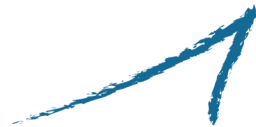


MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

Mexico, New York

FINANCIAL REPORT

For the Year Ended
June 30, 2019



insero&co

Certified Public Accountants | Business Advisors

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Education
Mexico Academy and Central School District
Mexico, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mexico Academy and Central School District (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, Schedule of Changes in the School District's Total OPEB Liability and Related Ratios, the Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability, and related notes to required supplementary information on pages 4-4i and 45-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information on pages 54-56 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2019 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Respectfully Submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 10, 2019

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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

FINANCIAL HIGHLIGHTS

- The School District recognizes its total other postemployment benefits (OPEB) liability, as well as deferred outflows and deferred inflows of resources related to the OPEB plan in accordance with the parameters of GASB Statement No. 75. "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." Current year recognition resulted in an increase of Government-wide expenses of \$2,765,896, compared to a decrease of \$2,909,610 in 2018.
- The School District ended the year with a total net position of \$4,285,557, an increase of \$1,256,286 from the prior year. The year-end net position was composed of \$22,058,904 in net investment in capital assets, \$37,940,693 in restricted, and \$55,714,040 in unrestricted net deficit.
- Revenues exceeded expenses by \$1,256,286 in 2019, compared to \$752,868 in 2018.
- The 2018-2019 General Fund budgeted expenditures were under spent by \$2,635,567, while revenues were \$1,736,358 more than estimated. General Fund revenues exceeded expenditures by \$612,781.
- Capital asset additions during 2019 amounted to \$2,042,839 for the purchase of buses, vehicles, equipment, and construction expenditures. Depreciation expense was \$1,908,589 for the current year.
- Total fund balance of the General Fund, including reserves, was \$39,705,973 at June 30, 2019. Unassigned fund balance amounted to \$2,214,329 which was subject to and below the maximum limit (4% of 2019-2020 appropriations) permitted under New York State Real Property Tax Law.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide financial statements. The Governmental Fund financial statements concentrate on the School District's most significant funds.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year, a Schedule of Funding Progress related to the School District's unfunded actuarial liability for postemployment benefits and information related to the School District pension obligations.

District-wide Financial Statements

The District-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide financial statements report the School District's net position and how it has changed. Net position - the difference between the School District's assets, deferred outflows of resources, deferred inflows of resources, and liabilities - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the School District's activities are shown as Governmental Activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Governmental Fund Financial Statements

The Governmental Fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "Major" Funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The School District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, additional information following the Governmental Funds statements explains the relationship (or differences) between them.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2018</i>	<i>2019</i>	<i>2018 - 2019</i>
<i>Current Assets</i>	\$ 7,336,913	\$ 7,324,049	\$ (12,864)
<i>Noncurrent Assets</i>	38,486,099	39,616,665	1,130,566
<i>Capital Assets, Net</i>	60,009,486	60,143,736	134,250
<i>Total Assets</i>	105,832,498	107,084,450	1,251,952
<i>Pensions</i>	13,326,728	12,058,848	(1,267,880)
<i>OPEB</i>	-	3,024,288	3,024,288
<i>Total Deferred Outflows of Resources</i>	13,326,728	15,083,136	(1,267,880)
<i>Current Liabilities</i>	7,764,532	7,615,524	(149,008)
<i>Noncurrent Liabilities</i>	101,297,064	103,677,914	2,380,850
<i>Total Liabilities</i>	109,061,596	111,293,438	2,231,842
<i>Pensions</i>	4,536,074	3,310,815	(1,225,259)
<i>OPEB</i>	2,532,285	3,277,776	745,491
<i>Total Deferred Inflows of Resources</i>	7,068,359	6,588,591	(479,768)
<i>Net Investment in Capital Assets</i>	19,088,718	22,058,904	2,970,186
<i>Restricted</i>	37,815,428	37,940,693	125,265
<i>Unrestricted Deficit</i>	(53,874,875)	(55,714,040)	(1,839,165)
<i>Total Net Position</i>	\$ 3,029,271	\$ 4,285,557	\$ 1,256,286

The decrease in current assets is largely a result of decreased cash and cash equivalents at year end, partially offset by increases in amounts due from state and federal. The increase in noncurrent assets, changes in deferred outflows of resources, and deferred inflows of resources related to pensions and OPEB, are related to changes in the actuarially determined proportionate share of the pension systems plans net pension asset/liabilities and OPEB liabilities. Capital assets, net of depreciation increased largely as a result of an increase in capital construction projects.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Current liabilities decreased primarily due to decreases in accounts payable. Changes in noncurrent liabilities are primarily due to a current year increase in the OPEB liability, based on an actuarial valuation of the School District's OPEB plan, partially offset by regular principal payments on long-term debt.

Net investment in capital assets increased based on capital outlay and debt principal payments exceeding debt proceeds, net book value of disposed assets, and depreciation expense for the current year. Restricted net position increased primarily due to increases in debt service and retirement contribution reserves.

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

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2018</i>	<i>2019</i>	<i>2018 - 2019</i>
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 585,198	\$ 606,562	\$ 21,364
<i>Operating Grants</i>	2,144,916	2,353,727	208,811
<i>General Revenues:</i>			
<i>Real Property Taxes and Tax Items</i>	21,123,943	22,266,938	1,142,995
<i>State Sources</i>	31,288,406	31,342,175	53,769
<i>Use of Money and Property</i>	68,400	220,109	151,709
<i>Other General Revenues</i>	856,186	1,058,802	202,616
Total Revenues	\$ 56,067,049	\$ 57,848,313	\$ 1,781,264
PROGRAM EXPENSES			
<i>General Support</i>	\$ 7,770,623	\$ 7,381,910	\$ (388,713)
<i>Instruction</i>	40,732,219	41,947,274	1,215,055
<i>Pupil Transportation</i>	4,485,396	4,628,345	142,949
<i>Community Services</i>	195,293	203,191	7,898
<i>School Lunch Program</i>	1,182,543	1,144,780	(37,763)
<i>Interest on Debt</i>	948,107	1,286,527	338,420
Total Expenses	\$ 55,314,181	\$ 56,592,027	\$ 1,277,846
CHANGE IN NET POSITION	\$ 752,868	\$ 1,256,286	\$ 503,418

Total revenues for the School District's Governmental Activities increased by \$1,781,264, or 3.18%, while total expenses increased by \$1,277,846, or 2.31%. Revenues increased compared to the prior year primarily due to an increase in property tax; based on an increase in the voter approved tax levy.

The increase in total expenses is primarily due to increased OPEB, pension, and employee benefits expenses which were allocated across the functions.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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

Figure 3

Sources of Revenue for 2019

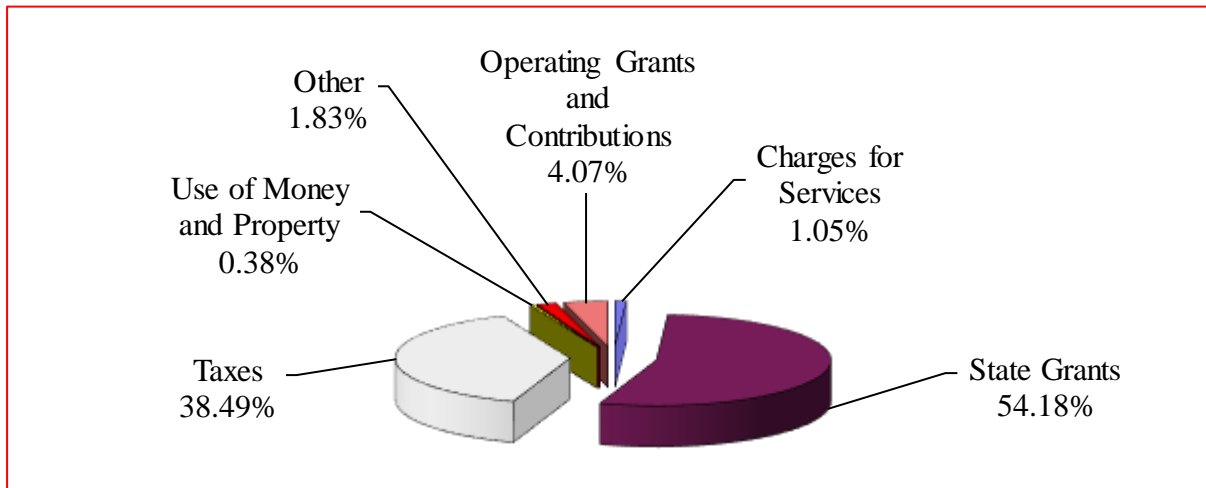
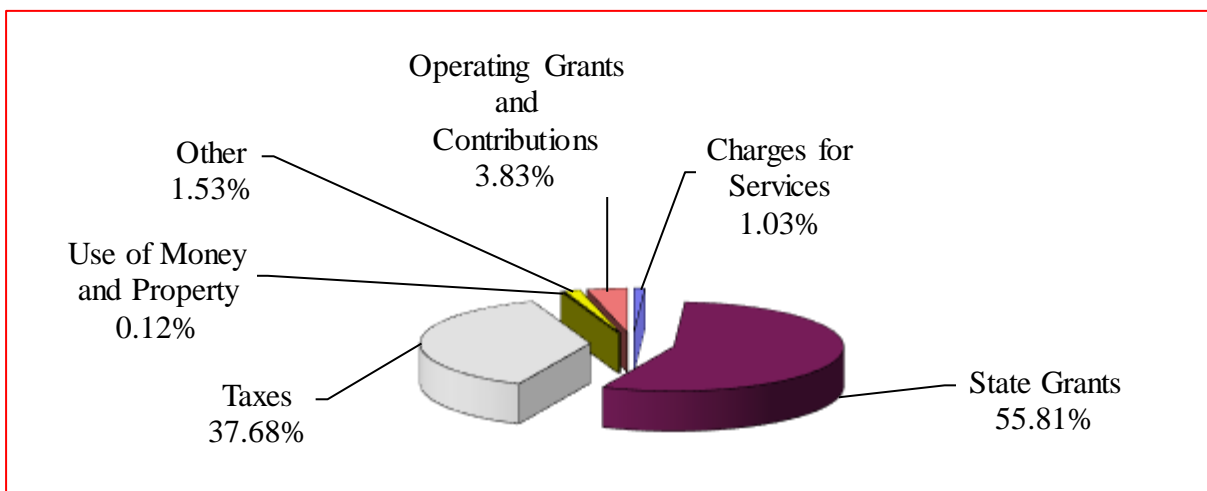


Figure 4

Sources of Revenue for 2018



MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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

Figure 5

Cost of Programs for 2019

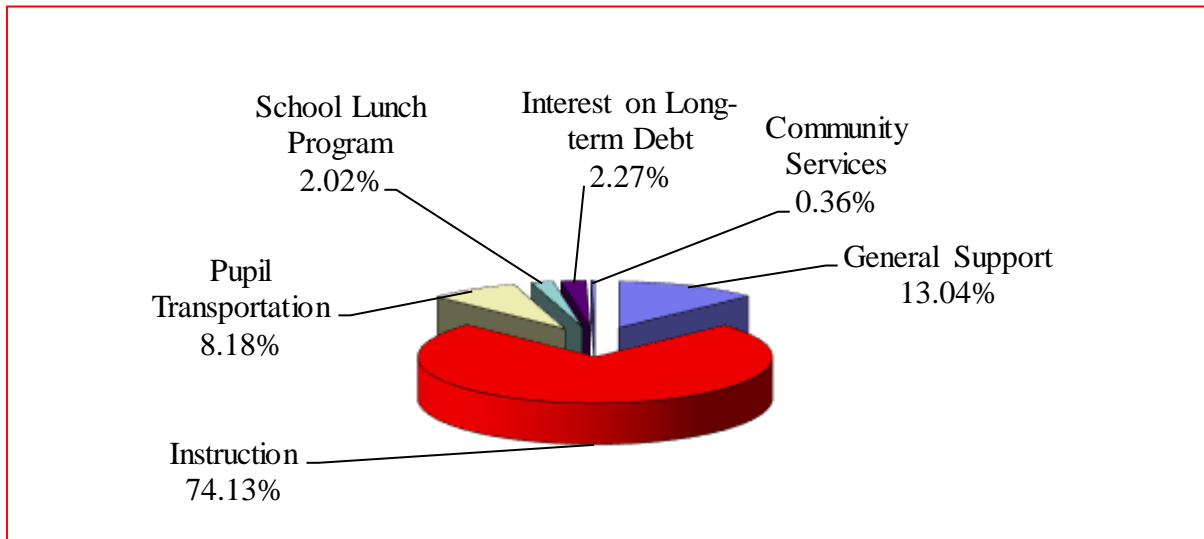
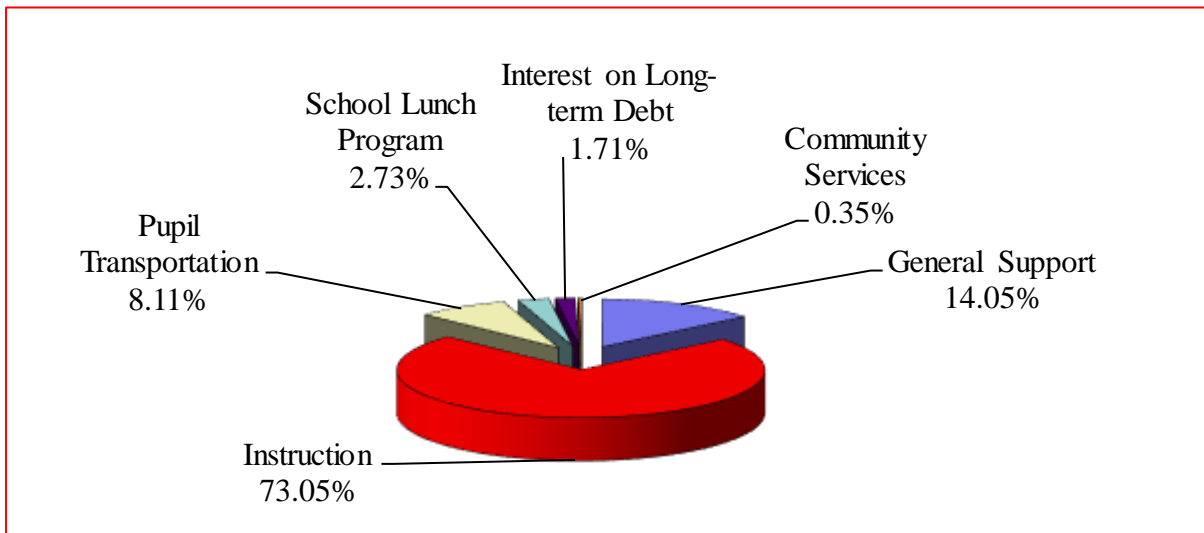


Figure 6

Cost of Programs for 2018



MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the change in the School District's fund balances for the year.

As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported combined fund balances of \$41,427,519. The \$256,959 increase in fund balance is mainly a result of revenues exceeding expenses and other financing sources by \$612,781 in the General Fund; partially offset by capital outlay exceeding revenues by \$359,167 in the Capital Projects Fund - Construction.

Figure 7

<i>Governmental Fund Balances</i>	<i>2018</i>	<i>2019</i>	<i>Total Dollar Change 2018 - 2019</i>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 39,093,192	\$ 39,705,973	\$ 612,781
<i>School Lunch Fund</i>	285,917	341,514	55,597
<i>Debt Service Fund</i>	2,012,671	1,943,340	(69,331)
<i>Capital Projects Fund - Buses</i>	28,016	45,095	17,079
<i>Capital Projects Fund - Construction</i>	(249,236)	(608,403)	(359,167)
<i>Total Governmental Funds</i>	\$ 41,170,560	\$ 41,427,519	\$ 256,959

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Education approved budgetary transfers that revised the School District's budget line items. These budget amendments consisted of budget transfers between functions, which did not increase the overall budget for the year ended June 30, 2019. Additionally, the Board increased the original budget by \$20,037 for unanticipated gifts and donations and \$9,000 for unanticipated state aid.

The School District recorded \$1,736,358, or 3.27%, more in revenues than estimated, largely due to real property taxes and real property tax items, and refund for BOCES services of \$1,128,057 and \$461,155 more than budgeted, respectively.

Expenditures (including encumbrances) were less than the revised budget by \$2,635,567 or 4.63%. This was primarily due to lower than expected costs for general support, instructional programs, and employee benefit expense.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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

Figure 8

Condensed Budgetary Comparison General Fund - 2019	Original Budget	Revised Budget	Actual w/ Encumbrances	Favorable (Unfavorable) Variance
REVENUES				
<i>Real Property Taxes</i>	\$ 10,888,881	\$ 10,888,881	\$ 20,048,019	\$ 9,159,138
<i>Other Tax Items</i>	10,250,000	10,250,000	2,218,919	(8,031,081)
<i>State Sources</i>	31,203,264	31,212,264	30,914,686	(297,578)
<i>Federal Sources</i>	100,000	100,000	163,403	63,403
<i>Other, Including Financing Sources</i>	599,679	619,716	1,462,192	842,476
Total Revenues and Other Financing Sources	\$ 53,041,824	\$ 53,070,861	\$ 54,807,219	\$ 1,736,358
Appropriated Fund Balances	\$ 3,824,711	\$ 3,824,711		
EXPENDITURES				
<i>General Support</i>	\$ 7,345,590	\$ 7,314,691	\$ 6,256,441	\$ 1,058,250
<i>Instruction</i>	28,583,142	28,916,786	28,289,068	627,718
<i>Pupil Transportation</i>	2,882,466	2,897,715	2,654,595	243,120
<i>Community Services</i>	156,500	155,500	142,482	13,018
<i>Employee Benefits</i>	12,450,684	12,319,412	11,681,459	637,953
<i>Debt Service</i>	5,313,153	5,143,248	5,087,740	55,508
<i>Other Financing Uses</i>	135,000	148,220	148,220	-
Total Expenditures and Other Financing (Uses)	\$ 56,866,535	\$ 56,895,572	\$ 54,260,005	\$ 2,635,567

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the School District had invested in a broad range of capital assets. Net capital assets increased \$134,250, primarily due to capital outlay exceeding depreciation expense and the net book value of disposed assets. Capital assets, net of accumulated depreciation of \$28,140,371, were \$60,143,736 at year end. Depreciation expense amounted to \$1,908,589 for the current year.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Figure 9

<i>Changes in Capital Assets</i>	<i>2018</i>	<i>2019</i>	<i>Total Dollar Change 2018 - 2019</i>
<i>Land</i>	\$ 225,039	\$ 225,039	\$ -
<i>Artwork</i>	100,000	100,000	-
<i>Construction in Progress</i>	8,657,939	835,143	(7,822,796)
<i>Buildings, Net</i>	47,183,707	54,863,698	7,679,991
<i>Improvements, Net</i>	113,174	113,174	-
<i>Equipment, Net</i>	3,729,627	4,006,682	277,055
<i>Total</i>	\$ 60,009,486	\$ 60,143,736	\$ 134,250

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

Construction in Progress	\$ 986,677
Buses and Other Vehicles	1,056,162
Total Additions	2,042,839
Less Depreciation Expense	(1,908,589)
Net Change in Capital Assets	\$ 134,250

Debt Administration

Debt, both short-term and long-term, considered a liability of Governmental Activities, decreased \$3,070,936 in 2019, as shown in Figure 10. Serial bonds decreased based on repayment of principal, offset by the issuance of \$720,000 of bus bonds. Total indebtedness represented 33.24% of the constitutional debt limit, exclusive of building aid estimates, at June 30, 2019.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2018 - 2019</i>
	<i>2018</i>	<i>2019</i>	
<i>Serial Bonds</i>	\$ 41,438,784	\$ 38,732,848	\$ (2,705,936)
<i>Installment Purchase Debt</i>	2,255,000	1,890,000	(365,000)
<i>Total</i>	\$ 43,693,784	\$ 40,622,848	\$ (3,070,936)

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

The School District's bond rating is A1 from Moody's, which did not change from the prior year.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

Mexico Academy and Central School District continues to provide opportunities to students in a healthy and safe environment while observing prudent financial management practices. In particular, there have been additional resources allocated to support enhanced levels of school safety and security. A project to renovate space for a health center is currently in progress that will give students better access to health and dental care. School District management continues to develop a strategic view of its future intended to identify requirements for instructional programs and facility maintenance, while continuing to provide stability in taxation, budget growth, and other factors.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, at Mexico Academy and Central School District, 16 Fravor Road, Mexico, New York 13114.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2019

ASSETS

Current Assets

Cash - Unrestricted	\$ 4,265,149
Cash - Restricted	309,504
Receivables - State and Federal Aid	2,637,901
Receivables - Other	67,765
Inventories	43,730
Total Current Assets	7,324,049

Noncurrent Assets

Restricted Cash	37,598,678
Capital Assets:	
Land, Artwork, and Construction in Progress	1,160,182
Depreciable Capital Assets, Net	58,983,554
Net Pension Asset - Proportionate Share	2,017,987
Total Noncurrent Assets	99,760,401

Total Assets

107,084,450

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources - Pensions	12,058,848
Deferred Outflows of Resources - OPEB	3,024,288

Total Deferred Outflows of Resources

15,083,136

LIABILITIES

Current Liabilities

Payables:

Accounts Payable	133,634
Accrued Liabilities	526,480
Due to Other Governments	258,374
Bond Interest and Matured Bonds	130,275
Due to Teachers' Retirement System	2,155,214
Due to Employees' Retirement System	272,641
Compensated Absences Payable	139,707
Overpayments and Collections in Advance	24
Unearned Revenues	9,134
Current Portion of Long-term Obligations	
Bonds Payable	3,610,041
Installment Purchase Debt	380,000
Total Current Liabilities	7,615,524

STATEMENT OF NET POSITION (Continued)
JUNE 30, 2019

LIABILITIES (Continued)

Noncurrent Liabilities

Bonds Payable	\$ 35,122,807
Installment Purchase Debt	<u>1,510,000</u>
Compensated Absences Payable	<u>4,228,620</u>
Other Postemployment Benefits Liabilities	<u>61,176,799</u>
Net Pension Liability - Proportionate Share	<u>1,639,688</u>
Total Noncurrent Liabilities	<u><u>103,677,914</u></u>

Total Liabilities

111,293,438

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources - Pensions	<u>3,310,815</u>
Deferred Inflows of Resources - OPEB	<u>3,277,776</u>

Total Deferred Inflows of Resources

6,588,591

NET POSITION

Net Investment in Capital Assets	<u>22,058,904</u>
Restricted	<u>37,940,693</u>
Unrestricted (Deficit)	<u>(55,714,040)</u>

Total Net Position

\$ 4,285,557

See Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
General Support	\$ 7,381,910	\$	\$	\$ (7,381,910)
Instruction	41,947,274	266,522	1,558,768	(40,121,984)
Pupil Transportation	4,628,345			(4,628,345)
Community Services	203,191			(203,191)
School Lunch Program	1,144,780	340,040	794,959	(9,781)
Interest on Debt	1,286,527			(1,286,527)
Total Functions and Programs	\$ 56,592,027	\$ 606,562	\$2,353,727	\$ -
GENERAL REVENUES				
				20,048,019
Real Property Taxes				2,218,919
Real Property Tax Items				220,109
Use of Money and Property				31,342,175
Unrestricted State Sources				73,323
Sale of Property and Compensation for Loss				985,479
Miscellaneous				
Total General Revenues				54,888,024
Change in Net Position				1,256,286
Total Net Position - Beginning of Year				3,029,271
Total Net Position - End of Year				\$ 4,285,557

See Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2019

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 3,622,003	\$ 132,845	\$ 125,098
Cash - Restricted	35,762,742		157,005
Receivables:			
Due from Other Funds	1,719,348	675	80,252
State and Federal Aid	2,050,547	527,187	60,167
Other	67,405		360
Inventories			43,730
Total Assets	\$ 43,222,045	\$ 660,707	\$ 466,612
LIABILITIES			
Payables:			
Accounts Payable	\$ 120,050	\$ 1,361	\$ 12,223
Accrued Liabilities	508,406	1,771	16,303
Due to Other Funds	80,927	649,405	76,337
Due to Other Governments	257,967		407
Due to Teachers' Retirement System	2,155,214		
Due to Employees' Retirement System	252,813		19,828
Compensated Absences	139,707		
Overpayments and Collections in Advance	24		
Unearned Revenues	964	8,170	
Total Liabilities	3,516,072	660,707	125,098
FUND BALANCES			
Nonspendable			43,730
Restricted	35,682,490		297,784
Assigned	1,809,154		
Unassigned (Deficit)	2,214,329		
Total Fund Balances	39,705,973	-	341,514
Total Liabilities and Fund Balances	\$ 43,222,045	\$ 660,707	\$ 466,612

See Notes to Basic Financial Statements

Major Funds

<u>Capital Projects Fund - Buses</u>	<u>Capital Projects Fund - Construction</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
\$	\$ 385,203	\$	\$ 4,265,149
45,095	27,152	1,916,188	37,908,182
	20	27,152	1,827,447
			2,637,901
			67,765
			43,730
\$ 45,095	\$ 412,375	\$1,943,340	\$ 46,750,174
\$	\$	\$	\$ 133,634
			526,480
	1,020,778		1,827,447
			258,374
			2,155,214
			272,641
			139,707
			24
			9,134
-	1,020,778	-	5,322,655
			43,730
45,095		1,943,340	37,968,709
			1,809,154
	(608,403)		1,605,926
45,095	(608,403)	1,943,340	41,427,519
\$ 45,095	\$ 412,375	\$1,943,340	\$ 46,750,174

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

Fund Balances - Total Governmental Funds **\$ 41,427,519**

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

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

Total Historical Cost	\$ 88,284,107	
Less Accumulated Depreciation	<u>(28,140,371)</u>	60,143,736

The School District's proportion of the collective net pension asset/liability is not reported in the funds.

TRS Net Pension Liability - Proportionate Share	\$ 2,017,987	
ERS Net Pension Liability - Proportionate share	<u>(1,639,688)</u>	378,299

Deferred outflows of resources represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred Inflows of Resources - OPEB	\$ (3,277,776)	
Deferred Outflows of Resources - OPEB	3,024,288	
ERS Deferred Outflows of Resources - Pensions	1,038,664	
TRS Deferred Outflows of Resources - Pensions	11,020,184	
ERS Deferred Inflows of Resources - Pensions	(552,897)	
TRS Deferred Inflows of Resources - Pensions	<u>(2,757,918)</u>	8,494,545

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

Bonds Payable	\$(36,755,001)	
Installment Purchase Debt	(1,890,000)	
Premiums on Obligations	<u>(1,977,847)</u>	(40,622,848)

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

Compensated Absences	\$ (4,228,620)	
Other Postemployment Benefits Liability	(61,176,799)	
Accrued Interest on Long-term Debt	<u>(130,275)</u>	<u>(65,535,694)</u>

Net Position of Governmental Activities **\$ 4,285,557**

See Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
REVENUES			
Real Property Taxes	\$ 20,048,019	\$	\$
Real Property Tax Items	2,218,919		
Charges for Services	103,119		
Use of Money and Property	189,349		91
Sale of Property and Compensation for Loss	73,323		
Miscellaneous	985,479		84,136
State Sources	30,914,686	655,203	21,918
Federal Sources	163,403	1,331,054	699,101
Surplus Food			73,940
Sales - School Lunch			255,904
Total Revenues	54,696,297	1,986,257	1,135,090
EXPENDITURES			
General Support	6,208,438		
Instruction	28,274,801	1,991,874	484,873
Pupil Transportation	2,654,595	131,681	
Community Services	139,185		
Employee Benefits	11,681,459		248,559
Debt Service:			
Principal	3,548,637		
Interest	1,539,103		
Cost of Sales			346,061
Capital Outlay			
Total Expenditures	54,046,218	2,123,555	1,079,493
Excess (Deficiency) of Revenues Over Expenditures	650,079	(137,298)	55,597
OTHER FINANCING SOURCES AND (USES)			
Proceeds of Obligations			
Operating Transfers In	110,922	148,220	
Operating Transfers (Out)	(148,220)	(10,922)	
Total Other Sources and (Uses)	(37,298)	137,298	-
Net Change in Fund Balances	612,781	-	55,597
Fund Balances (Deficit) - Beginning of Year	39,093,192	-	285,917
Fund Balances (Deficit) - End of Year	\$ 39,705,973	\$ -	\$ 341,514

See Notes to Basic Financial Statements

Major Funds

Capital Projects Fund - Buses	Capital Projects Fund - Construction	Debt Service Fund	Total Governmental Funds
\$	\$	\$	\$ 20,048,019
			2,218,919
			103,119
		30,669	220,109
			73,323
			1,069,615
			31,591,807
			2,193,558
			73,940
			255,904
-	-	30,669	57,848,313
			6,208,438
			30,751,548
			2,786,276
			139,185
			11,930,018
			3,548,637
			1,539,103
			346,061
702,921	359,167		1,062,088
702,921	359,167	-	58,311,354
(702,921)	(359,167)	30,669	(463,041)
720,000			720,000
			259,142
		(100,000)	(259,142)
720,000	-	(100,000)	720,000
17,079	(359,167)	(69,331)	256,959
28,016	(249,236)	2,012,671	41,170,560
\$ 45,095	\$ (608,403)	\$ 1,943,340	\$ 41,427,519

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	256,959
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlay	\$ 2,042,839	
Depreciation Expense	<u>(1,908,589)</u>	134,250
<p>Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
Bonds Issued	\$ (720,000)	
Principal Payments	<u>3,183,637</u>	2,463,637
<p>Changes in the School District's proportionate share of net pension obligations have no effect on current financial resources and, therefore, are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are, also, not reported in the Governmental Funds.</p>		
ERS	\$ (178,550)	
TRS	<u>402,774</u>	224,224
<p>Long-term liabilities, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore, expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Funds.</p>		
Change in Long-term Compensated Absences	\$ 325,536	
Payments of Installment Purchase Debt	365,000	
Change in Other Postemployment Benefits Liability	<u>(2,765,896)</u>	(2,075,360)
<p>Some liabilities reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in Governmental Funds.</p>		
Amortization of Premiums on Obligations	\$ 242,299	
Net Change in Accrued Interest Payable	<u>10,277</u>	<u>252,576</u>
Net Change in Net Position of Governmental Activities	\$	<u><u>1,256,286</u></u>

See Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2019

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash - Unrestricted	\$	\$ 170,782
Cash - Restricted	116,274	
Investments - Restricted	280	
Accounts Receivable		3,435
Total Assets	116,554	\$ 174,217
LIABILITIES		
Extraclassroom Activity Balances		\$ 68,752
Other Liabilities	5,623	105,465
Total Liabilities	5,623	\$ 174,217
RESTRICTED NET POSITION	\$ 110,931	

See Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

	Private Purpose Trust Fund
ADDITIONS	
Gifts and Contributions	\$ 5,078
Interest and Earnings	386
Total Additions	<u>5,464</u>
DEDUCTIONS	
Scholarships and Awards	<u>5,916</u>
Change in Net Position	(452)
Net Position - Beginning of Year	<u>111,383</u>
Net Position - End of Year	<u><u>\$ 110,931</u></u>

See Notes to Basic Financial Statements

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

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

Reporting Entity

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

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended.

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

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

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

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. While the Extraclassroom Activity Funds are not considered a component unit of the School District, due to the School District's fiduciary responsibility in relation to the Funds, they are reported in the School District's Agency Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, located at 16 Fravor Road, Mexico, New York 13114.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Joint Venture

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

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

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

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

Basis of Presentation - District-wide Financial Statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the School District's programs, including personnel, overall administration and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Basis of Presentation - Governmental Fund Financial Statements

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

The School District reports the following Major Governmental Funds:

- **General Fund:** The School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Funds:** These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - **Special Aid Fund:** Used to account for proceeds received from State and federal grants that are restricted for special educational programs.
 - **School Lunch Fund:** Accounts for revenues and expenditures in connection with the School District's food service program.
- **Debt Service Fund:** Accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of Governmental Activities.
- **Capital Projects Fund - Buses:** Accounts for the financial resources used to purchase school buses.
- **Capital Projects Fund - Construction:** Accounts for the financial resources used for capital construction.

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

The School District reports the following Fiduciary Funds:

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Basis of Presentation - Governmental Fund Financial Statements - Continued

- Agency Fund: Strictly custodial in nature and does not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

Measurement Focus and Basis of Accounting

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

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

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

Cash and Investments

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Accounts Receivable

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

Due To/From Other Funds

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

Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the School District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and Governmental Fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	50 Years
Building Improvements	50,000	50 Years
Site Improvements	25,000	15-25 Years
Furniture and Equipment	5,000	5-15 Years

Capital assets are depreciated over their estimated useful lives using the straight-line method.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Vested Employee Benefits - Compensated Absences

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

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

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

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

Other Postemployment Benefits

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

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

The School District follows GASB Statement No. 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 10 for additional information.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports deferred outflows related to pensions and other postemployment benefits in the District-wide Statement of Net Position. The types of deferred outflows related to pensions are described in Notes 9 and 10.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows related to pensions and other postemployment benefits which are further described in Notes 9 and 10.

Unearned and Unavailable Revenues

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

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

Overpayments and Collections in Advance

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

Restricted Resources

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Equity Classifications - District-wide Financial Statements

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

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Equity Classifications - Governmental Fund Financial Statements

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

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1 Summary of Significant Accounting Policies - Continued

Equity Classifications - Governmental Fund Financial Statements - Continued

- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

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

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

Legally Adopted Reserves

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

- Unemployment Insurance Reserve (GML §6-m): Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.
- Retirement Contribution Reserves (GML §6-r): Used for the purpose of financing retirement contributions. These reserves must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the funds must be provided to the Board. These reserves are accounted for in the General Fund.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Legally Adopted Reserves - Continued

- Tax Certiorari Reserve (Education Law §3651.1-a): Used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.
- Employee Benefit Accrued Liability Reserve (GML §6-p): Used to reserve funds for payment of accrued employee benefits upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- Liability Reserve (Education Law §1709(8-c): Used to reserve funds for the payment of potential property loss and liability claims. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- Capital Reserve (Education Law §3651): Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserves 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 reserves and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. These reserves are accounted for in the General Fund.
- Nuclear Facility Tax Stabilization Reserve (Chapter 202 of the Laws of 2001): Used to reserve funds to provide tax stability to municipalities where a nuclear-powered electricity generating facility is located. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other funds as may be legally appropriated to the extent annual tax payments or payments in lieu of taxes attributable to such facility and paid to the School District exceed the base nuclear facility taxes received by the School District in the year preceding the establishment of the reserve. Expenditures may be made from this fund to lessen or prevent any projected increase in the amount of the real property tax levy needed to finance the eligible portion of the annual budget for the next succeeding fiscal year as disclosed in the annual school budget that is presented to the voters for approval. This reserve is accounted for in the General Fund.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Legally Adopted Reserves - Continued

- **Mandatory Reserve for Debt Service (GML §6-1):** Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 10, 2018. Taxes were collected during the period September 1 to October 31, 2018.

Uncollected real property taxes are subsequently enforced by the County of Oswego. An amount representing uncollected real property taxes transmitted to the county for enforcement is paid by the county to the School District no later than the following April 1.

Interfund Transfers

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

Use of Estimates

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

New Accounting Standards

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

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Future Changes in Accounting Standards

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

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

***Note 2* Participation in BOCES**

During the year ended June 30, 2019, the School District’s share of BOCES aid amounted to \$2,549,569. The School District was billed \$8,150,955 for BOCES administration and program costs. Financial statements for Oswego County BOCES are available from the BOCES Administrative Office at 179 County Route 64, Mexico, New York 13114.

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

Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District’s investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the School District’s name.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 3 Cash and Cash Equivalents - Custodial and Concentration of Credit Risk - Continued
The School District's aggregate bank balances of \$43,753,816 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted cash of the School District's Governmental and Private Purpose Trust Funds at June 30, 2019 consisted of the following:

General Fund Reserves	\$ 35,682,490
Restricted for School Lunch	237,257
Restricted for Debt	1,943,340
Restricted for Capital Projects	45,095
Total	<u><u>\$ 37,908,182</u></u>
 Private Purpose Trust Fund	 <u><u>\$ 116,274</u></u>

Note 4 Interfund Balances and Activity
Interfund balances and activity at June 30, 2019, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 1,719,348	\$ 80,927	\$ 110,922	\$ 148,220
Special Aid Fund	675	649,405	148,220	10,922
School Lunch Fund	80,252	76,337		
Capital Fund - Construction	20	1,020,778		
Debt Service	27,152			100,000
 Total	 <u><u>\$ 1,827,447</u></u>	 <u><u>\$ 1,827,447</u></u>	 <u><u>\$ 259,142</u></u>	 <u><u>\$ 259,142</u></u>

Interfund receivables and payables, other than between Governmental Activities and Fiduciary Funds, are eliminated on the Statement of Net Position.

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

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 5 Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>Ending Balance</u>
Capital Assets that are Not Depreciated:				
Land	\$ 225,039	\$	\$	\$ 225,039
Artwork	100,000			100,000
Construction in Progress	8,657,939	986,677	(8,809,473)	835,143
Total Nondepreciable Historical Cost	<u>8,982,978</u>	<u>986,677</u>	<u>(8,809,473)</u>	<u>1,160,182</u>
Capital Assets that are Depreciated:				
Buildings	65,019,551		8,809,473	73,829,024
Improvements	1,589,996			1,589,996
Furniture and Equipment	11,203,742	1,056,162	(554,999)	11,704,905
Total Depreciable Historical Cost	<u>77,813,289</u>	<u>1,056,162</u>	<u>8,254,474</u>	<u>87,123,925</u>
Total Historical Cost	<u>86,796,267</u>	<u>2,042,839</u>	<u>(554,999)</u>	<u>88,284,107</u>
Less Accumulated Depreciation:				
Buildings	(17,835,844)	(1,129,482)		(18,965,326)
Improvements	(1,476,822)			(1,476,822)
Furniture and Equipment	(7,474,115)	(779,107)	554,999	(7,698,223)
Total Accumulated Depreciation	<u>(26,786,781)</u>	<u>(1,908,589)</u>	<u>554,999</u>	<u>(28,140,371)</u>
Total Historical Cost, Net	<u>\$ 60,009,486</u>	<u>\$ 134,250</u>	<u>\$ -</u>	<u>\$ 60,143,736</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 215,263
Instruction	995,253
Pupil Transportations	669,307
School Lunch Program	<u>28,766</u>
Total Depreciation Expense	<u>\$ 1,908,589</u>

Note 6 Short-term Debt

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 6 Short-term Debt - Continued

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

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

Note 7 Long-Term Debt

At June 30, 2019, the total outstanding indebtedness of the School District represented 33.24% of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

- **Serial Bonds:** The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.
- **Installment Purchase Debt:** During the year ended June 30, 2008, the School District entered into an installment purchase agreement for an energy performance contract.

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

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2019</u>
Serial Bonds				
2007 Serial Bonds	12/01/2007	12/01/2022	4.25% - 4.55%	\$ 155,000
2012 Serial Bonds - DASNY	06/14/2012	06/15/2027	1.50% - 2.00%	8,325,000
2013 Serial Bonds Series A	09/25/2013	06/15/2028	2.50% - 4.00%	2,510,000
2014 Serial Bonds	09/04/2014	08/01/2019	1.625% - 1.65%	140,000
2015 Serial Bonds	08/26/2015	08/01/2020	1.50% - 1.75%	240,001
2016 Serial Bonds	06/15/2016	08/01/2031	3.00% - 5.00%	7,090,000
2016 Serial Bonds	09/01/2016	08/01/2022	1.52%	275,000
2018 Serial Bonds	09/15/2017	08/01/2022	1.84%	560,000
2018 Serial Bonds	06/21/2018	06/15/2033	3.00%	16,740,000
2019 Serial Bonds	09/26/2018	08/01/2023	2.38 - 2.63%	720,000
Subtotal Serial Bonds				36,755,001
Add: 2012 Refunding Bond Premium				438,857
Add: 2016 Serial Bond Premium				1,379,381
Add: 2018 Serial Bond Premium				159,609
Total				38,732,848
Installment Purchase Debt				
Energy Performance Contract	09/28/2007	09/30/2023	4.17%	1,890,000
Total				\$ 40,622,848

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 7 Long-Term Debt - Continued

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Serial Bonds	\$ 39,218,638	\$ 720,000	\$ (3,183,637)	\$ 36,755,001	\$ 3,380,000
Add: Refunding Bond Premium	554,806		(115,949)	438,857	103,691
Add: Serial Bond Premiums	1,665,340		(126,350)	1,538,990	126,350
Subtotal	41,438,784	720,000	(3,425,936)	38,732,848	3,610,041
Installment Purchase Debt	2,255,000		(365,000)	1,890,000	380,000
Total	<u>\$ 43,693,784</u>	<u>\$ 720,000</u>	<u>\$ (3,790,936)</u>	<u>\$ 40,622,848</u>	<u>\$ 3,990,041</u>

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

Interest Paid	\$ 1,539,103
(Less) Interest Accrued in the Prior Year	(140,552)
Plus Interest Accrued in the Current Year	130,275
(Less) Amortization of Bond Premium	(242,299)
Total	<u>\$ 1,286,527</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,380,000	\$ 1,359,089	\$ 4,739,089
2021	3,350,000	1,238,324	4,588,324
2022	3,345,000	1,114,406	4,459,406
2023	3,350,000	986,499	4,336,499
2024	3,300,000	855,896	4,155,896
2025-2029	13,920,000	2,448,874	16,368,874
2030-2033	6,110,001	492,150	6,602,151
Total	<u>\$ 36,755,001</u>	<u>\$ 8,495,239</u>	<u>\$ 45,250,240</u>

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 7 Long-Term Debt - Continued

Installment Purchase Debt

On August 30, 2007, the School District entered into a lease/purchase agreement as part of their energy performance contract. The School District qualified for a New York Energy Research and Development Authority (NYSERDA) New York Energy Smart Loan Fund grant in the amount of \$1,000,000. As part of this grant, NYSEDA will pay lease interest of 4.0% up to \$1,000,000. During 2019, NYSEDA paid \$15,500 in interest on behalf of the School District's lease/purchase agreement.

The following is a schedule of future minimum lease payments under capital leases:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 380,000	\$ 78,813	\$ 458,813
2021	400,000	62,967	462,967
2022	415,000	46,287	461,287
2023	430,000	28,982	458,982
2024	<u>265,000</u>	<u>11,051</u>	<u>276,051</u>
Total	<u>\$ 1,890,000</u>	<u>\$ 228,100</u>	<u>\$ 2,118,100</u>

The net book value of capital assets procured through capital leases at June 30, 2019 follows:

	<u>Governmental Activities</u>
Cost	\$ 5,010,015
Accumulated Depreciation	<u>(2,104,246)</u>
Net Book Value	<u>\$ 2,905,769</u>

Note 8 Compensated Absences

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Compensated Absences	<u>\$ 4,554,156</u>	<u>\$ -</u>	<u>\$ (325,536)</u>	<u>\$ 4,228,620</u>

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 9* 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) (System)

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

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System.

However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 9* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

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

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

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

Summary of Significant Accounting Policies

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Contributions

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

	<u>ERS</u>	<u>TRS</u>
2019	\$ 911,243	\$ 1,781,451
2018	880,656	2,002,149
2017	912,285	2,360,981

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

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

	<u>ERS</u>	<u>TRS</u>
Actuarial Valuation Date	April 1, 2018	June 30, 2017
Net Pension Asset/Liability	\$ 7,085,304,242	\$ (1,808,264,334)
School District's Proportionate Share of the Plan's Total Net Pension Asset/Liability	1,639,688	(2,017,987)
School District's Share of the Net Pension Asset/Liability	0.0231421%	0.111598%

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

For the year ended June 30, 2019, the School District recognized pension expense of \$1,096,975 for ERS and \$1,781,451 for TRS in the District-wide financial statements. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 322,889	\$ 1,508,025	\$ 110,069	\$ 273,162
Changes of Assumptions	412,151	7,054,188		
Net Differences Between Projected and Actual Earnings on Pension Plan Investments			420,835	2,240,119
Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions	73,996	443,688	21,993	244,637
School District's Contributions Subsequent to the Measurement Date	229,628	2,014,283		
Total	\$ 1,038,664	\$ 11,020,184	\$ 552,897	\$ 2,757,918

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

Year Ending	ERS	TRS
2020	\$ 352,212	\$ 2,068,977
2021	(311,248)	1,419,574
2022	(19,937)	191,109
2023	235,112	1,414,819
2024	-	968,580
Thereafter	-	184,924

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2019	June 30, 2018
Actuarial Valuation Date	April 1, 2018	June 30, 2017
Investment Rate of Return	7.0%	7.3%
Salary Increases	3.8%	1.9% - 4.8%
Cost of Living Adjustments	1.3%	1.5%
Inflation Rate	2.5%	2.5%

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

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

For ERS, the long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation.

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions - Continued

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

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

Discount Rate

The discount rate used to calculate the total pension asset/liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based 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 asset/liability.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

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

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 7,168,979	\$ 1,639,688	\$ (3,005,308)

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 13,863,899	\$ (2,017,987)	\$ (15,322,593)

Pension Plan Fiduciary Net Position

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

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions are remitted monthly. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$272,641.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October, and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$2,155,214.

Current Year Activity

The following is a summary of current year activity:

	Beginning Balance	Change	Ending Balance
ERS			
Net Pension Liability	\$ (707,954)	\$ (931,734)	\$ (1,639,688)
Deferred Outflows of Resources	2,000,601	(961,937)	1,038,664
Deferred Inflows of Resources	(2,268,018)	1,715,121	(552,897)
Subtotal	(975,371)	(178,550)	(1,153,921)
TRS			
Net Pension Asset	819,408	1,198,579	2,017,987
Deferred Outflows of Resources	11,326,127	(305,943)	11,020,184
Deferred Inflows of Resources	(2,268,056)	(489,862)	(2,757,918)
Subtotal	9,877,479	402,774	10,280,253
Total	\$ 8,902,108	\$ 224,224	\$ 9,126,332

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 10 Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

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

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	133
Active Employees Not Fully Eligible for Benefits	<u>381</u>
Total	<u><u>514</u></u>

Total OPEB Liability

The School District's total OPEB liability of \$61,176,799 was measured as of July 1, 2019, and was determined by an actuarial valuation as of June 30, 2019.

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

Single Discount Rate	3.51%
Salary Scale	Varied by Years of Service and Retirement System
Rate of Inflation	2.20%
Healthcare Cost Trend Rates	5.40% for 2019, Decreasing to an Ultimate Rate of 3.84% by 2078

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 10 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Total OPEB Liability - Continued

The actuarial assumptions used in the June 30, 2019 valuation were based on the following:

- Mortality rates were based on Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using MP-2018.
- Termination and retirement rates were based on NYS ERS assumptions first adopted on April 1, 2014 and NYS TRS assumptions first adopted on June 30, 2015.
- Medical trend rates are based on the 2018 Getzen model with initial trend rate of 5.50% decreasing gradually to an ultimate rate of 3.84% in 2075.
- Actual spousal health coverage election was used for existing retirees.

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	<u>\$ 56,132,106</u>
Changes for the Year	
Service Cost	2,015,445
Interest Cost	2,223,103
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	3,326,717
Changes in Assumptions or Other Inputs	(1,101,040)
Benefit Payments	<u>(1,419,532)</u>
Net Change	<u>5,044,693</u>
Balance at June 30, 2019	<u><u>\$ 61,176,799</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.51% in 2019.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 10 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Changes in the Total OPEB Liability - Continued

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

	1% Decrease (2.51)%	Discount Rate (3.51)%	1% Increase (4.51)%
Total OPEB Liability	\$ 78,887,717	\$ 61,176,799	\$ 53,868,071

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 51,697,485	\$ 61,176,799	\$ 82,406,360

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

For the year ended June 30, 2019, the School District recognized OPEB expense of \$4,185,428.

At June 30, 2019, the School 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	\$ 3,024,288	\$ -
Changes in Assumptions or Other Inputs	-	(3,277,776)
Total	\$ 3,024,288	\$ (3,277,776)

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 10 Postemployment Benefits Other Than Pensions (OPEB) - Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

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

Fiscal Year	Amount
<u>Ending June 30,</u>	<u>Amount</u>
2020	\$ (53,120)
2021	(53,120)
2022	(53,120)
2023	(53,120)
2024	(53,120)
Thereafter	12,112

Current Year Activity

The following is a summary of current year activity:

	<u>Beginning Balance</u>	<u>Change</u>	<u>Ending Balance</u>
Other Postemployment Benefits Liability	\$ (56,132,106)	\$ (5,044,693)	\$ (61,176,799)
Deferred Outflows of Resources	-	3,024,288	3,024,288
Deferred Inflows of Resources	(2,532,285)	(745,491)	(3,277,776)
Total	<u>\$ (58,664,391)</u>	<u>\$ (2,765,896)</u>	<u>\$ (61,430,287)</u>

Note 11 Commitments and Contingencies

Risk Financing and Related Insurance - General Information

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

The School District incurs costs related to an employee health insurance plan (Plan). The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the Plan must remain a member for a minimum of two years; a member may withdraw from the Plan after that time by submitting 30 days written notice. The Central New York Health Insurance Consortium has 27 members with each bearing a pro-rata share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 11* Commitments and Contingencies - Continued**

Risk Financing and Related Insurance - Health Insurance

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

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

During the year ended June 30, 2019, the School District incurred premiums or contribution expenditures totaling \$6,492,161.

Workers' Compensation

The School District incurs costs related to an employee workers' compensation plan (Plan). The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the Plan must remain members for a minimum of two years; a member may withdraw from the Plan after that time by submitting a 30 day notice.

The Onondaga-Cortland-Madison Workers' Compensation Consortium includes 31 members with each bearing a pro-rata share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

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

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

During the year ended June 30, 2019, the School District incurred premiums or contribution expenditures totaling \$321,632.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 11 Commitments and Contingencies - Continued

Other Items

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

Note 12 Fund Balance Detail

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

	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Capital Projects Fund - Buses</u>	<u>Capital Projects Fund - Construction</u>	<u>Debt Service Fund</u>
Nonspendable					
Inventory	\$	\$ 43,730	\$	\$	\$
Total Nonspendable Fund Balance	<u>\$ -</u>	<u>\$ 43,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted					
Unemployment Insurance Reserve	\$ 190,839	\$	\$	\$	\$
Reserve for ERS Contributions	1,642,599				
Reserve for TRS Contributions	100,000				
Tax Certiorari Reserve	3,030,291				
Liability Reserve	1,008,392				
Employee Benefit Accrued Liability Reserve	4,347,325				
Nuclear Facility Tax Stabilization Reserve	25,312,237				
Capital Reserve	50,807				
School Lunch		297,784			
Capital Projects			45,095		
Debt Service					1,943,340
Total Restricted Fund Balance	<u>\$ 35,682,490</u>	<u>\$ 297,784</u>	<u>\$ 45,095</u>	<u>\$ -</u>	<u>\$ 1,943,340</u>
Assigned					
Appropriated for Next Year's Budget	\$ 1,743,587	\$	\$	\$	\$
Encumbered for:					
General Support	48,003				
Instruction	14,267				
Community Services	3,297				
School Lunch					
Total Assigned Fund Balance	<u>\$ 1,809,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unassigned					
Unreserved, Undesignated	\$ 2,214,329	\$	\$	\$ (608,403)	\$
Total Unassigned Fund Balance	<u>\$ 2,214,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (608,403)</u>	<u>\$ -</u>

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 13 Restricted Fund Balances

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

Reserves	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
General Fund					
Unemployment Insurance Reserve	\$ 190,463	\$	\$ 376	\$	\$ 190,839
Reserve for ERS Contributions	1,639,361		3,238		1,642,599
Reserve for TRS Contributions	-	100,000			100,000
Tax Certiorari Reserve	3,024,318		5,973		3,030,291
Liability Reserve	1,019,495		1,988	(13,091)	1,008,392
Employee Benefit Accrued Liability Reserve	4,338,755		8,570		4,347,325
Nuclear Facility Tax Stabilization Reserve	25,262,341		49,896		25,312,237
Capital Reserve	50,707		100		50,807
Total	\$ 35,525,440	\$ 100,000	\$ 70,141	\$ (13,091)	\$ 35,682,490
School Lunch Fund					
Restricted for School Lunch	\$ 226,610	\$ 1,059,309	\$ -	\$ (1,094,823)	\$ 297,784
Debt Service Fund					
Restricted for Debt	\$ 2,012,671	\$ -	\$ 30,669	\$ (100,000)	\$ 1,943,340
Capital Projects Funds					
Restricted for Capital Projects	\$ 28,016	\$ 17,079	\$ -	\$ -	\$ 45,095

Note 14 Subsequent Events

On July 22, 2019 and August 2, 2019, the School District purchased two school buses totaling \$435,477 and \$230,626, respectively.

On September 26, 2019, the School District issued a bond in the amount of \$670,000 to finance the purchase of buses. The bond has an interest rate of 1.6% and is due to mature on August 1, 2024.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real Property Taxes	\$ 10,888,881	\$ 10,888,881	\$20,048,019	\$ 9,159,138
Real Property Tax Items	10,250,000	10,250,000	2,218,919	(8,031,081)
Charges for Services	12,500	12,500	80,415	67,915
Use of Money and Property	50,500	50,500	189,349	138,849
Sale of Property and Compensation for Loss	1,679	1,679	73,323	71,644
Miscellaneous	435,000	455,037	1,008,183	553,146
Total Local Sources	21,638,560	21,658,597	23,618,208	1,959,611
State Sources	31,203,264	31,212,264	30,914,686	(297,578)
Medicaid Reimbursement	100,000	100,000	163,403	63,403
Total Revenues	52,941,824	52,970,861	54,696,297	1,725,436
OTHER FINANCING SOURCES				
Operating Transfers In	100,000	100,000	110,922	10,922
Total Revenues and Other Financing Sources	53,041,824	53,070,861	\$54,807,219	\$ 1,736,358
Appropriated Fund Balance and Reserves	3,763,908	3,763,908		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	60,803	60,803		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	\$ 56,866,535	\$ 56,895,572		

See Notes to Required Supplementary Information

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

	Original Budget	Final Budget
EXPENDITURES		
General Support		
Board of Education	\$ 30,150	\$ 33,527
Central Administration	254,068	289,126
Finance	504,402	509,698
Staff	651,818	634,520
Central Services	4,788,031	4,730,699
Special Items	1,117,121	1,117,121
Total General Support	7,345,590	7,314,691
Instruction		
Instruction, Administration, and Improvement	1,606,007	1,619,369
Teaching - Regular School	12,985,884	13,153,960
Programs for Students with Disabilities	6,913,999	6,818,284
Occupational Education	1,932,962	1,685,000
Teaching - Special School	683,990	720,541
Instructional Media	2,311,204	2,390,059
Pupil Services	2,149,096	2,529,573
Total Instruction	28,583,142	28,916,786
Pupil Transportation	2,882,466	2,897,715
Community Services	156,500	155,500
Employee Benefits	12,450,684	12,319,412
Debt Service		
Principal	3,513,637	3,548,637
Interest	1,799,516	1,594,611
Total Debt Service	5,313,153	5,143,248
Total Expenditures	56,731,535	56,747,352
OTHER FINANCING USES		
Operating Transfers Out	135,000	148,220
Total Expenditures and Other Financing Uses	\$ 56,866,535	\$ 56,895,572
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

See Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 32,054	\$	\$ 1,473
287,499		1,627
452,083		57,615
496,848		137,672
3,867,314	48,003	815,382
1,072,640		44,481
6,208,438	48,003	1,058,250
1,588,163		31,206
13,056,950	6,359	90,651
6,578,874	1,308	238,102
1,682,640		2,360
558,858		161,683
2,347,628		42,431
2,461,688		61,285
28,274,801	14,267	627,718
2,654,595		243,120
139,185	3,297	13,018
11,681,459		637,953
3,548,637		-
1,539,103		55,508
5,087,740	-	55,508
54,046,218	65,567	2,635,567
148,220		-
54,194,438	\$ 65,567	\$ 2,635,567
612,781		
39,093,192		
\$ 39,705,973		

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 911,243	\$ 880,656	\$ 912,285
Contributions in Relation to the Contractually Required Contribution	(911,243)	(880,656)	(912,285)
Contribution Deficiency (Excess)	-	-	-
School District's Covered - Employee Payroll	6,662,056	6,231,931	6,280,558
Contributions as a Percentage of Covered - Employee Payroll	13.7%	14.1%	14.5%

* Information Not Readily Available

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$2,014,283	\$1,781,451	\$2,002,149
Contributions in Relation to the Contractually Required Contribution	(2,014,283)	(1,781,451)	(2,002,149)
Contribution Deficiency (Excess)	-	-	-
School District's Covered - Employee Payroll	19,002,670	18,178,071	17,083,183
Contributions as a Percentage of Covered - Employee Payroll	10.6%	9.8%	11.7%

See Notes to Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 987,490	\$1,159,738	\$ 1,118,824	\$1,019,462	\$ 775,323	\$ *	\$ *
(987,490)	(1,159,738)	(1,118,824)	(1,019,462)	(775,323)	*	*
-	-	-	-	-	-	-
6,024,355	6,073,849	5,872,873	5,526,065	*	*	*
16.4%	19.1%	19.1%	18.4%	N/A	N/A	N/A

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$2,360,981	\$3,073,607	\$ 2,806,917	\$1,943,860	\$1,808,698	\$1,444,464	\$ 1,155,011
(2,360,981)	(3,073,607)	(2,806,917)	(1,943,860)	(1,808,698)	(1,444,464)	(1,155,011)
-	-	-	-	-	-	-
17,805,289	17,533,411	17,273,337	16,417,736	16,279,910	16,757,123	18,659,305
13.3%	17.5%	16.3%	11.8%	11.1%	8.6%	6.2%

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's Proportion of the Net Pension Asset/Liability	0.0231421%	0.0219354%	0.0225336%	0.0226719%	0.0226515%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 1,639,688	\$ 707,954	\$ 2,177,305	\$ 3,638,909	\$ 765,222
School District's Covered Payroll	6,610,631	6,166,944	6,209,788	5,918,037	6,125,786
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Payroll	24.8%	11.5%	35.1%	61.5%	12.5%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	96.3%	98.2%	94.7%	90.7%	97.9%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's Proportion of the Net Pension Asset/Liability	0.111598%	0.107803%	0.115386%	0.116723%	0.116936%
School District's Proportionate Share of the Net Pension Asset/Liability	\$(2,017,987)	\$ (819,408)	\$ 1,235,837	\$ (12,123,822)	\$(13,025,993)
School District's Covered Payroll	18,178,071	17,083,183	17,805,289	17,533,411	17,273,337
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Payroll	11.1%	4.8%	7.0%	69.1%	75.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	101.5%	100.7%	99.0%	110.5%	111.5%

See Notes to Required Supplementary Information

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

	2019	2018	2017
Service Cost	\$ 2,015,445	\$ 2,102,362	\$ *
Interest Cost	2,223,103	1,979,609	*
Changes of Benefit Terms	-	-	*
Differences Between Expected and Actual Experience	3,326,717	-	*
Changes in Assumptions or Other Inputs	(1,101,040)	(2,787,739)	*
Benefit Payments	(1,419,532)	(916,907)	*
	5,044,693	377,325	*
Total OPEB Liability - Beginning	56,132,106	55,754,781	*
Total OPEB Liability - Ending	\$ 61,176,799	\$ 56,132,106	\$55,754,781
Covered Employee Payroll	\$ 20,014,944	\$ 20,568,345	\$ *
Total OPEB Liability as a Percentage of Covered Payroll	306%	273%	*

* Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed as it becomes available.

See Notes to Required Supplementary Information

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

Note 1 Budgetary Procedures and Budgetary Accounting

The School District administration prepares a proposed budget for approval by the Board of Education (Board) for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following changes to the voter approved budget occurred during the year:

Adopted Budget	\$	56,805,732
Prior Year's Encumbrances		60,803
Original Budget		56,866,535
Additions:		
Additional State Aid		9,000
Gifts and Donations		20,037
Total Additions		29,037
Final Budget	\$	56,895,572

Note 2 Reconciliation of the General Fund Budget Basis to GAAP

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are presented in a separate column and are not included in the actual results at June 30, 2019.

Note 3 Schedule of Changes in the School District's Total OPEB Liability and Related Ratios

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

2019 - 3.51%
2018 - 3.87%

Note 4 Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

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

The salary scales for both plans used in the April 1, 2018 actuarial valuation were increased by 10%.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

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

Actuarial Cost Method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset Valuation Period	Five-year phase in deferred recognition of each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is subject to the five-year phase in.
Inflation	2.5%
Salary Scale	3.8% in ERS, indexed by service.
Investment Rate of Return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of Living Adjustments	1.3% annually.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability - Continued

NYSTRS

Changes in Benefit Terms

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

Changes of Assumptions

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

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

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

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

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability - Continued

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

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

Actuarial Cost Method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
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Asset Valuation Method	5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 7.5%. at a rate of 20.0% per year, until fully recognized after five years.
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Inflation	2.5%
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Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.
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<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment Rate of Return	7.5% compounded annually, net of investment expenses, including inflation.
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Cost of Living Adjustments	1.5% compounded annually.
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MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		<u>\$56,805,732</u>
Prior Year's Encumbrances		<u>60,803</u>
Original Budget		<u>56,866,535</u>
Additions:		
Additional State Aid		9,000
Gifts and Donations		<u>20,037</u>
Final Budget		<u><u>\$56,895,572</u></u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 Voter Approved Budget		<u><u>\$57,852,378</u></u>
Maximum Allowed (4% of the 2019-2020 Budget)		2,314,095
General Fund Balance Subject to §1318 of Real Property Tax Law:		
Unrestricted Fund Balance:		
Assigned Fund Balance	\$ 1,809,154	
Unassigned Fund Balance	<u>2,214,329</u>	
Total Unrestricted Fund Balance	<u>4,023,483</u>	
Less:		
Appropriated Fund Balance	\$ 1,743,587	
Encumbrances Included in Committed and Assigned Fund Balance	<u>65,567</u>	
Total Adjustments	<u>1,809,154</u>	
General Fund Fund Balance Subject to §1318 of Real Property Tax Law		<u><u>\$ 2,214,329</u></u>
Actual Percentage		3.8%

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

PROJECT TITLE	Original Budget	Revised Budget	Expenditures		Total
			Prior Years	Current Year	
New Haven Elementary					
0-001-011	\$ 130,766	\$ 145,033	\$ 145,033	\$	\$ 145,033
0-001-013	291,528	291,528	138,021		138,021
Palermo Elementary					
0-002-012	131,805	147,514	147,514		147,514
0-002-014	696,872	696,872	227,105		227,105
Mexico Elementary					
0-003-011	179,818	181,952	181,952		181,952
0-003-013	1,016,629	1,016,629	349,627		349,627
0-003-014	1,088,449	1,088,449	1,084,938	114,378	1,199,316
Mexico High School					
0-004-015	1,325,000	1,344,463	714,739		714,739
0-004-016	153,534	155,078	155,078		155,078
0-004-019	6,363,108	6,363,108	6,321,106	4,920	6,326,026
0-004-020	420,000	420,000	69,092		69,092
0-004-021	500,000	504,869	497,058		497,058
Mexico Middle School					
0-005-008	264,896	241,313	241,313		241,313
Bus Garage					
4-008-006	138,125	142,455	142,455		142,455
4-008-008	50,000	50,000	46,767	4,530	51,297
District-wide					
7-016-001	105,071	105,071	123,848		123,848
7-017-001	674,839	674,839	427,887	235,339	663,226
2017 Bus Purchases	445,000	445,000	421,040		421,040
2018 Bus Purchases	683,637	683,637	679,581		679,581
2019 Bus Purchases	702,921	702,921		702,921	702,921
Total	<u>\$ 15,361,998</u>	<u>\$ 15,400,731</u>	<u>\$ 12,114,154</u>	<u>\$ 1,062,088</u>	<u>\$ 13,176,242</u>

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

Unexpended Balance	Methods of Financing			Fund Balance (Deficit) June 30, 2019	
	Proceeds of Obligations	State Aid	Local Sources		Total
\$ -	\$ 145,033	\$	\$	\$ 145,033	\$ -
153,507	133,837			133,837	(4,184) *
-	147,514			147,514	-
469,767	222,921			222,921	(4,184) *
-	181,952			181,952	-
667,002	345,444			345,444	(4,183) *
(110,867)	1,199,316			1,199,316	- *
629,724	239,276			239,276	(475,463) *
	155,078			155,078	-
37,082	4,733,008		1,593,018	6,326,026	-
350,908				-	(69,092) *
7,811			497,058	497,058	-
-	241,313			241,313	-
-	142,455			142,455	-
(1,297)				-	(51,297) *
(18,777)	123,848			123,848	-
11,613	663,226			663,226	-
23,960	445,000			445,000	23,960
4,056	683,637			683,637	4,056
	720,000			720,000	17,079
\$ 2,224,489	\$ 10,522,858	\$ -	\$ 2,090,076	\$ 12,612,934	\$ (563,308)

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

Capital Assets, Net	<u>\$ 60,143,736</u>
Deduct:	
Short-term Portion of Bonds Payable	<u>(3,380,000)</u>
Long-term Portion of Bonds Payable	<u>(33,375,001)</u>
Short-term Portion Unamortized Bond Premiums	<u>(230,041)</u>
Long-term Portion of Unamortized Bond Premiums	<u>(1,747,806)</u>
Less: Unspent Bond Proceeds	<u>28,016</u>
Less: Unrelated Debt (BOCES Bonds)	<u>2,510,000</u>
Short-term Portion of Installment Purchase Debt	<u>(380,000)</u>
Long-term Portion of Installment Purchase Debt	<u>(1,510,000)</u>
Net Investment in Capital Assets	<u><u>\$ 22,058,904</u></u>

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

Board of Education
Mexico Academy and Central School District
Mexico, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mexico Academy and Central School District (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 10, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 10, 2019

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

Board of Education
Mexico Academy and Central School District
Mexico, New York

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the School District's internal control over compliance.

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

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

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

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 10, 2019

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

<u>Federal Grantor/Pass - Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Pass - Through Grantor #</u>	<u>Pass - Through to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Education				
Passed Through NYS Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	0032190714	\$	\$ 521,221
Special Education - Preschool Grants	84.173	0033190714		14,367
Total Special Education Cluster		Subtotal	-	535,588
Title I Grants to Local Educational Agencies	84.010	0021192350		580,104
Title I Grants to Local Educational Agencies	84.010	0021182350		58,667
		Subtotal	-	638,771
Rural Education Achievement Program	84.358	0006192350		8,849
Student Support and Academic Enrichment	84.424	0204192350		35,983
Improving Teacher Quality State Grants	84.367	0147192350		43,550
Improving Teacher Quality State Grants	84.367	0147182350		68,313
		Subtotal	-	111,863
Total U.S. Department of Education			-	1,331,054
U.S. Department of Agriculture				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	(1)		135,342
National School Lunch	10.555	(1)		583,051
Summer Food Service Program for Children	10.559	(1)		54,648
Total Child Nutrition Cluster		Subtotal	-	773,041
Total U.S. Department of Agriculture			-	773,041
Total Expenditures of Federal Awards			\$ -	\$ 2,104,095

(1) - Unknown

See Notes to Schedule of Expenditures of Federal Awards

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

Note 1 **Basis of Presentation**

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

Note 2 **Basis of Accounting**

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

Note 3 **Indirect Costs**

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

Note 4 **Matching Costs**

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

Note 5 **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2019, the School District received \$73,940 under the National School Lunch Program (CFDA #10.555).

Note 6 **Subrecipients**

No amounts were provided to subrecipients.

Note 7 **Other Disclosures**

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

MEXICO ACADEMY AND CENTRAL SCHOOL DISTRICT

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk? X yes ___ no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None