

HANNIBAL CENTRAL
SCHOOL DISTRICT



MANAGEMENT'S
DISCUSSION AND
ANALYSIS

AND

BASIC FINANCIAL
STATEMENTS

For the Year Ended
June 30, 2020

**HANNIBAL CENTRAL SCHOOL DISTRICT
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Independent Auditor's Report

Board of Education
Hannibal Central School District, 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 the Hannibal Central School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hannibal Central School District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other Required Supplementary Information, as listed in the table of contents, 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 Hannibal Central School District's basic financial statements. The other supplementary information on pages 47 through 49 is presented for purposes of additional analysis as required by the New York State Education Department and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020, on our consideration of the Hannibal Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Hannibal Central School District's internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

October 14, 2020

Rome, New York

**HANNIBAL CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

The Hannibal Central School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2020 and 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

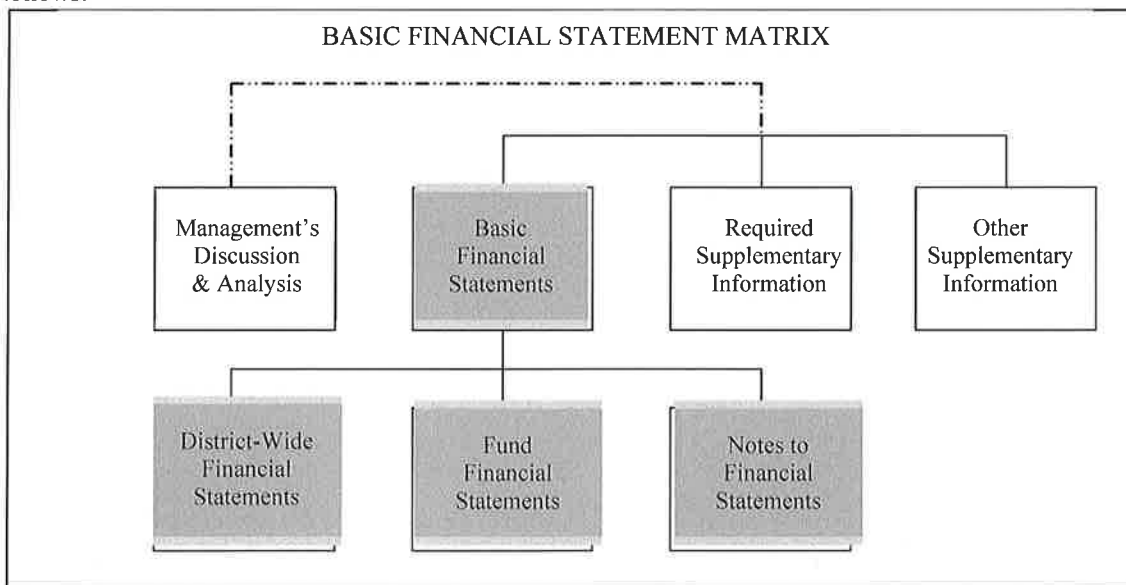
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2020 are as follows:

- The District's total Net Position, as reflected in the District-wide financial statements, decreased by \$640,996.
- The current Unrestricted Net Position is a deficit in the amount of \$45,203,743. The deficit is primarily the result of Other Postemployment Benefits liability, which required the recognition of an unfunded liability of \$63,928,500 at June 30, 2020. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled \$35,874,537. This amount was offset by \$44,650 in program charges for services, and \$2,402,739 in operating grants.
- General revenues of \$32,786,152 amount to 93.1% of total revenues. These revenues covered the majority of program expenses however, there was a deficit of \$640,996.
- The General Fund's total fund balance, as reflected in the fund financial statements on pages 14 and 16, increased by \$908,436 to \$14,242,594. The District also increased the reserve funds in the General Fund by a net of \$355,863.
- State and federal revenue decreased by \$267,263 to \$25,156,748 in 2020 from \$25,424,011 in 2019. This decrease was due to a decrease of \$201,069 for State BOCES Aid, and a decrease of \$301,713 in Excess Cost Aid. These decreases were offset with an increase in State Foundation Aid of \$355,264.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



**HANNIBAL CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

A. District-wide Financial Statements

The District-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two District-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as Net Position. Increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in Net Position during the fiscal year. All changes in Net Position are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds, General Fund, School Lunch Fund, Special Aid Fund, Debt Service, and Capital Projects Fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the District-wide financial statements because the District cannot use these assets to finance its operations.

**HANNIBAL CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total Net Position decreased \$640,996 between fiscal year 2019 and 2020. A summary of the District's Statement of Net Position for June 30, 2020 and 2019 is as follows:

| | 2020 | 2019 | Increase (Decrease) | Percentage Change |
|---|---------------|---------------|------------------------|----------------------|
| Current and Other Assets | \$ 23,314,079 | \$ 19,761,702 | \$ 3,552,377 | 18.0% |
| Net Pension Asset - Proportionate Share | 1,595,864 | 1,119,798 | 476,066 | 42.5% |
| Capital Assets, (Net of Accumulated Depreciation) | 60,315,550 | 46,878,843 | 13,436,707 | 28.7% |
| Total Assets | 85,225,493 | 67,760,343 | 17,465,150 | 25.8% |
| Deferred Outflow of Resources | 23,524,985 | 11,467,224 | 12,057,761 | 105.1% |
| Non-Current Liabilities | 82,116,059 | 69,704,363 | 12,411,696 | 17.8% |
| Net Pension Liability - Proportionate Share | 2,641,677 | 725,030 | 1,916,647 | 264.4% |
| Other Liabilities | 18,755,831 | 3,279,446 | 15,476,385 | 471.9% |
| Total Liabilities | 103,513,567 | 73,708,839 | 29,804,728 | 40.4% |
| Deferred Inflow of Resources | 3,808,134 | 3,448,955 | 359,179 | 10.4% |
| Net Position | | | | |
| Net Investment in Capital Assets | 36,025,690 | 30,275,404 | 5,750,286 | 19.0% |
| Restricted | 10,606,830 | 13,118,588 | (2,511,758) | (19.1%) |
| Unrestricted (Deficit) | (45,203,743) | (41,324,219) | (3,879,524) | (9.4%) |
| Total Net Position | \$ 1,428,777 | \$ 2,069,773 | \$ (640,996) | (31.0%) |

- Current and other assets increased by \$3,552,377, as compared to the prior year. The increase is primarily due to the current year surplus of revenues over expenditures in the General Fund. Of this increase, Cash & Cash Equivalents increased \$2,641,479 and Restricted Cash & Cash Equivalents increased \$1,010,461 over the prior year.
- GASB requires the inclusion of the District's proportionate share of net assets and/or liabilities in the New York State Teachers' Retirement System and Employees' Retirement Systems. In addition, the amounts of deferred inflows and outflows are also recorded. The net change of these amounts resulted in an increase to the District's net position by \$476,066.
- The District Wide Project capital project incurred expenses of \$13,914,591 which increased Construction in Progress, this resulted in Capital assets increasing by \$13,436,707, net of depreciation, as compared to the prior year. See Note 6 to the Financial Statements for additional information.
- Non-current liabilities increased by \$12,411,696, as compared to the prior year. This increase is primarily the result of the additional accrual of \$16,005,152 for other postemployment benefits offset by the principal payments on Serial Bonds for \$3,345,000.
- Other liabilities decreased by \$15,476,385 as compared to the prior year. This increase is primarily the result of a BAN that was issued in July 2019 for \$14,000,000.
- The Net Position invested in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings, and to purchase vehicles, equipment and furniture to support District operations.
- The restricted portion of net position at June 30, 2020, is \$10,606,830, which represents the amount of the District's reserves in the General Fund and other restricted funds for Debt Service and Capital Projects.
- The unrestricted Net Position at June 30, 2020, is a deficit of \$45,203,743, which represents the amount by which the District's liabilities, excluding debt related to capital construction, exceeded the District's assets other than capital assets, mainly due to the recognition of the liability for Postemployment Benefits Other Than Pensions in the amount of \$63,928,500.

**HANNIBAL CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2020 and 2019 is as follows.

| Revenues | 2020 | 2019 | Increase (Decrease) | Percentage Change |
|-----------------------------------|---------------------|---------------------|--------------------------------|------------------------------|
| Program Revenues | | | | |
| Charges for Services | \$ 44,650 | \$ 58,351 | \$ (13,701) | (23.5%) |
| Operating Grants | 2,402,739 | 2,649,733 | (246,994) | (9.3%) |
| General Revenues | | | | |
| Property Taxes and STAR | 6,721,661 | 6,692,986 | 28,675 | 0.4% |
| State and Federal Sources | 25,156,748 | 25,424,011 | (267,263) | (1.1%) |
| Use of Money and Property | 232,281 | 330,436 | (98,155) | (29.7%) |
| Other | 675,462 | 619,285 | 56,177 | 9.1% |
| Total Revenues | <u>35,233,541</u> | <u>35,774,802</u> | <u>(541,261)</u> | (1.5%) |
| Expenses | | | | |
| General Support | 5,900,400 | 5,337,983 | 562,417 | 10.5% |
| Instruction | 25,973,681 | 23,051,149 | 2,922,532 | 12.7% |
| Pupil Transportation | 2,281,916 | 1,991,082 | 290,834 | 14.6% |
| Debt Service-Unallocated Interest | 742,268 | 570,324 | 171,944 | 30.1% |
| Food Service Program | 976,272 | 889,924 | 86,348 | 9.7% |
| Total Expenses | <u>35,874,537</u> | <u>31,840,462</u> | <u>4,034,075</u> | 12.7% |
| Total Change in Net Position | <u>\$ (640,996)</u> | <u>\$ 3,934,340</u> | <u>\$ (4,575,336)</u> | (116.3%) |

The District's revenues decreased by \$541,261 in 2020 or 1.5%. The major factors that contributed to the net decrease were:

- Operating Grants decreased by \$246,994 primarily due to a decrease in federal aid for \$309,799 for the Title I program in the Special Aid Fund.
- State and federal revenue decreased by \$267,263 to \$25,156,748 in 2020 from \$25,424,011 in 2019. This decrease was due to a decrease of \$201,069 for State BOCES Aid, and a decrease of \$301,713 in Excess Cost Aid. These decreases were offset with an increase in State Foundation Aid of \$355,264.

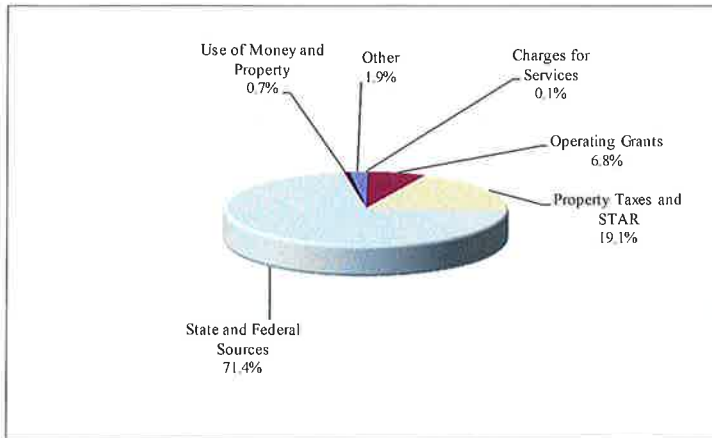
The District's total expenses increased compared with the prior year by \$4,034,075 or 12.7%. This increase in expenses was primarily due to the following:

- Other Postemployment Benefit expense increased \$2,415,184 due to a decrease in the discount rate from 3.51% to 2.21% used by the Actuary to calculate the liability.
- Pension expense for the Teachers' Retirement System and the Employees Retirement System increased \$1,524,966.
- Contractual Expenses increased \$161,842
- BOCES service expense increased \$444,808

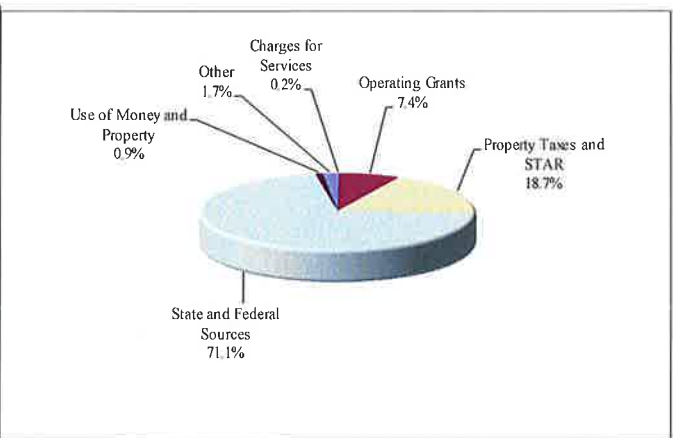
**HANNIBAL CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

A graphic display of the distribution of revenues for the two years follows:

For the Year Ended
June 30, 2020

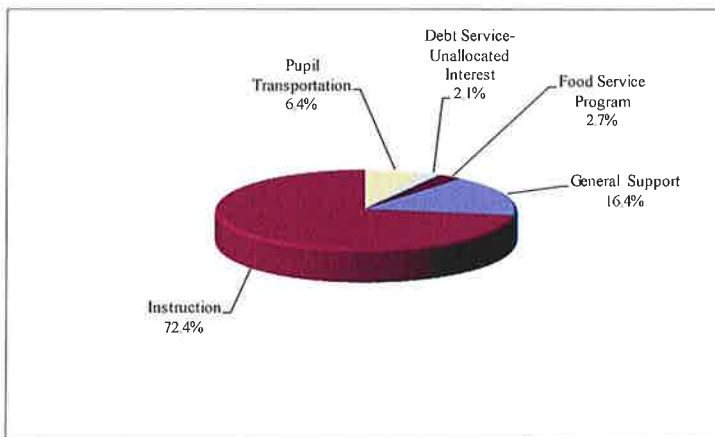


June 30, 2019

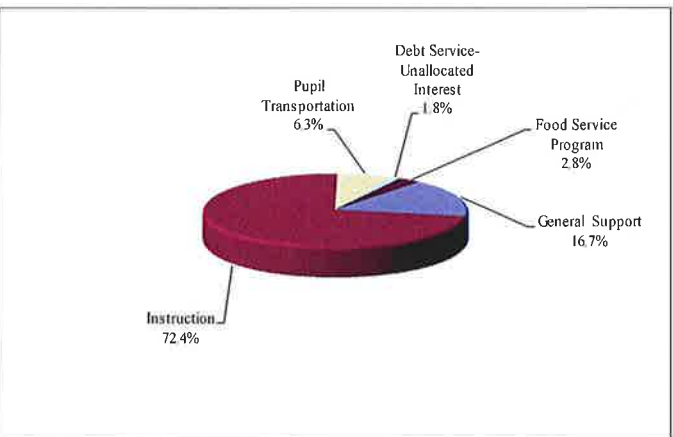


A graphic display of the distribution of expenses for the two years follows:

For the Year Ended
June 30, 2020



June 30, 2019



See Independent Auditor's Report.

**HANNIBAL CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUND BALANCES

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$4,344,947 which is an decrease of \$12,219,028 from the prior year. A summary of the change in fund balance by fund is as follows:

| | Ending Balance | Beginning Balance | Difference |
|--|---------------------|----------------------|------------------------|
| General Fund | | | |
| Restricted | | | |
| Workers' Compensation | \$ 512,649 | \$ 545,509 | \$ (32,860) |
| Unemployment Insurance | 132,743 | 135,894 | (3,151) |
| Employees' Retirement Contribution Reserve | 2,062,570 | 2,133,842 | (71,272) |
| Teachers' Retirement Contribution Reserve | 204,549 | 201,700 | 2,849 |
| Employee Benefit Accrued Liability | 3,487,242 | 3,488,671 | (1,429) |
| Capital Reserve - Transportation | 250,000 | 500,000 | (250,000) |
| Capital Reserves - Facilities | <u>3,100,000</u> | <u>3,100,000</u> | |
| Total Restricted | <u>9,749,753</u> | <u>10,105,616</u> | <u>(355,863)</u> |
| Assigned | | | |
| Appropriated for Subsequent Year's Budget | 2,684,406 | 1,168,229 | 1,516,177 |
| General Support | 153,111 | 196,900 | (43,789) |
| Instruction | 279,066 | 59,513 | 219,553 |
| Pupil Transportation | <u>11,125</u> | <u>583,863</u> | <u>(572,738)</u> |
| Total Assigned | <u>3,127,708</u> | <u>2,008,505</u> | <u>1,119,203</u> |
| Unassigned | <u>1,365,133</u> | <u>1,220,037</u> | <u>145,096</u> |
| Total General Fund | <u>14,242,594</u> | <u>13,334,158</u> | <u>908,436</u> |
| School Lunch Fund | | | |
| Nonspendable | 50,019 | 29,539 | 20,480 |
| Assigned | <u>244,900</u> | <u>202,036</u> | <u>42,864</u> |
| Total School Lunch Fund | <u>294,919</u> | <u>231,575</u> | <u>63,344</u> |
| Special Aid Fund | | | |
| Unassigned | <u>(14,088)</u> | | <u>(14,088)</u> |
| Debt Service Fund | | | |
| Restricted | <u>857,077</u> | <u>870,242</u> | <u>(13,165)</u> |
| Capital Fund | | | |
| Restricted | | 2,142,729 | (2,142,729) |
| Unassigned | <u>(11,035,555)</u> | | <u>(11,035,555)</u> |
| Total Capital Fund | <u>(11,035,555)</u> | <u>2,142,729</u> | <u>(13,178,284)</u> |
| Total | <u>\$ 4,344,947</u> | <u>\$ 16,578,704</u> | <u>\$ (12,233,757)</u> |

**HANNIBAL CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2019-2020 Budget

The District's General Fund adopted budget for the year ended June 30, 2020, was \$34,216,000 . This is an increase of \$1,690,300 over the prior years adopted budget.

The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was State Aid in the amount of \$25,500,996 and property taxes and STAR for \$6,676,755. The following is a detail of additions to the adopted budget:

Change from Adopted Budget to Revised Budget

| | |
|--------------------------------|-----------------------------|
| Adopted Budget | \$ 34,216,000 |
| Add: Prior Year's Encumbrances | <u>840,276</u> |
| Original Budget | <u>35,056,276</u> |
| Add: Donations | <u>1,000</u> |
| Total Additions | <u>1,000</u> |
| Final Budget | <u><u>\$ 35,057,276</u></u> |

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

| | |
|--|----------------------------|
| Opening, Unassigned Fund Balance | \$ 1,220,037 |
| Revenues and Other Sources Under Budget | (2,424,148) |
| Carryover Encumbrances from June 30, 2019 | 840,276 |
| Expenditures under Budget | 3,332,584 |
| Encumbrances at June 30, 2020 | (443,302) |
| Increase to Assigned - Appropriated Fund Balance | (1,516,177) |
| Net Increase to Reserved Funds | <u>355,863</u> |
| Closing, Unassigned Fund Balance | <u><u>\$ 1,365,133</u></u> |

Opening, Unassigned Fund Balance

The \$1,220,037 shown in the table is the portion of the District's June 30, 2019, fund balance that was retained as unassigned. This was 3.6% of the District's 2019-2020 approved operating budget.

Revenues Under Budget

The 2019-2020 budget for revenues and appropriated fund balance and reserves was \$35,057,276. The actual revenues received for the year were \$32,633,128. The actual revenue under budgeted revenue and other financing sources and appropriated fund balance was \$2,424,148. This variance contributes directly to the change to the unassigned portion of the General Fund balance from June 30, 2019 to June 30, 2020.

**HANNIBAL CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

Expenditures and Encumbrances Under Budget

The 2019-2020 budget for expenditures and other financing uses was \$35,057,276. The actual expenditures and encumbrances were \$31,724,692. The final budget was under expended by \$3,332,584. After encumbrances of \$443,202, the unexpended and unencumbered budget was \$2,889,282. This under expenditure contributes to the change to the unassigned portion of the General fund balance from June 30, 2019 to June 30, 2020.

Appropriated Fund Balance

The District has chosen to appropriate \$2,684,406 of its available June 30, 2020, fund balance to partially fund its 2020-2021 approved operating budget. This amount is \$1,516,177 greater than the prior year's appropriation.

Reserved Fund Balance

The District's reserve funds decreased a net \$355,863 in the General Fund for the year ending June 30, 2020.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2020-2021 fiscal year with an unassigned fund balance of \$1,365,133. This is an increase of \$145,096 from the unassigned balance from June 30, 2019. The unassigned fund balance is 3.9% of the 2020-2021 budget.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2020, the District had invested in a broad range of capital assets, including land, buildings and improvements and equipment. The net increase in capital assets is due to capital additions greater than the depreciation recorded for the year ended June 30, 2020. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2020 and 2019, is as follows:

| | 2020 | 2019 | Increase (Decrease) |
|------------------------------------|----------------------|----------------------|------------------------|
| Land | \$ 207,253 | \$ 207,253 | \$ |
| Construction in Process | 17,881,196 | 3,966,605 | 13,914,591 |
| Buildings and Improvements | 38,412,661 | 40,046,870 | (1,634,209) |
| Vehicles, Furniture, and Equipment | 3,814,440 | 2,658,115 | 1,156,325 |
| Capital Assets, Net | <u>\$ 60,315,550</u> | <u>\$ 46,878,843</u> | <u>\$ 13,436,707</u> |

B. Debt Administration

At June 30, 2020, the District had total bonds payable of \$14,055,000. In addition, there was a bond anticipation note outstanding at June 30, 2020 for \$14,000,000. At June 30, 2020, the District utilized 46.9% of its NYS Constitutional Debt Limit. A summary of the outstanding serial bond debt at June 30, 2020 and 2019 is as follows:

| Issue Date | Interest Rate | 2020 | 2019 | Increase (Decrease) |
|---------------------------------|------------------|----------------------|----------------------|------------------------|
| 03/06/2012 (2003 Refunding A) | 2.0%-4.0% | \$ 375,000 | \$ 495,000 | \$ (120,000) |
| 03/06/2012 (2003 Refunding B) | 2.0%-4.0% | 3,605,000 | 4,725,000 | (1,120,000) |
| 06/28/12 | 2.0%-3.1% | 8,740,000 | 10,045,000 | (1,305,000) |
| 7/30/14 (2005 & 2006 Refunding) | 1.5%-3.0% | 315,000 | 1,005,000 | (690,000) |
| 06/25/15 | 2.5%-3.0% | <u>1,020,000</u> | <u>1,130,000</u> | <u>(110,000)</u> |
| Total | | <u>\$ 14,055,000</u> | <u>\$ 17,400,000</u> | <u>\$ (3,345,000)</u> |

**HANNIBAL CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The voters and the Board of Education approved the 2020-2021 General Fund budget for \$ 35,210,000 an increase of \$994,500 or 2.91% from the previous year. The appropriated fund balance applied to the budget was \$2,684,406 an increase of \$1,516,177 from the previous year. The increase of fund balance was due to instructional programs being held remotely (due to COVID-19) and the district was able to apply the unspent revenue to help off-set the 2020-2021 budgetary increase.

The Hannibal Central School District continues to work toward maintaining a strong financial position in the face of declining economic times across the nation and especially in New York State. We are a public school district that relies heavily on State Aid, accounting for 75% of our budgeted revenue, to finance the education we provide to approximately 1,300 students in 2020-2021.

An increase to the General Fund expenditures was due to the BAN for the Capital Project, employee benefits, and additional Computer Assisted Instruction position. Roughly sixty-two (62%) percent of the budget increase represents the Capital Project, which is off-set by State Aid.

To fulfill the Every Student Succeeds Act (ESSA) staff needs, we are relying more now than in the past on our Title 1 Grant for support for our AIS and Reading programs, in order to keep the General Fund budget instructional costs stable. The ESSA funds are diminishing and the General Fund is absorbing the costs.

The District is pleased that its voters overwhelmingly approved a \$42 million Capital Project in November 2017. The project will focus on a new transportation center, a renovated science and technology wing in the HS, boilers, roof work and infrastructure that will protect the district assets. The Capital Project Phase I was in full swing in June 2018 and will carry into the 2020-2021 school year. The Capital Phase II plans were submitted to NYSED in the summer 2019 and we broke ground for our science, art, technology departments and additional classrooms in spring 2020.

Due to the impact of COVID-19 to the revenue for New York State, the District is nervous over the state aid projections that were provided to all school districts in Spring 2020. There has been threat of a reduction of aid as much as 20%. A 20% reduction of state aid could be a five-million-dollar reduction in aid which would greatly affect programs and the long-range plan at the district.

8. CONTACTING THE DISTRICT

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:

Hannibal Central School District
Business Office
928 Cayuga Street
Hannibal, NY 13074

HANNIBAL CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

| | |
|--|------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 5,985,512 |
| Restricted Cash and Cash Equivalents | 15,323,247 |
| Receivables | |
| Due From Other Governments | 1,898,126 |
| Due from Fiduciary Funds | 53 |
| Other Receivables | 57,122 |
| Inventory | 50,019 |
| Net Pension Asset - Proportionate Share | 1,595,864 |
| Capital Assets (Net of Accumulated Depreciation) | <u>60,315,550</u> |
| Total Assets | <u>85,225,493</u> |
| Deferred Outflow of Resources | |
| Deferred Outflow - Pensions | 7,381,168 |
| Deferred Outflow - OPEB | 16,128,101 |
| Deferred Charge on Refunding of Debt (Net of Amortization) | <u>15,716</u> |
| Total Deferred Outflow of Resources | <u>23,524,985</u> |
| Total Assets and Deferred Outflow of Resources | <u>\$ 108,750,478</u> |
| Liabilities | |
| Accounts Payable | \$ 3,035,599 |
| Accrued Liabilities | 264,394 |
| Due To | |
| Other Governments | 64,631 |
| Teachers' Retirement System | 1,046,858 |
| Employees' Retirement System | 84,209 |
| Bond Interest and Matured Bonds | 256,667 |
| Short-Term Notes Payables | |
| Bond Anticipation Notes | 14,000,000 |
| Other Liabilities | 3,473 |
| Net Pension Liability - Proportionate Share | 2,641,677 |
| Noncurrent Liabilities | |
| Due Within One Year | |
| Unamortized Premium | 33,015 |
| Bonds Payable | 3,045,000 |
| Due in More Than One Year | |
| Compensated Absences | 4,060,461 |
| Other Postemployment Liability | 63,928,500 |
| Unamortized Premium | 39,083 |
| Bonds Payable | <u>11,010,000</u> |
| Total Liabilities | <u>103,513,567</u> |
| Deferred Inflow of Resources | |
| Deferred Inflow - Pensions | 2,407,578 |
| Deferred Inflow - Other Postemployment Benefits | <u>1,400,556</u> |
| Total Deferred Inflow of Resources | <u>3,808,134</u> |
| Net Position | |
| Net Investment in Capital Assets | 36,025,690 |
| Restricted | 10,606,830 |
| Unrestricted (Deficit) | <u>(45,203,743)</u> |
| Total Net Position | <u>1,428,777</u> |
| Total Liabilities, Deferred Inflow of Resources, and Net Position | <u>\$ 108,750,478</u> |

The Accompanying Notes are an Integral Part of These Financial Statement.

HANNIBAL CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) |
|--|----------------------|----------------------|------------------------------------|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Revenue and Changes in Net Position |
| General Support | \$ 5,900,400 | \$ | \$ | \$ (5,900,400) |
| Instruction | 25,973,681 | 12,321 | 1,590,905 | (24,370,455) |
| Pupil Transportation | 2,281,916 | | | (2,281,916) |
| Debt Service - Unallocated Interest | 742,268 | | | (742,268) |
| Food Service | 976,272 | 32,329 | 811,834 | (132,109) |
| Total Functions/Programs | <u>\$ 35,874,537</u> | <u>\$ 44,650</u> | <u>\$ 2,402,739</u> | <u>(33,427,148)</u> |
| General Revenues | | | | |
| Real Property Taxes | | | | 5,111,505 |
| STAR and Other Real Property Tax Items | | | | 1,610,156 |
| Use of Money and Property | | | | 232,281 |
| Premium on Obligations | | | | 77,144 |
| State Sources | | | | 25,156,748 |
| Miscellaneous | | | | <u>598,318</u> |
| Total General Revenues | | | | <u>32,786,152</u> |
| Change in Net Position | | | | (640,996) |
| Net Position, Beginning of Year | | | | <u>2,069,773</u> |
| Net Position, End of Year | | | | <u>\$ 1,428,777</u> |

The Accompanying Notes are an Integral Part of These Financial Statements.

HANNIBAL CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

| | General | School Lunch | Special Aid | Debt Service | Capital | Total |
|---|----------------------|-------------------|-------------------|-------------------|---------------------|----------------------|
| Assets | | | | | | |
| Cash and Cash Equivalents | \$ 5,811,071 | \$ 171,460 | \$ 2,981 | \$ | \$ | \$ 5,985,512 |
| Restricted Cash and Cash Equivalents | 9,749,753 | | | 857,077 | 4,716,417 | 15,323,247 |
| Receivables | | | | | | |
| Due From Other Governments | 1,403,519 | 116,733 | 377,874 | | | 1,898,126 |
| Due from Other Funds | 463,778 | | | | | 463,778 |
| Other Receivables | 57,122 | | | | | 57,122 |
| Inventory | | 50,019 | | | | 50,019 |
| Total Assets | <u>\$ 17,485,243</u> | <u>\$ 338,212</u> | <u>\$ 380,855</u> | <u>\$ 857,077</u> | <u>\$ 4,716,417</u> | <u>\$ 23,777,804</u> |
| Liabilities | | | | | | |
| Payables | | | | | | |
| Accounts Payable | \$ 1,355,252 | \$ 5,519 | \$ | \$ | \$ 1,674,828 | \$ 3,035,599 |
| Accrued Liabilities | 163,964 | 28,182 | | | | 192,146 |
| Due To | | | | | | |
| Other Governments | 64,238 | 393 | | | | 64,631 |
| Other Funds | | 9,199 | 377,382 | | 77,144 | 463,725 |
| Teachers' Retirement System | 1,046,858 | | | | | 1,046,858 |
| Employees' Retirement System | 84,209 | | | | | 84,209 |
| Bond Interest and Matured Bonds | 256,667 | | | | | 256,667 |
| Short-Term Notes Payables | | | | | | |
| Bond Anticipation Note | | | | | 14,000,000 | 14,000,000 |
| Other Liabilities | | | 3,473 | | | 3,473 |
| Total Liabilities | <u>2,971,188</u> | <u>43,293</u> | <u>380,855</u> | | <u>15,751,972</u> | <u>19,147,308</u> |
| Deferred Inflow of Resources | | | | | | |
| Unavailable State Aid and Grants | <u>271,461</u> | | <u>14,088</u> | | | <u>285,549</u> |
| Fund Balances | | | | | | |
| Nonspendable | | 50,019 | | | | 50,019 |
| Restricted | 9,749,753 | | | 857,077 | | 10,606,830 |
| Assigned | 3,127,708 | 244,900 | | | | 3,372,608 |
| Unassigned (Deficit) | <u>1,365,133</u> | | <u>(14,088)</u> | | <u>(11,035,555)</u> | <u>(9,684,510)</u> |
| Total Fund Balances (Deficit) | <u>14,242,594</u> | <u>294,919</u> | <u>(14,088)</u> | <u>857,077</u> | <u>(11,035,555)</u> | <u>4,344,947</u> |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balances | <u>\$ 17,485,243</u> | <u>\$ 338,212</u> | <u>\$ 380,855</u> | <u>\$ 857,077</u> | <u>\$ 4,716,417</u> | <u>\$ 23,777,804</u> |

The Accompanying Notes are an Integral Part of These Financial Statements.

HANNIBAL CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES
TO THE DISTRICT-WIDE NET POSITION
June 30, 2020

| | |
|----------------------------------|--------------|
| Total Governmental Fund Balances | \$ 4,344,947 |
|----------------------------------|--------------|

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

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

| | |
|---------------------------------|---------------------|
| Original Cost of Capital Assets | 89,028,883 |
| Accumulated Depreciation | <u>(28,713,333)</u> |
| | <u>60,315,550</u> |

Proportionate share of long-term asset and liability associated with participation in state retirement system are not current financial resources or obligations and are not reported in the funds.

| | |
|---|--------------------|
| Net Pension Asset - Proportionate Share | 1,595,864 |
| Deferred Outflows - Pensions | 7,381,168 |
| Net Pension Liability - Proportionate Share | <u>(2,641,677)</u> |
| Deferred Inflows - Pensions | <u>(2,407,578)</u> |
| | <u>3,927,777</u> |

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

| | |
|---------------------------------------|---------------------|
| Bonds Payable | (14,055,000) |
| Deferred Charge on Advance Refunding | 15,716 |
| Deferred Premium on Advance Refunding | (72,098) |
| Accrued Interest on Bonds Payable | (72,248) |
| Other Postemployment Liabilities | (63,928,500) |
| Deferred Outflows - OPEB | 16,128,101 |
| Deferred Inflows - OPEB | (1,400,556) |
| Compensated Absences Payable | <u>(4,060,461)</u> |
| | <u>(67,445,046)</u> |

Revenues that do not provide current financial resources that are recognized in the Statement of Net Position but not the fund financial statements.

| | |
|-------------------------------|----------------|
| Deferred Inflows of Resources | <u>285,549</u> |
|-------------------------------|----------------|

| | |
|--------------------|---------------------|
| Total Net Position | \$ <u>1,428,777</u> |
|--------------------|---------------------|

The Accompanying Notes are an Integral Part of These Financial Statements.

HANNIBAL CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

| | General | School Lunch | Special Aid | Debt Service | Capital | Total |
|--|----------------------|-------------------|--------------------|-------------------|------------------------|---------------------|
| Revenues | | | | | | |
| Real Property Taxes | \$ 5,111,505 | \$ | \$ | \$ | \$ | \$ 5,111,505 |
| STAR and Other Real Property Tax Items | 1,610,156 | | | | | 1,610,156 |
| Charges for Services | 12,321 | | | | | 12,321 |
| Use of Money and Property | 184,964 | 18 | | 11,835 | 102,642 | 299,459 |
| Sale of Property and Compensation for Loss | 52,566 | | | | | 52,566 |
| Miscellaneous | 595,601 | 2,717 | | | | 598,318 |
| State Aid | 24,871,199 | 18,368 | 365,469 | | | 25,255,036 |
| Federal Aid | 92,672 | 793,466 | 1,132,764 | | | 2,018,902 |
| School Lunch Sales | | 32,329 | | | | 32,329 |
| Total Revenues | <u>32,530,984</u> | <u>846,898</u> | <u>1,498,233</u> | <u>11,835</u> | <u>102,642</u> | <u>34,990,592</u> |
| Expenditures | | | | | | |
| General Support | 4,219,170 | | | | 12,243,673 | 16,462,843 |
| Instruction | 14,518,241 | | 1,500,976 | | 1,037,253 | 17,056,470 |
| Pupil Transportation | 2,973,899 | | 37,504 | | | 3,011,403 |
| Food Service Program | | 658,974 | | | | 658,974 |
| Employee Benefits | 5,851,447 | 124,580 | 7,009 | | | 5,983,036 |
| Debt Service - Principal | 3,345,000 | | | | | 3,345,000 |
| Debt Service - Interest | 783,767 | | | | | 783,767 |
| Total Expenditures | <u>31,691,524</u> | <u>783,554</u> | <u>1,545,489</u> | | <u>13,280,926</u> | <u>47,301,493</u> |
| Excess (Deficit) Revenues Over Expenditures | <u>839,460</u> | <u>63,344</u> | <u>(47,256)</u> | <u>11,835</u> | <u>(13,178,284)</u> | <u>(12,310,901)</u> |
| Other Financing Sources (Uses) | | | | | | |
| Premium on Obligations | 77,144 | | | | | 77,144 |
| Transfers from Other Funds | 25,000 | | 33,168 | | | 58,168 |
| Transfers to Other Funds | (33,168) | | | (25,000) | | (58,168) |
| Total Other Financing Sources (Uses) | <u>68,976</u> | | <u>33,168</u> | <u>(25,000)</u> | | <u>77,144</u> |
| Excess (Deficit) Revenues Over Expenditures and Other Financing Sources | <u>908,436</u> | <u>63,344</u> | <u>(14,088)</u> | <u>(13,165)</u> | <u>(13,178,284)</u> | <u>(12,233,757)</u> |
| Fund Balances, Beginning of Year | <u>13,334,158</u> | <u>231,575</u> | | <u>870,242</u> | <u>2,142,729</u> | <u>16,578,704</u> |
| Fund Balances (Deficit), End of Year | <u>\$ 14,242,594</u> | <u>\$ 294,919</u> | <u>\$ (14,088)</u> | <u>\$ 857,077</u> | <u>\$ (11,035,555)</u> | <u>\$ 4,344,947</u> |

The Accompanying Notes are an Integral Part of These Financial Statements.

**HANNIBAL CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

Net Changes in Fund Balance - Total Governmental Funds \$ (12,233,757)

Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their useful lives as depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation and loss on disposal in the period.

| | | |
|----------------------|-------------------|------------|
| Depreciation Expense | (2,206,307) | |
| Loss on Disposal | (119,744) | |
| Capital Outlays | <u>15,762,758</u> | 13,436,707 |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

| | |
|--------------------------|-----------|
| Repayment Bond Principal | 3,345,000 |
|--------------------------|-----------|

Certain expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Changes in these amounts are as follows:

| | | |
|--|--------------------|-------------|
| Accrued Interest on Serial Bonds | 24,200 | |
| Amortization of Deferred Premium | 33,015 | |
| Amortization of Deferred Charge on Advance Refunding | (15,716) | |
| Compensated Absences | 215,441 | |
| Other Postemployment Benefit Expense | <u>(3,987,139)</u> | (3,730,199) |

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

| | | |
|------------------------------|------------------|--------------------|
| Teachers' Retirement System | (1,066,860) | |
| Employees' Retirement System | <u>(677,436)</u> | <u>(1,744,296)</u> |

Revenues that do not provide current financial resources that are recognized in the Statement of Net Position but not the fund financial statements.

| | |
|-------------------------------|----------------|
| Deferred Inflows of Resources | <u>285,549</u> |
|-------------------------------|----------------|

| | |
|--|----------------------------|
| Change in Net Position Governmental Activities | <u><u>\$ (640,996)</u></u> |
|--|----------------------------|

The Accompanying Notes are an Integral Part of These Financial Statements.

HANNIBAL CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020

| | <u>Agency</u> |
|--|-------------------|
| Assets | |
| Cash and Cash Equivalents - Unrestricted | \$ 148,641 |
| Total Assets | <u>\$ 148,641</u> |
| Liabilities | |
| Due to Other Funds | \$ 53 |
| Agency Liabilities | 71,748 |
| Extraclassroom Activity Balances | <u>76,840</u> |
| Total Liabilities | <u>\$ 148,641</u> |

The Accompanying Notes are an Integral Part of These Financial Statements.

**HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hannibal Central School District (the School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as they apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the School District are described below:

Reporting Entity

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

The reporting entity of the School District is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District and its component unit(s) and other organizational entities determined to be includable in the School District's financial reporting entity. 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 following is a brief description of certain entities included in the School District's reporting entity.

(a) Extraclassroom Activity Funds

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. These funds are included in the combined basic financial statements in the Fiduciary Funds as agency funds because the Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. The School District accounts for assets held as an agent for various student organizations in an agency fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's Business Office, Hannibal Central School District, Hannibal, NY 13074.

Joint Venture

Hannibal Central School District is a component District of Oswego County Board of Cooperative Education Services (BOCES). The BOCES is a joint venture in which the participating Districts have an ongoing financial responsibility, no equity interest, and no single participant controls the financial or operating policies of the BOCES. BOCES was formed under State law for the purpose of providing shared educational programs and instruction in subjects approved by the State Education Commissioner. The BOCES' governing board is elected based on the vote of members of the participating Districts' governing boards. BOCES charges Districts for program costs based on participation and for administrative costs. At June 30, 2020, the School District did not owe the BOCES for billed services. Participating Districts may also issue debt on behalf of BOCES. During the year ended June 30, 2020, the School District issued no debt on behalf of BOCES. Financial statements for Oswego County BOCES are available from the BOCES' administrative office at 179 County Route 64, Mexico, New York.

Basis of Presentation

(a) District-Wide 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.

**HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(b) Fund Financial Statements

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

General Fund: This is the School District's primary operating fund used to account for and report all financial resources not accounted for in another fund.

Special Revenue Funds:

Special Aid Fund: This fund accounts for and reports the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes.

School Lunch Fund: This fund is used to account for and report transactions of the School District's lunch and breakfast programs.

Debt Service Fund: This fund accounts for and reports financial resources that are restricted to expenditures for principal and interest. Debt service funds should be used to report resources if legally mandated.

Capital Project Fund: This fund is used to account for and report financial resources that are restricted or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

(c) Fiduciary Funds

This fund is used to account for and report fiduciary activities. Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-Wide financial statements, because their resources do not belong to the School District, and are not available to be used. There is one class of fiduciary funds:

Agency Funds: These funds are strictly custodial in nature and do not involve the 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. Nonexchange 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 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 ninety days after the end of the fiscal year.

HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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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.

Accrued Liabilities and Long-Term Obligations

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

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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.

Cash and Cash Equivalents

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

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

Property Taxes

Real property taxes are levied annually by the Board of Education and become a lien no later than September 1. Taxes are collected during the period September 1 to October 31. Uncollected real property taxes are subsequently enforced by Oswego and Cayuga counties. An amount representing uncollected real property taxes transmitted to the county for enforcement is paid by the counties to the School District no later than the forthcoming April 1.

Receivables

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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Interfund Transactions

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

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the interfund transactions for governmental funds throughout the year is shown in Note 8 to the financial statements.

Inventories

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 donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. A reserve for inventory has been recognized to indicate that this does not constitute available spendable resources.

Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2003. For assets acquired prior to July 1, 2003, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

The School District uses capitalization thresholds of \$50,000 for buildings and \$5,000 for vehicles, furniture, equipment, and building improvements, (the dollar value above which asset acquisitions are added to the capital asset accounts) and depreciated using the straight-line method. Estimated useful lives of capital assets reported in the District-Wide statements:

| | |
|-------------------------------------|-------------|
| Vehicles, Furniture, and Equipment | 5–15 Years |
| Buildings and Building Improvements | 10–40 Years |

Vested Employee Benefits – Compensated Absences

The School District's employees are granted vacation leave, sick leave, and earn compensated absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation leave, sick leave, and unused compensated absences at various rates subject to certain maximum limitations. Employees are allowed to convert the available amount at the time retirement to offset their share of future health insurance premiums.

Consistent with GASB, an accrual for accumulated sick leave is included in the compensated absences liability at year end. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the fund statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources.

Retirement Plans and Other Benefits

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

In addition to providing pension benefits, the School District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if School District employees are 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 postemployment benefits is shared between the School District and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting (see Note 9).

**HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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Deferred Outflows of Resources

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

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. First is related to pensions reported in the District-Wide Statement of Net Position. This represents the effect of the net change in the School District's proportion of the collective net pension asset/liability (TRS and ERS Systems) and difference during the measurement periods between the School District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to other postemployment benefits (OPEB) reported on the District-wide Statement of Position and represents the effect of differences between expected and actual experience and changes in assumptions during the year. These amounts are deferred and will be recognized in OPEB expense over the next several years. The third item is related to deferred revenue due to the anticipated collections being after the District's availability criteria for recognition. This item is reflected in the fund statements and eliminated for the District-wide statements.

Equity classifications

(a) District-Wide Financial Statements

In the District-Wide statements there are three classes of Net Position:

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

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

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

(b) Fund Statements

The following classifications describe the relative strength of the spending constraints:

Nonspendable

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. This category consists of the inventories in the School Lunch Fund.

Restricted Resources

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the School District's policy is to use restricted resources only when appropriated by the Board of Education. When an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, the School District's policy concerning which to apply first varies with the intended use, and with associated legal requirements. The School District has established the following restricted fund balances:

**HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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- ***Reserve for Workers' Compensation***

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

- ***Reserve for Unemployment Insurance***

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the 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.

- ***Reserve for Employee Benefit Accrued Liability***

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve was 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. The reserve is accounted for in the General Fund.

- ***Retirement Contribution Reserve***

According to General Municipal Law §6-r, must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, not to exceed a total of 10%. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. The reserve is accounted for in the General Fund.

- ***Capital Reserve***

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

On May 21, 2018, the voters and Board of Education establish a ten-year reserve fund pursuant to section 3651 of the Education Law for the maximum amount of \$10,000,000 to be used for construction, renovations, improvements and additions to the District facilities, such reserve fund to be funded from any excess General Fund monies during the term of such reserve fund.

- ***Capital Fund***

This fund is used to account for and report the financial resources that are restricted by a voter approved proposition for acquisition, construction or major repair of capital facilities.

- ***Debt Service***

This fund is used to account for and report the financial resources that are restricted to pay debt service. The funds include unused debt proceeds and interest and earnings on the temporary investment of debt proceeds.

**HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

Unrestricted Resources

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless School District has provided otherwise in its commitment or assignment actions.

- ***Committed*** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2020.
- ***Assigned*** - Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Education or (b) the designated official, such as the School District's Purchasing Agent, to which the Board has delegated the authority to assign amounts to be used for specific purposes. All encumbrances, other than capital fund, are classified as Assigned Fund Balance in the applicable fund. The amount appropriated for the subsequent year's budget of the General fund is also classified as Assigned Fund Balance in the General Fund.
- ***Unassigned*** - Includes all other fund equity amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

Future Changes in Accounting Standards

- GASB Statement No. 84 – Fiduciary Activities Effective for the year ended June 30, 2021
- GASB Statement No. 87 – Leases Effective for the year ended June 30, 2022

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

2. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-Wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource management focus of the Statement of Activities, compared with the current financial resource management focus of the governmental funds.

Total Fund Balances of Governmental Funds Compared To Net Position of Governmental Activities

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

Statement of Revenues, Expenditures, and Changes in Fund Balances Compared To Statement of Activities

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

(a) Long-Term Revenue Differences

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

(b) Capital Related Differences

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

**HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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(c) Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

(d) Employee Benefit Allocation

Expenditures for employee benefits are not allocated a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balances based on the requirements of New York State. These costs have been allocated based on total salary for each function.

(e) Pension Differences

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

(f) OPEB Differences

OPEB differences occur as a result of changes in the School District's total OPEB liability and differences between the School District's contributions and OPEB expense.

3. STEWARDSHIP AND COMPLIANCE

General Fund – Statutory Unassigned Fund Balance Limit

The School District's unassigned fund balance was under the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the School District's budget for the upcoming school year. At June 30, 2020, the School District's unassigned fund balance was 3.9% of the 2020-2021 budget.

Statutory Debt Limit

At June 30, 2020, the School District was in compliance with the statutory debt limit.

NYS Real Property Tax Cap

Chapter 97 of the Laws of 2011 established a property tax levy limit (generally referred to as the tax cap) that restricts the amount of property taxes local governments (including school Districts) can levy. The School District was in compliance with the tax cap for the year ended June 30, 2020.

Budgetary Procedures and Budgetary Accounting

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which legal (appropriated) budgets are adopted:

The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item 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 budget is adopted annually on a basis consistent with U.S. GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

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

HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Budget Revisions

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

Change from Adopted Budget to Revised Budget

| | |
|--------------------------------|-----------------------------|
| Adopted Budget | \$ 34,216,000 |
| Add: Prior Year's Encumbrances | <u>840,276</u> |
| Original Budget | <u>35,056,276</u> |
| Additions: | |
| Donations | <u>1,000</u> |
| Total Additions | <u>1,000</u> |
| Final Budget | <u><u>\$ 35,057,276</u></u> |

Encumbrances

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

4. PARTICIPATION IN BOCES

During the year ended June 30, 2020, the School District was billed \$5,093,581 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$2,036,686. Financial statements for the BOCES are available from the BOCES' administrative office.

5. CASH AND CASH EQUIVALENTS

Custodial Credit and Currency Risks

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

As of June 30, 2020, The School District's bank balances of \$21,457,117 were not exposed to custodial credit risk because they were covered by FDIC or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted Cash

Restricted cash of \$9,749,753 in the General Fund represents funds held by the School District in the Workers' Compensation Reserve, Unemployment Insurance Reserve, the Employees' and Teachers' Retirement Contribution Reserves, and the Reserve for Employee Benefit Accrued Liability, and Capital Reserve funds established by the School District.

Restricted cash of \$857,077 in Debt Service Fund represents funds held by the School District from unspent debt proceeds and interest earned on debt proceeds to be appropriated for debt service.

Restricted cash of \$4,716,417 in Capital Fund represents funds held by the School District from unspent funds from a capital reserve.

HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, is as follows:

| | Restated Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------------------|----------------------|-------------------|----------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 207,253 | \$ | \$ | \$ 207,253 |
| Construction in Progress | 3,966,605 | 13,914,591 | | 17,881,196 |
| Total | 4,173,858 | 13,914,591 | | 18,088,449 |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | 64,465,768 | 4,050 | 9,540 | 64,460,278 |
| Furniture, Equipment and Vehicles | 4,963,888 | 1,844,117 | 327,849 | 6,480,156 |
| Total | 69,429,656 | 1,848,167 | 337,389 | 70,940,434 |
| Accumulated Depreciation | | | | |
| Buildings and Improvements | 24,418,898 | 1,628,719 | | 26,047,617 |
| Furniture, Equipment and Vehicles | 2,305,773 | 577,588 | 217,645 | 2,665,716 |
| Total | 26,724,671 | 2,206,307 | 217,645 | 28,713,333 |
| Net Capital Assets Being Depreciated | 42,704,985 | (358,140) | 119,744 | 42,227,101 |
| Net Capital Assets | <u>\$ 46,878,843</u> | <u>\$ 13,556,451</u> | <u>\$ 119,744</u> | <u>\$ 60,315,550</u> |

Depreciation expense is charged as follows:

| | |
|----------------------|---------------------|
| Function/Program | |
| General Support | \$ 220,631 |
| Instruction | 1,654,730 |
| Pupil Transportation | 220,631 |
| Food Service Program | 110,315 |
| Total Depreciation | <u>\$ 2,206,307</u> |

7. SHORT-TERM LIABILITIES

Short-term liability balances and activity are as follows:

| Payable From/Description | Date of Original Issue | Original Amount | Date of Final Maturity | Interest Rate (%) | Outstanding Amount |
|--------------------------|------------------------------|--------------------|------------------------------|----------------------|-----------------------|
| General Fund | | | | | |
| 2019 BAN | 07/19 | \$ 14,000,000 | 07/20 | 2% | <u>\$ 14,000,000</u> |

| Description | Outstanding Beginning Balance | Issued | Paid | Outstanding Ending Balance |
|-------------------------|-------------------------------------|----------------------|-----------|----------------------------------|
| Governmental Activities | | | | |
| 2019 BAN | <u>\$</u> | <u>\$ 14,000,000</u> | <u>\$</u> | <u>\$ 14,000,000</u> |

HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Total interest for the year was as follows:

| | |
|--|-------------------|
| Interest Paid | \$ |
| Less: Interest Accrued in the Prior Year | |
| Plus: Interest Accrued in the Current Year | <u>256,667</u> |
| Total Interest Expense on Short-Term Debt | <u>\$ 256,667</u> |

8. LONG-TERM LIABILITIES

Long-term liability balances and activity are as follows:

| Description | Outstanding Beginning Balance | Additions | Deletions | Outstanding Ending Balance | Due Within One Year |
|-------------------------------|-------------------------------------|----------------------|-----------------------|----------------------------------|------------------------|
| Governmental Activities | | | | | |
| Bonds Payable | \$ 17,400,000 | \$ | \$ (3,345,000) | \$ 14,055,000 | \$ 3,045,000 |
| Unamortized Premium | 105,113 | | (33,015) | 72,098 | 33,015 |
| OPEB Liability | 47,923,348 | 17,365,780 | (1,360,628) | 63,928,500 | |
| Compensated Absences | <u>4,275,902</u> | | <u>(215,441)</u> | <u>4,060,461</u> | |
| Total Governmental Activities | <u>\$ 69,704,363</u> | <u>\$ 17,365,780</u> | <u>\$ (4,954,084)</u> | <u>\$ 82,116,059</u> | <u>\$ 3,078,015</u> |

Long-Term Debt Maturity Schedule

The following is a statement of serial bonds with corresponding maturity schedules:

| Payable From/Description | Date of Original Issue | Original Amount | Date of Final Maturity | Interest Rate (%) | Outstanding Amount |
|---------------------------|------------------------------|--------------------|------------------------------|----------------------|-----------------------|
| General Fund | | | | | |
| Serial Bond A (Refunding) | 03/12 | \$ 1,235,000 | 04/23 | 2.0-4.0 | \$ 375,000 |
| Serial Bond B (Refunding) | 03/12 | \$ 11,880,000 | 01/23 | 2.0-4.0 | 3,605,000 |
| Building Renovations | 06/12 | \$ 18,250,000 | 06/26 | 2.0-3.1 | 8,740,000 |
| Refunding 2005 & 2006 | 07/14 | \$ 3,660,000 | 01/21 | 1.5-3.0 | 315,000 |
| Building Renovations | 06/15 | \$ 1,551,000 | 06/28 | 2.5-3.0 | 1,020,000 |
| Total | | | | | <u>\$ 14,055,000</u> |

Principal and interest payments due on serial bonds are as follows:

| For the Year Ending | Serial Bonds | | |
|---------------------|----------------------|---------------------|----------------------|
| June 30, | Principal | Interest | Total |
| 2021 | \$ 3,045,000 | \$ 433,637 | \$ 3,478,637 |
| 2022 | 2,830,000 | 332,263 | 3,162,263 |
| 2023 | 2,930,000 | 233,613 | 3,163,613 |
| 2024 | 1,600,000 | 160,113 | 1,760,113 |
| 2025 | 1,660,000 | 97,188 | 1,757,188 |
| 2026-2028 | 1,990,000 | 61,825 | 2,051,825 |
| Total | <u>\$ 14,055,000</u> | <u>\$ 1,318,639</u> | <u>\$ 15,373,639</u> |

HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Interest on long-term debt for the year was composed of:

Total interest for the year was as follows:

| | |
|--|-------------------|
| Interest Paid | \$ 527,100 |
| Amortization of Deferred Charge on Advance Refunding | 15,716 |
| Amortization of Deferred Premium | (33,015) |
| Less: Interest Accrued in the Prior Year | (96,448) |
| Plus: Interest Accrued in the Current Year | <u>72,248</u> |
| Total Interest Expense on Long-Term Debt | <u>\$ 485,601</u> |

Serial Bonds

In the event of a default in the payment of principal and/or interest on Bonds, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes as a covenant by the State with the holders from time to time of the Bonds.

Prior-Year Defeasance of Debt

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2020, \$4,550,000 of bonds outstanding are considered defeased.

Premium on Bonds

The original issue premiums on bonds has been deferred and recorded as an addition to long-term liabilities on the District-Wide financial statements. The premiums are being amortized using the straight-line method over 7 to 10 years, the remaining time to maturity of the respective bond issue. The current year amortization is \$33,015 and is included as a reduction to interest expense on the statement of activities.

| | |
|---|------------------|
| Deferred Premium from Refunding of Debt | \$ 110,012 |
| Less: Amount Recognized | <u>(94,296)</u> |
| Net Capitalized Refunding of Debt Costs | <u>\$ 15,716</u> |

Deferred Outflows of Resources

The cost of issuing the serial bonds has been capitalized and recorded as a deferred outflow on the District-Wide financial statements. The cost is being amortized using the straight-line method over 7 years, the remaining time to maturity of the bonds. The current year amortization is \$15,716 and is included as an addition to interest expense on the statement of activities.

| | |
|---|------------------|
| Deferred Charge from Refunding of Debt | \$ 289,736 |
| Less: Accumulated Amortization | <u>(217,638)</u> |
| Net Capitalized Refunding of Debt Costs | <u>\$ 72,098</u> |

**HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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9. INTERFUND BALANCES AND ACTIVITY

The following is a summary of the Interfund Transactions for the year ended June 30, 2020:

| Fund Type | Interfund | | Interfund | |
|------------------|-------------------|-------------------|------------------|------------------|
| | Receivables | Payables | Revenues | Expenditures |
| General | \$ 463,778 | \$ | \$ 25,000 | \$ 33,168 |
| School Lunch | | 9,199 | | |
| Special Aid | | 377,382 | 33,168 | |
| Debt Service | | | | 25,000 |
| Capital Fund | | 77,144 | | |
| Trust and Agency | | 53 | | |
| Total | <u>\$ 463,778</u> | <u>\$ 463,778</u> | <u>\$ 58,168</u> | <u>\$ 58,168</u> |

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. These balances are considered current.

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

The interfund transfer from the Debt Service to the General Fund was made to utilize the funds to offset debt service costs in the General fund.

The interfund transfer from the General Fund to the Special Aid Fund was made to fund the School District's 20% portion of the Summer School Program.

10. PENSION PLANS

A. New York State and Local Employees' Retirement System (ERS)

(a) Plan Description

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. 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.

(b) Contributions

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010 but before April 1, 2012 are required to contribute 3% of their annual salary for their entire working career. Those who joined on or after April 1, 2012 contribute at a rate ranging from 3% to 6% based on their total annualized salary. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in

**HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2020, were paid.

The required contributions for the current year and two preceding years were:

| | Amount |
|------|------------|
| 2018 | \$ 363,169 |
| 2019 | \$ 356,160 |
| 2020 | \$ 352,385 |

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

At June 30, 2020, the School District reported a liability of \$2,639,436 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2019. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020, the School District's proportion was .0099674 percent which is a decrease of .0002655 percent from prior year's proportionate share of .0102329 percent.

For the year ended June 30, 2020, the School District recognized pension expense of \$892,620. At June 30, 2020, 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 |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 155,341 | \$ |
| Change of assumptions | 53,146 | 45,890 |
| Net difference between projected and actual earnings on Pensions plan investments | 1,353,103 | |
| Changes in proportion and differences between contributions and proportionate share of contributions | 49,559 | 69,719 |
| Contributions subsequent to the measurement date | 84,209 | |
| Total | <u>\$ 1,695,358</u> | <u>\$ 115,609</u> |

At June 30, 2020, \$84,209 was reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date 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:

(d) Actuarial Assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The actuarial valuation used the following actuarial assumptions.

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NOTES TO BASIC FINANCIAL STATEMENTS
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Significant actuarial assumptions used in the April 1, 2019 valuation were as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|------------|
| 2021 | \$ 249,284 |
| 2022 | \$ 381,265 |
| 2023 | \$ 481,676 |
| 2024 | \$ 383,315 |
| 2025 and Thereafter | \$ 0 |

| | |
|---|---|
| Investment Rate of Return | |
| (Net of Investment Expense, including Inflation) | 6.80% |
| Salary Scale | 4.20% |
| Decrement Tables | April 1, 2010 - March 31, 2015 System's Experience |
| Inflation Rate | 2.50% |

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2018.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long term expected 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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized below.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------|------------------------------|---|
| Domestic Equity | 36.00% | 4.05% |
| International Equity | 14.00% | 6.15% |
| Private Equity | 10.00% | 6.75% |
| Real Estate | 10.00% | 4.95% |
| Absolute Return Strategies | 2.00% | 3.25% |
| Opportunistic Portfolio | 3.00% | 4.65% |
| Real Assets | 3.00% | 5.95% |
| Bonds and Mortgages | 17.00% | 0.75% |
| Cash | 1.00% | 0.00% |
| Inflation-Indexed Bonds | 4.00% | 0.50% |
| | <u>100.00%</u> | |

(e) Discount Rate

The discount rate used to calculate the total pension asset/liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long

HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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.

(f) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.8 percent) or 1-percentage-point higher (7.8 percent) than the current rate:

| | 1% Decrease (5.8%) | Current Assumption (6.8%) | 1% Increase (7.8%) |
|---|--------------------------|---------------------------------|--------------------------|
| Proportionate share of the net pension liability (asset) | \$ 4,844,111 | \$ 2,639,436 | \$ 608,922 |

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

(h) Payables to the Pension Plan

The School District has recorded an amount due to ERS in amount of \$84,209 at June 30, 2020. This amount represents the three months of the School District's fiscal year that will be covered in the ERS 2020-2021 billing cycle and has been accrued as an expenditure in the current year.

B. New York State Teachers' Retirement System (TRS)

(a) Plan Description

The School District participates in the New York Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits. The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten-member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by the New York State Law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and membership class (6 tiers). The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System. For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

(b) Contributions

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, 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 Retirement and Social Security Law. 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.

**HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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The required employer contributions for the current year and two preceding years were:

| | <u>Amount</u> |
|------|---------------|
| 2018 | \$ 988,542 |
| 2019 | \$ 1,088,877 |
| 2020 | \$ 906,082 |

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

At June 30, 2020, the School District reported an asset of \$1,595,864 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2018. The School District's proportion of the net pension asset was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019, the School District's proportion was .061426 percent, which was an decrease of .000501 percent from its proportion measured as of June 30, 2018 of .061927 percent.

For the year ended June 30, 2020, the School District recognized a pension expense of \$1,974,168. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 1,081,476 | \$ 118,672 |
| Changes of assumptions | 3,014,800 | 735,094 |
| Net difference between projected and actual earnings on | | 1,279,800 |
| Changes in proportion | 119,193 | 118,572 |
| Contributions subsequent to the measurement date | <u>906,082</u> | |
| Total | <u>\$ 5,121,551</u> | <u>\$ 2,252,138</u> |

At June 30, 2020, \$906,082 was reported as a deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date, and, will be recognized as a reduction of the net pension asset 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:

| <u>Year ended June 30:</u> | |
|----------------------------|-------------|
| 2020 | \$ 722,598 |
| 2021 | \$ 46,419 |
| 2022 | \$ 719,982 |
| 2023 | \$ 463,108 |
| 2024 | \$ 57,663 |
| Thereafter | \$ (46,439) |

(d) Actuarial Assumptions

The total pension asset/liability at June 30, 2019 measurement date was determined by using an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension asset/liability to June 30, 2019. The actuarial valuation used the following actuarial assumptions.

**HANNIBAL CENTRAL SCHOOL DISTRICT
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(e) Discount Rate

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school Districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's 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.

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

The following presents School District's proportionate share of the net pension liability calculated using the discount rate of 7.1 percent, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.1 percent) or 1-percentage-point higher (8.1 percent) than the current rate:

| | 1% Decrease (6.1%) | Current Assumption (7.1%) | 1% Increase (8.1%) |
|---|--------------------------|---------------------------------|--------------------------|
| Proportionate share of the net pension liability (asset) | \$ 7,203,562 | \$ (1,595,864) | \$ (8,977,589) |

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued TRS financial report.

(h) Payables to the Pension Plan

The School District has recorded an amount due to TRS in amount of \$906,082 (excluding employees share) in the General Fund at June 30, 2020. This amount represents contribution for the 2019-2020 fiscal year that will be made in 2020-2021 and has been accrued as an expenditure in the current year.

11. POSTRETIREMENT HEALTH CARE BENEFITS

(a) Plan Description

The School District administers the Hannibal Retiree Medical Plan (the Plan) as a single-employer defined benefit Other Postemployment Benefit plan. The plans are single-employer defined benefit OPEB plans administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board.

The Plan does not issue a standalone publicly available financial report since no assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

(b) Benefits Provided

The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the School District subject to applicable collective bargaining and employment agreements as follows:

- Teachers and Nurses (HFA) and Administrators - Employees are eligible when they meet the retirement requirements of the NYS Teachers' Retirement System. The School contributes between 50% to 65% of the insurance premium for the retiree and surviving spouse.
- Other Unions - Employees are eligible when they meet the retirement requirements of the NYS Employees' Retirement System and have 10 years of service with the School or 15 years if hired after 2006. The School contributes between 35% to 65% of the insurance premium for the retiree and surviving spouse.

**HANNIBAL CENTRAL SCHOOL DISTRICT
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The Plan does not issue a stand along publicly available financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

(c) Employees Covered by Benefit Terms

| | Total |
|---|-------|
| Inactive employees currently receiving benefit payments | 129 |
| Inactive employees entitled to but not yet receiving benefit payments | 0 |
| Active employees | 258 |
| Total | 387 |

(d) Total OPEB Liability

The District's total OPEB liability of \$63,928,500 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2018.

(e) Changes in the Net OPEB Liability

Changes in the District's total OPEB liability were as follows:

| | Total OPEB Liability |
|--|-------------------------|
| Balances, June 30, 2019 | \$ 47,923,348 |
| Changes recongnized for the year: | |
| Service cost | 1,684,904 |
| Interest on Total OPEB Liability | 1,717,577 |
| Differences between expected and actual experience | 176,504 |
| Changes of Assumptions or Other Inputs | 13,786,795 |
| Benefit payments | (1,360,628) |
| Net changes | 16,005,152 |
| Balances, June 30, 2020 | \$ 63,928,500 |

(f) 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 or 1-percentage-point higher than the current discount rate:

| | 1% Decrease (1.21%) | Current Assumption (2.21%) | 1% Increase (3.21%) |
|----------------------|---------------------------|----------------------------------|---------------------------|
| Total OPEB liability | \$ 78,259,742 | \$ 63,928,500 | \$ 52,928,697 |

(g) Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

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 healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

**HANNIBAL CENTRAL SCHOOL DISTRICT
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| | 1% Decrease (4.4-2.0%) | Current Assumption (5.4-3.0%) | 1% Increase (6.4-4.0%) |
|----------------------|------------------------------|-------------------------------------|------------------------------|
| Total OPEB liability | \$ 50,958,320 | \$ 63,928,500 | \$ 81,567,073 |

Sensitivity analysis for healthcare cost inflation (trend) rate is illustrated as of end of year.

(h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the School District recognized OPEB expense of \$3,987,139. At June 30, 2020, 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 | \$ 2,099,027 | \$ |
| Changes of assumptions or other inputs | 14,677,830 | (1,400,556) |
| Total | <u>\$ 16,776,857</u> | <u>\$ (1,400,556)</u> |

Contributions subsequent to the measurement date will be recognized in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year ended June 30:</u> | <u>Amount</u> |
|----------------------------|---------------|
| 2021 | 1,945,286 |
| 2022 | 1,945,286 |
| 2023 | 1,945,286 |
| 2024 | 1,945,286 |
| 2025 | 1,945,286 |
| Thereafter | 5,649,871 |

(i) Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2020, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

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| | |
|--|--|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2020 |
| Reporting Date | June 30, 2020 |
| Actuarial Cost Method | Entry Age Normal - Level Percent of Pay |
| Plan Type | Single Employer Defined Benefit Plan |
| Inflation rate | 2.20% |
| Salary Increases, Including Wage Inflation | 10.47 to 3.20% |
| Healthcare Cost Trend Rates | 5.40 to 3.00% |
| Discount Rate | 3.51% (Prior year discount rate was 2.21%) |
| Mortality | Mortality rates were based on April 1, 2010- March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP- 2019. |

The following changes in actuarial assumptions have been made since the prior measurement date:

Discount Rate – The selected discount rate is based on the Bond Buyer General Obligation 20-Municipal Bond Index, the discount rate used has changed from 3.87% in the prior year to 2.21% in the current year.

12. COMMITMENTS AND CONTINGENCIES

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

Risk Financing and Related Insurance

(a) Workers' Compensation

The School District incurs costs related to the Onondaga-Cortland-Madison Self-Funded Workers' Compensation Consortium Plan (Plan) sponsored by the Board of Cooperative Educational Services, Onondaga-Cortland-Madison. The Plan's objectives are to furnish workers' compensation benefits to participating Districts at a significant cost savings. Membership in the Plan may be offered to any school District with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to Withdraw must be given in writing to the Chairperson of the Board of Directors and the Treasurer not less than sixty (60) days prior to the end of the Plan year.

Plan membership is currently comprised of 19 members and Onondaga-Cortland-Madison BOCES. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee. Pursuant to General Municipal Law, the municipal agreement does not transfer risk.

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

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2020, the School District incurred premiums or contribution expenditures totaling \$162,544.

**HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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(b) Union Agreements

The School District has the following bargaining unit agreements in place with the related expiration dates:

| | |
|--|-----------------------|
| Hannibal Administrators and Supervisors Association | Expires June 30, 2021 |
| Hannibal Faculty Association | Expires June 30, 2021 |
| Hannibal Central School Association of Educational Office Professionals | Expires June 30, 2021 |
| Hannibal Employees' Association | Expires June 30, 2022 |

13. FUND BALANCE

(a) The following is a summary of the change in General fund restricted reserve funds during the year ended June 30, 2020:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------------|-------------------|---------------------|
| Restricted | | | | |
| General Fund | | | | |
| Workers' Compensation | \$ 545,509 | \$ 7,140 | \$ 40,000 | \$ 512,649 |
| Unemployment Insurance | 135,894 | 1,849 | 5,000 | 132,743 |
| Employees' Retirement Contribution Reserve | 2,133,842 | 128,728 | 200,000 | 2,062,570 |
| Teachers' Retirement Contribution Reserve | 201,700 | 2,849 | | 204,549 |
| Employee Benefit Accrued Liability | 3,488,671 | 254,571 | 256,000 | 3,487,242 |
| Capital Reserve - Transportation | 500,000 | | 250,000 | 250,000 |
| Capital Reserves - Facilities | 3,100,000 | | | 3,100,000 |
| Total General Fund Restricted | <u>\$ 10,105,616</u> | <u>\$ 395,137</u> | <u>\$ 751,000</u> | <u>\$ 9,749,753</u> |

(b) The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet at June 30, 2020:

| | Beginning Balance | Ending Balance | Difference |
|---|----------------------|---------------------|------------------------|
| General Fund | | | |
| Restricted | \$ 10,105,616 | \$ 9,749,753 | \$ (355,863) |
| Assigned | | | |
| Appropriated for Subsequent Year's Budget | 1,168,229 | 2,684,406 | 1,516,177 |
| General Support | 196,900 | 153,111 | (43,789) |
| Instruction | 59,513 | 279,066 | 219,553 |
| Pupil Transportation | 583,863 | 11,125 | (572,738) |
| Total Assigned | <u>2,008,505</u> | <u>3,127,708</u> | <u>1,119,203</u> |
| Unassigned | <u>1,220,037</u> | <u>1,365,133</u> | <u>145,096</u> |
| Total General Fund | <u>13,334,158</u> | <u>14,242,594</u> | <u>908,436</u> |
| School Lunch Fund | | | |
| Nonspendable | 29,539 | 50,019 | 20,480 |
| Assigned | 202,036 | 244,900 | 42,864 |
| Total School Lunch Fund | <u>231,575</u> | <u>294,919</u> | <u>63,344</u> |
| Special Aid Fund | | | |
| Unassigned (Deficit) | | (14,088) | (14,088) |
| Debt Service Fund | | | |
| Restricted | <u>870,242</u> | <u>857,077</u> | <u>(13,165)</u> |
| Capital Fund | | | |
| Restricted | 2,142,729 | 0 | (2,142,729) |
| Unassigned (Deficit) | | (11,035,555) | (11,035,555) |
| Total Capital Fund | <u>2,142,729</u> | <u>(11,035,555)</u> | <u>(13,178,284)</u> |
| Total | <u>\$ 16,578,704</u> | <u>\$ 4,344,947</u> | <u>\$ (12,233,757)</u> |

**HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

14. DEFICIT FUND BALANCE

At June 30, 2020, the Capital Fund had an unassigned deficit of \$11,035,555. This deficit is due to funds expended for the District Wide Project exceeding available fund balance. The District issued a BAN on July 25, 2020 for \$27,000,000 for various District improvements. When the BAN is refinanced with long-term debt or redeemed from appropriations, the deficit will be eliminated.

Additionally, the Special Aid Fund had a deficit of \$14,088 at June 30, 2020. The deficit was caused by New York State General Support for Public Schools approving school Districts at 80% of their scheduled amounts. All or a portion of these holdings are currently temporary, however they may be reverted to permanent reductions. As such, the District has deferred the New York State portion for the 4408 Federal Summer Placement Program in the amount of \$14,088 that is recognized in the Special Aid fund.

15. SUBSEQUENT EVENTS

On July 15, 2020 the District issued a Bond Anticipation Note (BAN) in the amount of \$27,000,000, in which \$14,000,000 is the renewal of the pre-existing BAN that was issued in July, 2019 and \$13,000,000 is new debt. The BAN holds an interest rate of 1.250% and will mature on 06/30/2021.

In July 2020, the New York State Division of Budget began approving General Support for Public Schools (GSPS) payments to school Districts at 80% of the otherwise scheduled amounts. All or a portion of these withholdings are currently temporary, but they may be reverted to permanent reductions depending on the size and timing of new unrestricted federal aid to be received, if any. The financial statements as of June 30, 2020 have been adjusted accordingly.

HANNIBAL CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

| | Original Budget | Final Budget | Actual | | Final Budget Variance With Actual |
|--|--------------------|-----------------|---------------|--------------------------|---|
| Revenues | | | | | |
| Local Sources | | | | | |
| Real Property Taxes | \$ 6,676,775 | \$ 5,116,306 | \$ 5,111,505 | \$ | (4,801) |
| Star and Other Real Property Tax Items | | 1,560,469 | 1,610,156 | | 49,687 |
| Charges for Services | | | 12,321 | | 12,321 |
| Use of Money and Property | | | 184,964 | | 184,964 |
| Sale of Property and Compensation for Loss | | | 52,566 | | 52,566 |
| Miscellaneous | 400,000 | 401,000 | 595,601 | | 194,601 |
| State Aid | 25,500,996 | 25,500,996 | 24,871,199 | | (629,797) |
| Federal Aid | | | 92,672 | | 92,672 |
| Total Revenues | 32,577,771 | 32,578,771 | 32,530,984 | | (47,787) |
| Other Financing Sources | | | | | |
| Transfers from Other Funds | 25,000 | 25,000 | 25,000 | | |
| Premium on Obligations | | | 77,144 | | 77,144 |
| Appropriated Reserves | 445,000 | 445,000 | | | (445,000) |
| Appropriated Fund Balance | 2,008,505 | 2,008,505 | | | (2,008,505) |
| Total Revenues and Other Financing Sources | \$ 35,056,276 | \$ 35,057,276 | 32,633,128 | \$ | (2,424,148) |
| | | | | | |
| | Original Budget | Final Budget | Actual | Year-End Encumbrances | Final Budget Variance With Actual And Encumbrances |
| Expenditures | | | | | |
| General Support | | | | | |
| Board of Education | \$ 36,000 | \$ 36,000 | 29,523 | \$ | \$ 6,477 |
| Central Administration | 222,048 | 222,048 | 212,205 | | 9,843 |
| Finance | 412,878 | 409,578 | 373,236 | | 36,342 |
| Staff | 168,000 | 168,000 | 110,903 | | 57,097 |
| Central Services | 3,171,074 | 3,159,324 | 2,760,870 | 153,111 | 245,343 |
| Special Items | 740,500 | 747,500 | 731,098 | | 16,402 |
| Total General Support | 4,750,500 | 4,742,450 | 4,217,835 | 153,111 | 371,504 |
| Instruction | | | | | |
| Instruction, Administration, and Improvement | 1,048,978 | 1,264,080 | 1,209,267 | | 54,813 |
| Teaching - Regular School | 7,692,920 | 7,473,899 | 6,283,694 | 227,509 | 962,696 |
| Programs for Children With Special Needs | 4,415,693 | 4,250,693 | 3,813,442 | 39,000 | 398,251 |
| Occupational Education | 650,000 | 650,000 | 637,880 | | 12,120 |
| Teaching - Special School | 460,000 | 432,000 | 344,912 | | 87,088 |
| Instructional Media | 1,103,622 | 1,336,781 | 1,311,317 | 4,348 | 21,116 |
| Pupil Services | 1,131,700 | 1,114,510 | 919,064 | 8,209 | 187,237 |
| Total Instruction | 16,502,913 | 16,521,963 | 14,519,576 | 279,066 | 1,723,321 |
| Pupil Transportation | 2,908,863 | 3,112,436 | 2,973,899 | 11,125 | 127,412 |
| Employee Benefits | 6,934,000 | 6,545,471 | 5,851,447 | | 694,024 |
| Debt Service - Principal | 3,370,000 | 3,345,000 | 3,345,000 | | |
| Debt Service - Interest | 530,000 | 729,956 | 783,767 | | (53,811) |
| Total Expenditures | 34,996,276 | 34,997,276 | 31,691,524 | 443,302 | 2,862,450 |
| Other Financing Uses | | | | | |
| Transfers to Other Funds | 60,000 | 60,000 | 33,168 | | 26,832 |
| Total Expenditures | \$ 35,056,276 | \$ 35,057,276 | 31,724,692 | \$ 443,302 | \$ 2,889,282 |
| Net Change in Fund Balance | | | | | |
| | | | 908,436 | | |
| Fund Balance - Beginning of Year | | | | | |
| | | | 13,334,158 | | |
| Fund Balance - End of Year | | | | | |
| | | | \$ 14,242,594 | | |

Notes to Required Supplementary Information:

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget.

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

See Independent Auditor's Report.

**HANNIBAL CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2020**

| | <u>2020</u> | <u>2019</u> | <u>2018 *</u> |
|---|----------------------|----------------------|----------------------|
| Service cost | \$ 1,684,904 | \$ 905,809 | \$ 945,699 |
| Interest | 1,717,577 | 1,601,429 | 1,478,468 |
| Changes of benefit terms | | | |
| Differences between expected and actual experience | 176,504 | 2,497,031 | |
| Changes in assumptions or other inputs | 13,786,795 | 3,115,159 | (2,089,863) |
| Expected benefit payments | (1,360,628) | (1,329,091) | (998,555) |
| Net change in total OPEB liability | 16,005,152 | 6,790,337 | (664,251) |
| Total OPEB liability - beginning of year | 47,923,348 | 41,133,011 | 41,797,262 |
| Total OPEB liability - ending of year | <u>\$ 63,928,500</u> | <u>\$ 47,923,348</u> | <u>\$ 41,133,011</u> |
| Covered employee payroll | \$13,771,537 | \$12,339,176 | \$13,125,772 |
| Total OPEB liability as a percentage of covered payroll | 464.21% | 388.38% | 313.38% |

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

Notes to Required Supplementary Information:

The Districts' OPEB Plan is no assets.

Actuarial Assumptions

The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 10 to the financial statements.

Changes to Assumptions -

Discount rate has changed from 3.51% in the prior year to 2.21% in the current year

HANNIBAL CENTRAL SCHOOL DISTRICT
SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS
For the Year Ended June 30, 2020

ERS Pension Plan

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually Required Contribution | \$ 352,385 | \$ 356,160 | \$ 363,169 | \$ 344,428 | \$ 406,698 | \$ 447,320 | \$ 470,195 | \$ 460,649 | \$ 370,391 | \$ 275,617 |
| Contributions in Relation to the Contractually Required Contribution | <u>352,385</u> | <u>356,160</u> | <u>363,169</u> | <u>344,428</u> | <u>406,698</u> | <u>447,320</u> | <u>470,195</u> | <u>460,649</u> | <u>370,391</u> | <u>275,617</u> |
| Contribution Deficiency (Excess) | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| School District's Covered-ERS Employee Payroll | \$ 2,705,575 | \$ 2,726,538 | \$ 2,637,154 | \$ 2,310,895 | \$ 2,357,002 | \$ 2,358,187 | \$ 2,266,796 | \$ 2,501,304 | \$ 2,343,639 | \$ 2,518,639 |
| Contributions as a Percentage of Covered-Employee Payroll | 13.02% | 13.06% | 13.77% | 14.90% | 17.25% | 18.97% | 20.74% | 18.42% | 15.80% | 10.94% |

TRS Pension Plan

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|----------------|------------------|----------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|
| Contractually Required Contribution | \$ 906,082 | \$ 1,088,877 | \$ 988,542 | \$ 1,158,321 | \$ 1,258,081 | \$ 1,673,992 | \$ 1,405,025 | \$ 1,033,650 | \$ 951,129 | \$ 758,971 |
| Contributions in Relation to the Contractually Required Contribution | <u>906,082</u> | <u>1,088,877</u> | <u>988,542</u> | <u>1,158,321</u> | <u>1,258,081</u> | <u>1,673,992</u> | <u>1,405,025</u> | <u>1,033,650</u> | <u>951,129</u> | <u>758,971</u> |
| Contribution Deficiency (Excess) | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| School District's Covered-TRS Employee Payroll | \$10,226,659 | \$10,253,079 | \$10,087,163 | \$ 9,487,790 | \$ 9,549,298 | \$ 8,646,308 | \$ 8,730,152 | \$ 8,561,017 | \$ 8,804,768 | \$ 9,473,247 |
| Contributions as a Percentage of Covered-Employee Payroll | 8.86% | 10.62% | 9.80% | 11.72% | 13.17% | 19.36% | 16.09% | 12.07% | 10.80% | 8.01% |

HANNIBAL CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY
For the Year Ended June 30, 2020

ERS Pension Plan

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 * |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability | 0.0099674% | 0.0102329% | 0.0092532% | 0.0084575% | 0.0092088% | 0.0091752% |
| District's proportionate share of the net pension liability | \$ 2,639,436 | \$ 725,030 | \$ 298,642 | \$ 794,685 | \$ 1,478,046 | \$ 309,961 |
| District's covered-employee payroll | \$ 2,705,575 | \$ 2,726,538 | \$ 2,637,154 | \$ 2,310,895 | \$ 2,357,002 | \$ 2,358,187 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 97.56% | 26.59% | 11.32% | 34.39% | 62.71% | 13.14% |
| Plan fiduciary net position as a percentage of total pension liability | 86.39% | 96.27% | 98.20% | 94.70% | 90.70% | 97.90% |

TRS Pension Plan

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 * |
|---|----------------|----------------|--------------|--------------|----------------|----------------|
| District's Proportion of the net pension asset/liability | 0.0614260% | 0.0619270% | 0.0623680% | 0.0614850% | 0.0635710% | 0.0585335% |
| District's proportionate share of the net pension (asset) liability | \$ (1,595,864) | \$ (1,119,798) | \$ (474,059) | \$ 658,532 | \$ (6,603,049) | \$ (6,520,266) |
| District's covered-employee payroll | \$ 10,253,079 | \$ 10,087,163 | \$ 9,487,790 | \$ 9,549,298 | \$ 8,646,308 | \$ 8,730,152 |
| District's proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll | (15.56%) | (11.10%) | (5.00%) | (6.90%) | (76.37%) | (74.69%) |
| Plan fiduciary net position as a percentage of total pension liability | 102.20% | 101.53% | 100.66% | 99.01% | 110.46% | 111.48% |

* Information is presented only for the years available.

See Independent Auditor's Report.

**HANNIBAL CENTRAL SCHOOL DISTRICT
SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND REAL PROPERTY TAX LIMIT - GENERAL FUND
For the Year Ended June 30, 2020**

Change from Adopted Budget to Revised Budget

| | |
|--------------------------------|----------------------|
| Adopted Budget | \$ 34,216,000 |
| Add: Prior Year's Encumbrances | <u>840,276</u> |
| Original Budget | <u>35,056,276</u> |
| Add: Donations | <u>1,000</u> |
| Final Budget | <u>\$ 35,057,276</u> |

Section 1318 of Real Property Tax Law Limit Calculation

| | |
|--|----------------------|
| 2020-21 Voter-Approved Expenditure Budget | <u>\$ 35,210,000</u> |
| Maximum Allowed (4% of 2020-21 Budget) | <u>\$ 1,408,400</u> |
| General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law : | |
| Unrestricted Fund Balance: | |
| Assigned Fund Balance | \$ 3,127,708 |
| Unassigned Fund Balance | <u>1,365,133</u> |
| Total Unrestricted Fund Balance | <u>4,492,841</u> |
| Less: | |
| Appropriated Fund Balance | 2,684,406 |
| Encumbrances Included in Committed and Assigned Fund Balance | <u>443,302</u> |
| Total adjustments | <u>3,127,708</u> |
| General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law | <u>\$ 1,365,133</u> |
| Actual Percentage | 3.9% |

See Independent Auditor's Report.

HANNIBAL CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2020

| PROJECT TITLE | Original Authorization | Revised Authorization | Expenditures | | Unexpended Balance | Methods of Financing | | Fund Balance June 30, 2020 |
|----------------------------|---------------------------|--------------------------|----------------|-----------------|-----------------------|----------------------|--------------|----------------------------------|
| | | | Prior Years | Current Year | | Local Sources | Total | |
| 2017 District Wide Project | \$ 42,000,000 | \$ 42,000,000 | \$ 3,966,605 | \$ 13,280,926 | \$ 24,752,469 | \$ 6,211,976 | \$ 6,211,976 | \$ (11,035,555) |

HANNIBAL CENTRAL SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
For the Year Ended June 30, 2020

| | |
|--|----------------------|
| Capital Assets, Net | \$ 60,315,550 |
| Deduct: | |
| Bond Anticipation Notes Payable | 14,000,000 |
| Serial Bonds Payable | 14,055,000 |
| Less: Unspent Proceeds of Serial Bonds and BAN | (3,821,522) |
| Less: Deferred Charges on Advance Refundings | (15,716) |
| Add: Deferred Premium | <u>72,098</u> |
| | <u>24,289,860</u> |
| Net Investment in Capital Assets | <u>\$ 36,025,690</u> |

See Independent Auditor's Report.

D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
315-336-9220 Fax: 315-336-0836

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Education
Hannibal Central School District

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 Hannibal Central School District, as of and for the year ended June 30, 2020, 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 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hannibal Central School District's internal control over financial reporting (internal control) as a basis for designing 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 Hannibal Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hannibal Central School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting 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 financial reporting 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 Hannibal Central 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 financial statements. 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 purposes.

D'Arcangelo & Co., LLP

October 14, 2020

Rome, New York

D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education
Hannibal Central School District

Report on Compliance for Each Major Federal Program

We have audited Hannibal Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hannibal Central School District's major federal programs for the year ended June 30, 2020. Hannibal Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Hannibal Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Hannibal Central School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hannibal Central 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 Hannibal Central School District's internal control over compliance.

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

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

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

D'Arcangelo & Co., LLP

October 14, 2020

Rome, New York

HANNIBAL CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Agency or Pass-through Number</u> | <u>Current Year Expenditures</u> | <u>Expenditures To Subrecipients</u> |
|--|------------------------------------|--|--------------------------------------|--|
| <u>U.S. Department of Agriculture</u> | | | | |
| (Passed Through the New York State Education Department - Pass through number 460701040000) | | | | |
| Child Nutrition Cluster | | | | |
| School Breakfast Program | 10.553 | N/A | \$ 226,823 | \$ |
| National School Lunch Program | 10.555 | N/A | 498,171 | |
| Snack Program | 10.555 | N/A | 3,243 | |
| Cash Assistance Subtotal | | | 728,237 | |
| Food Donation (Noncash) | 10.555 | N/A | 65,229 | |
| Total U.S. Department of Agriculture (Total Child Nutrition Cluster) | | | 793,466 | |
| <u>U.S. Department of Education</u> | | | | |
| (Passed Through New York State Department of Education) | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-19-2340 | 13,937 | |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-20-2340 | 478,567 | |
| School Improvement Grants | 84.010 | 0011-19-2056 | 136,341 | |
| Total | | | 628,845 | |
| Special Education Cluster (IDEA) | | | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 0032-20-0712 | 377,089 | |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | 0033-20-0712 | 17,878 | |
| Total Special Education Cluster (IDEA) | | | 394,967 | |
| Title IV- SSAE Allocation | 84.424 | 0204-20-2340 | 4,642 | |
| Rural Education, Title VB | 84.358 | 0006-20-2340 | 24,673 | |
| Improving Teacher Quality State Grants (Title II A) | 84.367 | 0147-19-2340 | 79,637 | |
| Total U.S. Department of Education | | | 1,132,764 | |
| <u>Total Federal Financial Assistance</u> | | | <u>\$ 1,926,230</u> | <u>\$</u> |

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

**HANNIBAL CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020**

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying Schedule of Expenditures of Federal Awards represents all Federal awards administered by the Hannibal Central School District. The School District's organization is defined in Note 1 to the School District's financial statements.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Hannibal Central School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Use of Subrecipients

There were no awards passed through to subrecipients.

Food Donation

Nonmonetary assistance is reported in the schedule at fair market value of the food commodities received. At June 30, 2020, the School District had food commodities totaling \$50,019 in inventory.

De Minimis Indirect Cost Rate

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HANNIBAL CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2020

Summary of Auditor's Results

| | | |
|--------------|--|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other significant deficiencies reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major Federal programs? | No |
| (d)(1)(iv) | Were there any other significant deficiencies reported for major Federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | <u>U.S. Department of Agriculture</u> Nutritional Cluster: CFDA #10.553 School Breakfast Program CFDA #10.555 National School Lunch program |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

(Continued)

**HANNIBAL CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2020**

Findings – Financial Statement Audit

None noted.

Findings and Questioned Costs – Major Federal Award Programs

None noted.

HANNIBAL CENTRAL SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2020

Findings – Financial Statement Audit

None noted.

Findings and Questioned Costs – Major Federal Award Programs

2019-01 Federal Uniform Guidance Policies and Procedures

Condition: The District currently has effective procedural controls in place over the management of Federal awards as concluded through the testing of grant expenditures. However, key changes under the Uniform Guidance expanded the rules regarding the documentation of internal controls over Federal Awards to require that they be documented in writing in the District's policies and that management should evaluate and document the results of ongoing monitoring to identify internal control issues. The written internal controls should specifically address each of the applicable twelve (12) compliance requirements of the Federal award programs.

Criteria: On December 26, 2014 the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, more commonly referred to as the "Uniform Guidance," became effective for all Federal awards, whether the funds are provided directly from a Federal agency or passed-through another state or local agency.

Status: The District developed policies and procedures for the new Uniform Guidance. Policies and procedures are documented and monitored to ensure internal controls over compliance are working effectively.