 8,440 | 8,440 | 1,421 |
| Due From Other Funds | 37,021 | 68,141 | 105,162 | 71,001 |
| Due From State and Federal | 994,690 | 38,514 | 1,033,204 | 728,444 |
| Inventories | - | 25,246 | 25,246 | 28,869 |
| Total Assets | \$ 1,031,711 | \$ 200,446 | \$ 1,232,157 | \$ 862,824 |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts Payable and Accrued Expenses | \$ 155,915 | \$ 35,445 | \$ 191,360 | \$ 83,841 |
| Unearned Revenue | 1,690 | - | 1,690 | 8,333 |
| Due to Other Funds | 874,106 | 164,876 | 1,038,982 | 770,529 |
| Due to Other Governments | - | 125 | 125 | 121 |
| Total Liabilities | 1,031,711 | 200,446 | 1,232,157 | 862,824 |
| Fund Balance: | | | | |
| Nonspendable | | | | |
| Inventory | - | 25,246 | 25,246 | 28,869 |
| Unassigned | - | (25,246) | (25,246) | (28,869) |
| Total Fund Balance | - | - | - | - |
| Total Liabilities and Fund Balance | \$ 1,031,711 | \$ 200,446 | \$ 1,232,157 | \$ 862,824 |

PERU CENTRAL SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES AND EXPENDITURES -
SPECIAL REVENUE FUND

Years Ended June 30, 2019 and 2018

| | Special Aid | School Lunch | 2019 Total | 2018 Total |
|---|------------------|-----------------|------------------|------------------|
| REVENUES | | | | |
| Use of Money and Property | \$ - | \$ 40 | \$ 40 | \$ 442 |
| Miscellaneous | - | 31,665 | 31,665 | 28,158 |
| State Sources | 836,426 | 14,555 | 850,981 | 242,533 |
| Federal Sources | 880,439 | 433,107 | 1,313,546 | 1,856,272 |
| Surplus Foods | - | 55,984 | 55,984 | 50,940 |
| Sales | - | 196,394 | 196,394 | 185,372 |
| Total Revenues | 1,716,865 | 731,745 | 2,448,610 | 2,363,717 |
| EXPENDITURES | | | | |
| General Support | 48,947 | 364,931 | 413,878 | 416,389 |
| Instruction | 1,503,790 | - | 1,503,790 | 1,460,164 |
| Employee Benefits | 185,800 | 203,762 | 389,562 | 339,971 |
| Cost of Sales | - | 219,224 | 219,224 | 210,836 |
| Total Expenditures | 1,738,537 | 787,917 | 2,526,454 | 2,427,360 |
| Excess (Deficit) of Revenues over Expenditures | (21,672) | (56,172) | (77,844) | (63,643) |
| OTHER SOURCES | | | | |
| Operating Transfers | 21,672 | 56,172 | 77,844 | 63,643 |
| Excess (Deficit) of Revenues and Other Sources over Expenditures | - | - | - | - |
| Fund Balance, Beginning | - | - | - | - |
| Fund Balance, Ending | \$ - | \$ - | \$ - | \$ - |

See Independent Auditor's Report.

PERU CENTRAL SCHOOL DISTRICT

**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT
Year Ended June 30, 2019**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

| | | |
|--|--------|----------------------|
| Adopted budget | | \$ 49,078,985 |
| Additions: | | |
| Encumbrances - fiscal year 2018 | 85,888 | |
| Budget revisions - gifts and donations | 45,836 | |
| Total additions | | <u>131,724</u> |
| Final budget | | <u>\$ 49,210,709</u> |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

| | | |
|---|---------------------|---------------------|
| 2019-20 expenditure budget | | \$ 48,539,782 |
| Maximum allowed (4% of 2019-20 budget) | | |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law: | | |
| Unrestricted fund balance: | | |
| Committed fund balance | - | |
| Assigned fund balance | 2,881,109 | |
| Unassigned fund balance | 3,191,098 | |
| Total unrestricted fund balance | <u>\$ 6,072,207</u> | |
| Less: | | |
| Appropriated fund balance | 2,801,520 | |
| Encumbrances included in committed and assigned fund balance | <u>79,589</u> | |
| Total adjustments | <u>2,881,109</u> | |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law | | <u>\$ 3,191,098</u> |
| Actual percentage | | 6.57% |

PERU CENTRAL SCHOOL DISTRICT

SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2019

| | Adopted Budget | Final Budget | Actual (Budgetary Basis) | Final Budget Variance with Budgetary Actual |
|---|----------------------|----------------------|-----------------------------|--|
| Revenues: | | | | |
| Local Sources: | | | | |
| Real Property Taxes | \$ 15,051,231 | \$ 15,051,231 | \$ 15,068,629 | \$ 17,398 |
| Other Tax Items/STAR Aid | 2,409,400 | 2,409,400 | 2,285,675 | (123,725) |
| Charges for Services | 7,000 | 7,000 | 196 | (6,804) |
| Other Districts and Governments | 357,800 | 357,800 | 535,069 | 177,269 |
| Use of Money and Property | 100,000 | 100,000 | 167,468 | 67,468 |
| Sale of Property and Compensation for Loss | 8,000 | 8,000 | 15,818 | 7,818 |
| Miscellaneous | 639,000 | 684,836 | 641,080 | (43,756) |
| Interfund Revenues | 18,000 | 18,000 | 3,953 | (14,047) |
| State Sources | 27,192,034 | 27,192,034 | 26,712,709 | (479,325) |
| Federal Sources | 50,000 | 50,000 | 143,746 | 93,746 |
| Total Revenues | 45,832,465 | 45,878,301 | 45,574,343 | (303,958) |
| Other Financing Sources | | | | |
| Interfund Transfers | 550,000 | 550,000 | 50,000 | (500,000) |
| Appropriated Reserves | - | 85,888 | - | |
| | 550,000 | 635,888 | 50,000 | (500,000) |
| Total revenues and appropriated fund balance | \$ 46,382,465 | \$ 46,514,189 | \$ 45,624,343 | \$ (803,958) |

| | Adopted Budget | Final Budget | Actual (Budgetary Basis) | Year-end Encumbrances | Final Budget Variance with Budgetary Actual and Encumbrances |
|--|---------------------|---------------------|-----------------------------|--------------------------|--|
| Expenditures: | | | | | |
| General Support: | | | | | |
| Board of Education | \$ 21,909 | \$ 41,530 | \$ 37,492 | \$ - | \$ 4,038 |
| Central Administration | 242,255 | 238,955 | 235,633 | - | 3,322 |
| Finance | 453,907 | 495,785 | 482,193 | - | 13,592 |
| Staff | 198,604 | 198,236 | 126,092 | - | 72,144 |
| Central Services | 2,678,000 | 2,926,114 | 2,358,897 | 42,463 | 524,754 |
| Special Items | 1,163,924 | 1,534,209 | 1,421,707 | - | 112,502 |
| Instructional: | | | | | |
| Instruction, Administration, and Improvement | 1,648,631 | 1,653,325 | 1,446,479 | - | 206,846 |
| Teaching - Regular School | 10,790,079 | 10,738,328 | 10,297,596 | 9,231 | 431,501 |
| Programs for Children with Handicapping Conditions | 5,932,572 | 5,476,263 | 4,926,828 | - | 549,435 |
| Occupational Education | 1,279,128 | 1,210,779 | 1,068,197 | - | 142,582 |
| Teaching - Special School | 39,003 | 39,003 | 706 | - | 38,297 |
| Instructional Media | 896,200 | 1,018,694 | 949,671 | - | 69,023 |
| Pupil Service | 1,651,269 | 1,658,051 | 1,582,655 | 1,880 | 73,516 |
| Pupil Transportation | 2,413,383 | 2,414,169 | 2,049,948 | 26,015 | 338,206 |
| Community Services | 1,800 | 1,800 | - | - | 1,800 |
| Employee Benefits | 15,311,162 | 14,823,309 | 13,817,932 | - | 1,005,377 |
| Debt Service | 4,134,159 | 4,134,159 | 4,047,909 | - | 86,250 |
| Total Expenditures | 48,855,985 | 48,602,709 | 44,849,935 | 79,589 | 3,673,185 |
| Other Uses: | | | | | |
| Interfund Transfer | 223,000 | 608,000 | 562,844 | - | 45,156 |
| Total Expenditures and Other Uses | 49,078,985 | 49,210,709 | 45,412,779 | \$ 79,589 | \$ 3,718,341 |
| Net change in fund balance | (2,696,520) | (2,696,520) | 211,564 | | |
| Fund balance - beginning | 8,218,834 | 8,218,834 | 8,218,834 | | |
| Fund balance - ending | \$ 5,522,314 | \$ 5,522,314 | \$ 8,430,398 | | |

See Independent Auditor's Report.

PERU CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES-CAPITAL PROJECTS FUND
Year Ended June 30, 2019

| Project Title | Original Appropriation | Revised Appropriation | Prior Years | Current Year | Total | (Overexpended) Unexpended Balance | Methods of Financing | | | Fund Balance June 30, 2019 | |
|--|---------------------------|--------------------------|-------------------|---------------------|---------------------|---|----------------------------|-------------------|---------------------|----------------------------------|-------------------|
| | | | | | | | Proceeds of Obligations | State Aid | Local Sources | | |
| Smart School Bond Act | \$ 2,129,269 | \$ 2,129,269 | \$ 158,835 | \$ 1,240,820 | \$ 1,399,655 | \$ 729,614 | \$ - | \$ 597,224 | \$ - | \$ 597,224 | \$ (802,431) |
| Capital Outlay voter approved 5/16 (Lift install) | 100,000 | 100,000 | 98,172 | - | 98,172 | 1,828 | - | - | 100,000 | 100,000 | 1,828 |
| Capital Outlay 2018-2019 | 100,000 | 100,000 | - | 100,000 | 100,000 | - | - | - | 100,000 | 100,000 | - |
| Capital Outlay 2019-2020 | 100,000 | 100,000 | - | - | - | 100,000 | - | - | - | - | - |
| Buses 2017-2018 | 374,250 | 374,250 | - | 373,655 | 373,655 | 595 | - | - | 374,250 | 374,250 | 595 |
| Buses 2018-2019 | 385,000 | 385,000 | - | - | - | 385,000 | - | - | 385,000 | 385,000 | 385,000 |
| District-wide renovation approved 5/18 | 18,485,000 | 18,485,000 | 47,552 | 1,572,022 | 1,619,574 | 16,865,426 | - | - | 2,450,000 | 2,450,000 | 830,426 |
| Totals | \$ 21,673,519 | \$ 21,673,519 | \$ 304,559 | \$ 3,286,497 | \$ 3,591,056 | \$ 18,082,463 | \$ - | \$ 597,224 | \$ 3,409,250 | \$ 4,006,474 | \$ 415,418 |

See Independent Auditor's Report.

PERU CENTRAL SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS

Year Ended June 30, 2019

| | | |
|--|-----------|-------------------|
| Capital Assets, Net | \$ | 45,201,010 |
| Add: | | |
| Defeasance loss | | 6,750 |
| Deduct: | | |
| Short-term portion of bonds payable and other long-term debt | | 1,815,000 |
| Long-term portion of bonds payable and other long-term debt | | 5,665,000 |
| Net investment in capital assets | <u>\$</u> | <u>37,727,760</u> |

PERU CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
Year Ended June 30, 2019

| | <u>2019</u> | <u>2018</u> |
|---|------------------------------|------------------------------|
| Measurement Date | July 1, 2018 | July 1, 2017 |
| Total OPEB Liability | | |
| Service Cost | \$ 4,284,249 | \$ 5,572,606 |
| Interest | 5,319,218 | 4,635,633 |
| Changes in benefit terms | (2,036,387) | - |
| Differences between expected and actual experience | 13,461,754 | - |
| Changes of assumption or other inputs | (10,710,586) | (19,246,359) |
| Benefit payments | <u>(4,605,903)</u> | <u>(4,536,683)</u> |
| Net change in total OPEB liability | 5,712,345 | (13,574,803) |
| Total OPEB liability - beginning | <u>145,774,745</u> | <u>159,349,548</u> |
| Total OPEB liability - Ending | <u><u>\$ 151,487,090</u></u> | <u><u>\$ 145,774,745</u></u> |
| Covered payroll | <u><u>\$ 18,275,488</u></u> | <u><u>\$ 18,812,845</u></u> |
| Total OPEB liability as a percentage of covered payroll | 829% | 775% |

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

PERU CENTRAL SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year Ended June 30, 2019

NYSERS Pension Plan
 Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|--------------|------------|------------|------------|------------|------|------|------|------|------|
| District's proportion of the net pension liability (asset) | 0.0128538% | 0.0133513% | 0.0123419% | 0.0128376% | 0.0130876% | | | | | |
| District's proportionate share of the net pension liability (asset) | \$ 910,731 | 430,906 | 1,159,676 | 2,060,474 | 442,131 | | | | | |
| District's covered- employee payroll | \$ 4,589,952 | 4,025,899 | 4,474,864 | 4,168,916 | 3,995,350 | | | | | |
| Districts proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 19.84% | 10.70% | 25.92% | 49.42% | 11.07% | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 96.27% | 98.24% | 94.70% | 90.70% | 97.90% | | | | | |

* The amounts presented for each fiscal year were determined as of 06/30

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District is presenting information for those years for which information is available.

PERU CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Year Ended June 30, 2019

NYSERS Pension Plan
 Last 10 Fiscal Years

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|--------------|-----------|-----------|-----------|-----------|---------|---------|---------|---------|---------|
| Contractually required contribution | \$ 549,435 | 555,599 | 543,097 | 593,266 | 747,624 | 658,672 | 696,516 | 507,305 | 466,322 | 291,487 |
| Contributions in relation to the contractually required contribution | \$ 549,435 | 555,599 | 543,097 | 593,266 | 747,625 | 658,672 | 696,516 | 507,305 | 466,322 | 291,487 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | - |
| Districts covered-employee payroll | \$ 4,589,952 | 4,025,899 | 4,474,864 | 4,168,916 | 3,995,350 | | | | | |
| Contributions as a percentage of covered-employee payroll | 12.0% | 13.8% | 12.1% | 14.2% | 18.71% | | | | | |

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District is presenting information for those years for which information is available.

PERU CENTRAL SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY / (ASSET)
Year Ended June 30, 2019**

| | NYSTRS Pension Plan Last 10 Fiscal Years* | | | | | | | | | |
|--|--|------------|------------|-------------|-------------|------------|------|------|------|------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| District's proportion of the net pension liability (asset) | -0.086236% | -0.087124% | 0.084166% | -0.080688% | -0.081284% | -0.086290% | | | | |
| District's proportionate share of the net pension liability (asset) | \$ (1,559,380) | (662,231) | 901,451 | (8,380,920) | (9,054,578) | (568,006) | | | | |
| District's covered- employee payroll | \$ 15,345,949 | 14,249,589 | 14,337,981 | 13,502,814 | 12,751,318 | | | | | |
| Districts proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -10.16% | -4.65% | 6.29% | -62.07% | -71.01% | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | -101.53% | -100.66% | 99.01% | -110.46% | -111.50% | | | | | |

* The amounts presented for each fiscal year were determined as of 06/30

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District is presenting information for those years for which information is available.

PERU CENTRAL SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Year Ended June 30, 2019**

NYSTRS Pension Plan
Last 10 Fiscal Years

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|---------------|------------|------------|------------|------------|------|------|------|------|------|
| Contractually required contribution | \$ 1,376,599 | 1,618,100 | 1,722,159 | 2,124,714 | 1,951,134 | - | - | - | - | - |
| Contributions in relation to the contractually required contribution | \$ 1,376,599 | 1,618,100 | 1,722,159 | 2,124,714 | 1,951,134 | - | - | - | - | - |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | - |
| Districts covered-employee payroll | \$ 15,345,949 | 14,249,589 | 14,337,981 | 13,502,814 | 12,751,318 | | | | | |
| Contributions as a percentage of covered-employee payroll | 8.97% | 11.36% | 12.01% | 15.74% | 15.30% | | | | | |

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District is presenting information for those years for which information is available.

PERU CENTRAL SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|---|----------------------------|
| U.S. Department of Education | | | |
| Pass-Through New York State Department of Education: | | | |
| Special Education Cluster: | | | |
| IDEA - Part B Sec 611 | 84.027A | 0032-18-0138 | \$ 2,962 |
| IDEA - Part B Sec 611 | 84.027A | 0032-19-0138 | 491,796 |
| IDEA - Part B Sec 619 | 84.173A | 0033-19-0138 | 14,433 |
| Total Special Education Cluster | | | <u>509,191</u> |
| Title I | 84.010A | 0021-18-0505 | 1,883 |
| Title I | 84.010A | 0021-19-0505 | 318,551 |
| Title IIA - Teacher and Principal Training | 84.367A | 0147-18-0505 | 31,831 |
| Title IIA - Teacher and Principal Training | 84.367A | 0147-19-0505 | 14,960 |
| Title IV - SSAE Allocation | 84.424A | 0204-19-0505 | 4,023 |
| Total Department of Education | | | <u>880,439</u> |
| U.S. Department of Agriculture | | | |
| National School Lunch Program - Cash | 10.055 | | 330,123 |
| National School Lunch Program - Commodities | 10.055 | | 55,984 |
| National School Breakfast Program | 10.053 | | 102,984 |
| Total Child Nutrition Cluster | | | <u>489,091</u> |
| Total Department of Agriculture | | | <u>489,091</u> |
| Total Federal Assistance Expended | | | <u><u>\$ 1,369,530</u></u> |

PERU CENTRAL SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2019

Note 1. Summary of Certain Significant Accounting Policies

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented.

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

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

To the Board of Education
Peru Central School District
Peru, New York 12972

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, the business-type activities, each major fund and the aggregate remaining fund information of Peru Central School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Peru Central School District's basic financial statements and have issued our report thereon dated October 13, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Peru Central School 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 the internal control exists was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. The finding is referenced as 19-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Peru Central School District's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under Government *Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 19-1.

District's Response to Findings

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

Purpose of this Report

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

Boulrice & Wood CPAs, PC

Boulrice & Wood CPAs, PC
October 13, 2019

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
Peru Central School District
Peru, New York 12972

Report on Compliance for Each Major Federal Program

We have audited Peru Central School District's compliance with the types of compliance requirements described in the Uniform Guidance Compliance Supplement that could have a direct and material effect on Peru Central School District's major federal programs for the year ended June 30, 2019. Peru Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Boulrice & Wood CPAs, PC

Boulrice & Wood CPAs, PC
October 13, 2019

**PERU CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant Deficiency(ies) identified not considered to be a material weakness? _____ yes X none reported

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

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

Identification of Major Programs

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.027A | IDEA - Part B Sec 611 |
| 84.173A | IDEA - Part B Sec 619 |

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

Auditee qualified as low-risk Auditee? X yes _____ no

**PERU CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT

19-1 Excess Fund Balance

Condition: The District's unassigned general fund balance was 6.57% of next year's budget.

Effect: The District's unassigned general fund balance was 2.57% or \$1,249,507 over the amount allowable by law.

Criteria: According to New York State Real Property Tax Law Section 1318, a district's unappropriated fund balance may not exceed an amount equal to 4% of next year's budget.

Recommendation: We recommend the District keep in mind this law when preparing the next year's budget.

Corrective Action: Peru Central School District has taken a conservative approach to spending as State Aid funding remains uncertain. The Board of Education plans to use its fund balance in future budgets to provide stability to taxpayers in a fiscally responsible manner.

SECTION III – MAJOR FEDERAL AWARDS

There were no current period findings or questioned costs.

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board
Peru Central School District
Peru, New York 12972

We have audited the accompanying statement of assets, liabilities and fund balance – cash basis and the related statement of receipts, disbursements and ending balances – cash basis of the Extraclassroom Activity Funds of the Peru Central School District as of and for the year June 30, 2019, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and minimum program procedures established by the New York State Department of Education. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance – cash basis of the Extraclassroom Activity Funds of the Peru Central School District as of June 30, 2019, and its receipts, disbursements and ending balances – cash basis thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Boulrice & Wood CPAs, PC

Boulrice & Wood CPAs, PC
October 13, 2019

PERU CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS

June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---------------------------|--------------------------|-------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | <u>\$ 102,490</u> | <u>\$ 94,498</u> |
| Total Assets | <u><u>\$ 102,490</u></u> | <u><u>\$ 94,498</u></u> |
| FUND BALANCE | | |
| Extraclassroom Activity | <u>\$ 102,490</u> | <u>\$ 94,498</u> |
| Total Fund Balance | <u><u>\$ 102,490</u></u> | <u><u>\$ 94,498</u></u> |

PERU CENTRAL SCHOOL DISTRICT

**EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND ENDING FUND BALANCE - CASH BASIS**

Year Ended June 30, 2019 and 2018

| Activity | Balance 6/30/2018 | Receipts | Disbursements | Balance 6/30/2019 |
|----------------------------|----------------------|-------------------|------------------|----------------------|
| Class of 2018 | \$ 1,508 | \$ 4,106 | \$ 5,614 | \$ - |
| Class of 2019 | 10,076 | 789 | 9,117 | 1,748 |
| Class of 2020 | 539 | 26,218 | 18,418 | 8,339 |
| Class of 2021 | 649 | 4,378 | 2,516 | 2,511 |
| Class of 2022 | - | 600 | 53 | 547 |
| Adventures Club | 2,488 | 1,610 | 1,100 | 2,998 |
| Drama Club | 24,040 | 22,879 | 13,098 | 33,821 |
| Entrepreneurs Club | 2,064 | 6,682 | 6,424 | 2,322 |
| Key Club | 117 | - | - | 117 |
| L.O.T.E. | 257 | 124 | 97 | 284 |
| Middle School SC | 3,790 | 3,633 | 4,186 | 3,237 |
| Model United Nations | 80 | 4,952 | 3,743 | 1,289 |
| National Art Honor Society | 1,463 | 204 | 775 | 892 |
| National Honor Society | 564 | 1,015 | 1,000 | 579 |
| Robotics Club | 1,500 | 600 | 706 | 1,394 |
| S.A.V.E | 3,768 | - | 1,079 | 2,689 |
| Sales Tax | 992 | 732 | 778 | 946 |
| Science NHS | 4,515 | 315 | 1,342 | 3,488 |
| Senior High SC | 6,779 | 7,389 | 7,361 | 6,807 |
| Student Activities Admin | 988 | 654 | 296 | 1,346 |
| Varsity Club | 21,904 | 3,118 | 2,829 | 22,193 |
| Yearbook Club | 6,417 | 11,523 | 12,997 | 4,943 |
| Total | \$ 94,498 | \$ 101,521 | \$ 93,529 | \$ 102,490 |

See Notes to the Financial Statements – Extraclassroom Activity Funds.

PERU CENTRAL SCHOOL DISTRICT

**EXTRACLASROOM ACTIVITY FUNDS
NOTES TO FINANCIAL STATEMENTS**

Note 1. Summary of Significant Accounting Policies

Basis of Accounting: The books and records of the Peru Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

Basis of Presentation: The Extraclassroom Activity Funds of the Peru Central School 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. The cash and investment balances are reported in the Trust and Agency Funds of the District.

Cash Equivalents: For financial statement purposes all highly liquid investments having maturities of three months or less are considered as cash equivalents.