

**AUDITED  
BASIC FINANCIAL STATEMENTS**

**IROQUOIS CENTRAL SCHOOL DISTRICT**  
**ELMA, NEW YORK**

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**JUNE 30, 2017**

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**IROQUOIS CENTRAL SCHOOL DISTRICT**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b><u>FINANCIAL SECTION</u></b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-13
<b>Basic Financial Statements:</b>	
Statement of Net Position	14
Statement of Activities	15
Balance Sheet - Governmental Funds	16-17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position – Fiduciary Funds	21
Statement of Changes in Net Position – Fiduciary Funds	22
Notes to Basic Financial Statements	23-47
<b>Required Supplementary Information:</b>	
Schedule of the District's Proportionate Share of Net Pension Liability (Asset) – Employees' and Teachers' Retirement System	48
Schedule of District's Pension Contributions – Employees' and Teachers' Retirement Systems	49
Budgetary Comparison Schedule for the General Fund	50-51
Note to Required Supplementary Information	52
<b><u>SUPPLEMENTARY INFORMATION</u></b>	
Combining Balance Sheet – Nonmajor Governmental Funds	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	54

## **IROQUOIS CENTRAL SCHOOL DISTRICT**

### **TABLE OF CONTENTS** **(Continued)**

	<b><u>Page</u></b>
Schedule of Change from Adopted Budget to Final Budget - General Fund and the Real Property Tax Limit	55
Schedule of Project Expenditures - Capital Projects Fund	56
Schedule of Net Investment in Capital Assets	57

### **FEDERAL FINANCIAL ASSISTANCE**

Schedule of Expenditures of Federal Awards	58
Notes to Schedule of Expenditures of Federal Awards	59

### **INTERNAL CONTROL AND COMPLIANCE**

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 <i>Government Auditing Standards</i>	60-61
Independent Auditor's Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance	62-63
Schedule of Findings and Questioned Costs	64-65
Schedule of Prior Year Findings and Questioned Costs	66

### **EXTRACLASSROOM ACTIVITY**

Independent Auditor's Report on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position of the Extraclassroom Activity Funds	67-68
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position of the Extraclassroom Activity Funds	69
Note to Financial Statement	70

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

The President and Members of the  
Board of Education of  
Iroquois Central School District  
Elma, 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 Iroquois Central School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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

## **Emphasis of Matter**

As stated in Note 1, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

## **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 District's basic financial statements. The supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, 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 supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards 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 September 20, 2017 on our consideration of the 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 20, 2017

## **Management's Discussion and Analysis Iroquois Central School District Fiscal Year ended June 30, 2017**

This section of Iroquois Central School District's (the District) annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

Assets exceeded liabilities by \$46,736,088 (\$46,463,631 – in 2016) at the close of the year. The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, and vehicles), less any related debt (general obligation bonds) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The investment in capital assets is governed by its long-term capital plan which seeks to maintain the facilities in a safe and efficient manner as noted by the District's current capital project to improve facilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. These assets include reserve accounts set aside for specific purposes governed by statutory law and commissioner's regulations. These reserves include the debt service reserve which is set aside for the repayment of bonds issued to finance capital projects, the capital projects reserve which is used for future renovations in concert with the District's long term capital plan, employee benefit accrued liability reserve which is restricted to pay accumulated sick and vacation time, retirement contribution reserve which is restricted to pay all or any portion of the amount payable to the New York State and Local Employees Retirement System, insurance reserve which is to fund certain uninsured losses, claims, actions or judgments, repair reserve to pay for certain unanticipated repairs to capital improvements or equipment, tax certiorari reserve to pay judgments and claims in tax certiorari proceedings, unemployment reserve to reimburse the State Unemployment Insurance Fund for payments made to claimants, and the workers' compensation reserve to pay workers' compensation benefits.

Net position increased by \$272,457. This increase is a result of a current year change in net position of \$272,457.

### **Overview of the Financial Statements**

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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

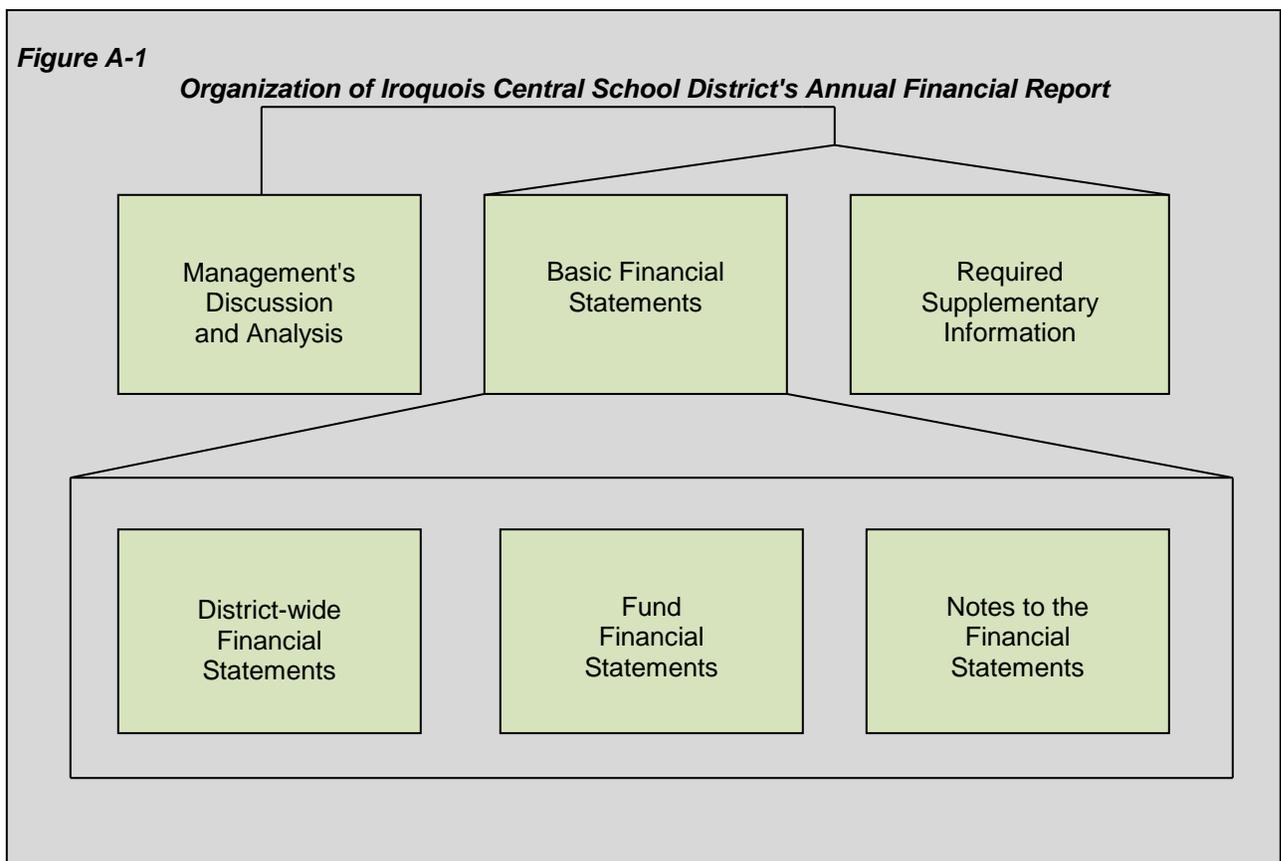


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2****Major Features of the District-wide and Fund Financial Statements**

		Fund Financial Statements	
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	Statement of Net Position – Fiduciary Funds <ul style="list-style-type: none"> <li>• Statement of Changes in Net Position – Fiduciary Fund</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out-flow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

## **District-wide Statements**

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

## **Fund Financial Statements**

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

- Some funds are required by state law.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information reported on the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

### **Financial Analysis of the District as a Whole**

District revenues increased by 3.72% or approximately \$1,729,000 in fiscal year 2017 (increase of 3.84% or approximately \$1,720,000 in 2016). The increase in revenues is largely due to an increase in state aid. State and federal aid increased by approximately \$1,630,000 or 10.98% (increase of approximately \$663,000 or 4.67% in 2016) as a result of an overall increase in amounts available to school districts. Taxes and related items increased approximately \$235,000 or .84% over 2016 as a result of a .81% tax increase, and an increase in PILOT agreement revenue.

Program expenses increased \$1,338,513 or 5.39% (increase of \$776,698 or 3.23% in 2016). General support including administrative costs, central services, capital project and building maintenance cost increased \$583,240 or 12.16% (decrease \$174,803 or -3.52% in 2016). Employee benefits increased \$310,801 or 2.91%. The majority of this increase is a result of increases to health insurance premiums.

Total salaries increased \$602,214 or 2.62% as a combined result of employee retirements and contractual salary increases (increase of \$690,068 or 3.09% in 2016). Transportation expenditures increased by \$143,000 or 4.98% (decrease by \$30,617 - or -1.30% in 2016). The increase is a result of contractual obligations.

Total fund balances for the governmental funds decreased from \$17,390,581 to \$17,188,493 - as further described below:

- Real property taxes increased \$226,025 or .81% (\$918,922 or 3.41% in 2016)
- Spending across all governmental funds increased \$3,007,654 or 6.54% during 2017 (increased \$642,753 or 1.42% during 2016). The increase occurred predominantly in general support, instruction, employee benefits and capital.
- \$1,632,446 of fund balance in the general fund is an employee benefit accrued liability reserve to be used for payment of accumulated sick and vacation time earned by employees and payable upon retirement (\$1,793,467 in 2016).
- The District funded its capital reserve by \$1,703,553 (\$226,237 in 2016).
- The District also has \$1,961,077 in unassigned fund balance in the general fund, excluding the bookstore unassigned fund balance, and has appropriated \$1,773,612 which was set-aside for the reduction of 2016-2017 property tax levy (\$1,773,612 was designated in 2016).

Figure A-3

**Condensed Statement of Net Position**  
(in thousands of dollars)

	Governmental Activities and Total District			Total Percentage Change
	2017	2016	2015	2017-2015
Current and other assets	\$ 19,693	\$ 19,983	\$ 19,600	0.47%
Capital assets not being depreciated	2,762	1,531	882	213.15%
Capital assets, net of accumulated depreciation	30,408	31,185	32,147	-5.41%
TRS pension asset	-	11,118	11,961	-100.00%
Total assets	<u>52,863</u>	<u>63,817</u>	<u>64,590</u>	<u>-18.16%</u>
Deferred outflow of resources	<u>12,824</u>	<u>5,160</u>	<u>3,327</u>	<u>285.45%</u>
Other liabilities	2,505	2,592	3,277	-23.56%
Long-term liabilities	<u>15,762</u>	<u>15,768</u>	<u>14,074</u>	<u>11.99%</u>
Total liabilities	<u>18,267</u>	<u>18,360</u>	<u>17,351</u>	<u>5.28%</u>
Deferred inflow of resources	<u>685</u>	<u>4,154</u>	<u>8,213</u>	<u>-91.66%</u>
Net investment in capital assets	23,276	21,995	21,613	7.69%
Restricted for:				
Capital projects	2,213	6,308	6,274	-64.73%
Debt service	332	327	326	1.84%
Employee benefit accrued liability	1,632	1,793	1,852	-11.88%
Insurance	210	210	210	0.00%
Repairs	953	987	1,021	-6.66%
Retirement Contributions	916	1,015	1,165	-21.37%
Tax Certiorari	669	668	168	298.21%
Unemployment Insurance	604	613	643	-6.07%
Workers' Compensation	528	577	626	-15.65%
Unrestricted	<u>15,403</u>	<u>11,970</u>	<u>8,455</u>	<u>82.18%</u>
Total net assets	<u>\$ 46,736</u>	<u>\$ 46,463</u>	<u>\$ 42,353</u>	<u>10.35%</u>

Figure A-4

*Changes in Net Position  
(in thousands of dollars)*

	Governmental Activities and Total District			Total Percentage Change
	2017	2016	2015	2015-2017
<b>Revenues:</b>				
Real property taxes	\$ 28,069	\$ 27,843	\$ 26,923	4.26%
Real property tax items	210	201	267	-21.35%
Non-property taxes	2,635	2,640	2,644	-0.34%
Charges for services	239	296	236	1.27%
Use of money and property	90	87	81	11.11%
Sale of property	19	11	35	-45.71%
Other miscellaneous revenues	282	368	215	31.16%
State and federal aid	16,478	14,848	14,185	16.16%
School lunch	215	217	203	5.91%
School store	21	18	20	5.00%
Total revenues	<u>48,258</u>	<u>46,529</u>	<u>44,809</u>	<u>7.70%</u>
<b>Expenses:</b>				
General support	6,548	5,650	5,519	18.64%
Instruction	35,500	31,493	30,048	18.14%
Pupil transportation	3,014	2,871	2,841	6.09%
Debt service	260	286	285	-8.77%
School lunch	391	410	399	-2.01%
School store	19	15	23	-17.39%
Home and community	7	8	6	16.67%
Depreciation	1,707	1,685	1,906	-10.44%
Total expenses	<u>47,446</u>	<u>42,418</u>	<u>41,027</u>	<u>15.65%</u>
Changes in net assets	<u>\$ 812</u>	<u>\$ 4,111</u>	<u>\$ 3,782</u>	<u>-78.53%</u>

## Governmental Activities

This section presents the cost of nine major District activities: general support, instruction, pupil transportation, interest, home and community, school lunch, school store, and depreciation. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

**Figure A-5**

**Net Cost of Governmental Activities**  
(in thousands of dollars)

	Total Cost of Services			Percentage Change	Net Cost of Services			Percentage Change
	2017	2016	2015	2015-2017	2017	2016	2015	2015-2017
General support	\$ 6,548	\$ 5,650	\$ 5,519	18.64%	\$ 6,391	\$ 5,502	\$ 5,366	19.10%
Instruction	35,500	31,493	30,048	18.14%	28,017	24,357	23,405	19.71%
Pupil transportation	3,014	2,871	2,841	6.09%	1,071	976	909	17.82%
Interest	260	286	285	-8.77%	260	286	285	-8.77%
School lunch	391	410	399	-2.01%	(36)	(6)	1	-3700.00%
School store	19	15	23	-17.39%	(2)	(3)	3	-166.67%
Home and Community	7	8	6	16.67%	7	8	6	16.67%
Depreciation	1,707	1,685	1,906	-10.44%	1,707	1,684	1,906	-10.44%
Total	<u>\$ 47,446</u>	<u>\$ 42,418</u>	<u>\$ 41,027</u>	<u>15.65%</u>	<u>\$ 37,415</u>	<u>\$ 32,804</u>	<u>\$ 31,881</u>	<u>17.36%</u>

District operations are supported predominately by property taxes and State and Federal aid, of which a majority is not specifically allocated to individual programs. The state aid the District receives cannot be completely allocated to individual categories. Comparisons from year to year will fluctuate with the formula's the State uses to distribute aid.

### Financial Analysis of The District's Funds

The District continues to utilize reserve funds to the extent possible in an effort to position itself against future reductions in state aid and the tax cap that was instituted in 2011. These reserve funds have been established to fund increases in costs in specific areas in the future thereby eliminating the need to raise taxes to fund these increasing costs.

The District's continued conservative budgeting approach and strong fiscal management has resulted in the District's ability to improve the fiscal health of the District overall. The District was able to fund its reserves in the current year by \$1,703,553 (\$1,703,553 Capital Project Resreve). The reserves established and funded by the District will support the long-term financial health of the District.

### General Fund Budgetary Highlights

The total original revenue budget for 2017 was \$45,774,128 and actual revenue exceeded the amount budgeted by \$839,897 or 1.83%.

Actual expenditures and other financing uses, exclusive of carryover encumbrances, were less than the final amended budget by \$3,065,247 (\$2,786,056 in 2016). The largest differences between actual and final budgeted expenditures occurred with central services, employee benefits, and teaching. Differences are due to conservative budgeting and conscious effort to manage expenses to allow funds to be available to fund reserves.

**Figure A-6**

**Revenues, Expenditures and Changes in Fund Balances - Governmental Major Funds**  
(in thousands of dollars)

	2017		
	Revenues	Expenditures	Fund Balances
General Fund	\$ 46,643	\$ 51,249	\$ 11,867
Special Aid Fund	1,276	1,276	-
Capital Fund	6,364	1,996	4,886
	2016		
	Revenues	Expenditures	Fund Balances
General Fund	\$ 44,827	\$ 44,138	\$ 16,473
Special Aid Fund	1,284	1,284	-
Capital Fund	1,683	1,296	518
	2015		
	Revenues	Expenditures	Fund Balances
General Fund	\$ 43,391	\$ 43,126	\$ 15,784
Special Aid Fund	1,283	1,283	-

### Capital Asset and Debt Administration

Current year additions of \$2,454,531 included construction in progress related to the capital project (\$1,525,173), 6 new buses and 1 new van (\$536,768), land and building improvements (\$372,690), and various equipment purchases (\$19,900). These additions were offset by depreciation of \$1,707,071.

**Figure A-7**

**Capital Assets Net of Depreciation**  
(in thousands of dollars)

	Governmental Activities and Total District			Percentage Change
	2017	2016	2015	2015-2017
Land	\$ 872	\$ 872	872	0.00%
Construction work in progress	1,890	659	9	20900.00%
Land improvements	811	758	893	-9.18%
Buildings and building improvements	26,787	27,618	28,512	-6.05%
Furniture, fixtures and equipment	1,123	1,213	1,250	-10.16%
Vehicles	1,687	1,596	1,493	12.99%
Total	<u>\$ 33,170</u>	<u>\$ 32,716</u>	<u>\$ 33,029</u>	<u>0.43%</u>

**Long-Term Obligations**

At June 30, 2017 the District had \$9,894,000 in bonds outstanding, with \$1,499,000 due within one year (\$10,721,800 was outstanding as of June 30, 2016). Outstanding compensated absences payable were \$2,153,134 with \$215,313 due within one year (\$1,979,038 outstanding at June 30, 2016).

**Figure A-8**

**Outstanding Long-Term Obligations**  
(in thousands of dollars)

	Governmental Activities and Total District			Percentage Change
	2017	2016	2015	2015-2017
Serial bonds payable	\$ 9,894	\$ 10,722	\$ 11,503	-13.99%
Compensated absences	2,153	1,979	1,725	24.81%
Post employment benefits	961	309	282	240.78%
Pension liabilities	2,754	2,758	564	388.30%
	<u>\$ 15,762</u>	<u>\$ 15,768</u>	<u>\$ 14,074</u>	<u>11.99%</u>

### **Factors Bearing on the District's Future**

The District is striving to achieve financial stability in the face of many financial challenges. These challenges arise from several factors, including State budget issues, the elimination of stimulus funds in the fiscal year ending 2015 and the Property Tax Cap legislation. The state of the economy continues to play a significant role in the required retirement system payments in the coming years and health insurance rates are expected to continue to rise.

These issues and concerns require management to plan carefully and prudently to provide the educational resources necessary to meet student needs over the next several years.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Iroquois Central School District, P.O. Box 32, Elma, NY 14059-0032.

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**IROQUOIS CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 16,845,291	\$ 17,377,350
State and federal aid receivable	1,141,478	917,832
Accounts receivable	3,986	102,241
Due from other governments	1,637,265	1,525,550
Due from fiduciary funds	25,141	25,062
Inventory	40,399	34,859
Capital assets not being depreciated	2,762,417	1,531,182
Capital assets, net of accumulated depreciation	30,407,650	31,185,363
Net pension asset	-	11,117,704
	<u>52,863,627</u>	<u>63,817,143</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension outflows	12,715,027	5,160,435
Deferred postemployment outflows	108,735	-
	<u>12,823,762</u>	<u>5,160,435</u>
<b>LIABILITIES</b>		
Accounts payable	171,412	14,331
Accrued liabilities	31,312	41,650
Unearned revenue	11,793	12,049
Due to other governments	1,803	1,674
Due to retirement systems	2,288,747	2,522,609
Long-term liabilities:		
Due and payable within one year	1,714,313	1,589,704
Due and payable after one year	14,047,494	14,178,163
	<u>18,266,874</u>	<u>18,360,180</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension inflows	653,950	4,153,767
Deferred postemployment inflows	30,477	-
	<u>684,427</u>	<u>4,153,767</u>
<b>NET POSITION</b>		
Net investment in capital assets	23,276,067	21,994,745
Restricted for:		
Capital projects	2,213,036	6,307,716
Debt service	332,220	327,061
Employee benefit accrued liability	1,632,446	1,793,467
Insurance	209,889	209,671
Repairs	952,822	986,631
Retirement contribution	916,367	1,015,429
Tax certiorari	668,734	668,113
Unemployment insurance	604,330	613,611
Workers' compensation	527,598	576,998
Unrestricted	15,402,579	11,970,189
	<u>46,736,088</u>	<u>46,463,631</u>
Total net position	\$ 46,736,088	46,463,631

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Functions / Programs	Expenses	Indirect Cost Allocation	Program Revenues		2017	2016
			Charges for Services	Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position	Net (Expense) Revenues and Changes in Net Position
Governmental activities:						
General support	\$ 5,381,033	\$ 1,166,796	\$ 156,637	\$ -	\$ (6,391,192)	\$ (5,501,683)
Instruction	26,162,524	9,337,426	82,499	7,400,836	(28,016,615)	(24,356,945)
Pupil transportation	2,243,588	770,222	-	1,943,310	(1,070,500)	(975,985)
Interest	260,386	-	-	-	(260,386)	(286,022)
School lunch	390,774	-	215,154	211,512	35,892	6,202
School store	18,479	-	20,914	-	2,435	2,895
Home and community	7,252	-	-	-	(7,252)	(7,921)
Unallocated employee benefits	11,274,444	(11,274,444)	-	-	-	-
Unallocated depreciation	1,707,071	-	-	-	(1,707,071)	(1,684,837)
Total governmental activities	\$ <u>47,445,551</u>	\$ <u>-</u>	\$ <u>475,204</u>	\$ <u>9,555,658</u>	<u>(37,414,689)</u>	<u>(32,804,296)</u>
General revenues:						
Real property taxes					28,068,629	27,842,604
Real property tax items					209,999	201,318
Non-property taxes					2,634,223	2,639,911
Use of money and property					90,026	86,910
State and federal aid not restricted for a specific purpose					6,922,717	5,764,651
Other miscellaneous revenues					301,565	379,977
Total general revenues					<u>38,227,159</u>	<u>36,915,371</u>
Change in net position					812,470	4,111,075
Net position- beginning of year, as previously stated					46,463,631	42,352,556
Restatement of net position - see note 6					<u>(540,013)</u>	<u>-</u>
Net position - beginning of year, as restated					<u>45,923,618</u>	<u>42,352,556</u>
Net position - end of year					\$ <u>46,736,088</u>	\$ <u>46,463,631</u>

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017**

					<u>2017</u>	<u>2016</u>
	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 11,504,305	\$ 136,017	\$ 4,791,128	\$ 413,841	\$ 16,845,291	\$ 17,377,350
State and federal aid receivable	449,374	580,043	100,000	12,061	1,141,478	917,832
Accounts receivable	3,986	-	-	-	3,986	102,241
Due from other governments	1,637,265	-	-	-	1,637,265	1,525,550
Due from other funds	729,412	-	-	1,619	731,031	2,312,905
Inventory	28,940	-	-	11,459	40,399	34,859
Total assets	<u>\$ 14,353,282</u>	<u>\$ 716,060</u>	<u>\$ 4,891,128</u>	<u>\$ 438,980</u>	<u>\$ 20,399,450</u>	<u>\$ 22,270,737</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 168,271	\$ -	\$ 3,141	\$ -	\$ 171,412	\$ 14,331
Accrued liabilities	27,583	-	-	3,729	31,312	41,650
Unearned revenue	-	11,793	-	-	11,793	12,049
Due to other governments	1,713	-	-	90	1,803	1,674
Due to other funds	-	704,267	1,619	4	705,890	2,287,843
Due to retirement systems	2,288,747	-	-	-	2,288,747	2,522,609
Total liabilities	<u>2,486,314</u>	<u>716,060</u>	<u>4,760</u>	<u>3,823</u>	<u>3,210,957</u>	<u>4,880,156</u>
<b>FUND BALANCE</b>						
Nonspendable	28,940	-	-	11,459	40,399	34,859
Restricted	7,725,222	-	-	332,220	8,057,442	12,498,697
Assigned	2,144,633	-	4,886,368	91,478	7,122,479	2,929,428
Unassigned	1,968,173	-	-	-	1,968,173	1,927,597
Total fund balances	<u>11,866,968</u>	<u>-</u>	<u>4,886,368</u>	<u>435,157</u>	<u>17,188,493</u>	<u>17,390,581</u>
Total liabilities and fund balances	<u>\$ 14,353,282</u>	<u>\$ 716,060</u>	<u>\$ 4,891,128</u>	<u>\$ 438,980</u>	<u>\$ 20,399,450</u>	<u>\$ 22,270,737</u>

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**  
**(Continued)**

	<u>2017</u>	<u>2016</u>
Amounts reported for governmental activities in the statement of net position (page 14) are different because:		
Total fund balances - governmental funds (page 16)	17,188,493	17,390,581
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation.	33,170,067	32,716,545
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Serial bonds payable	(9,894,000)	(10,721,755)
Compensated absences	(2,153,134)	(1,979,083)
Net postemployment benefit obligations	(961,171)	(309,066)
Net pension liabilities	(2,753,502)	8,359,741
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds:		
Net postemployment deferred outflows and inflows of resources	78,258	-
Net pension deferred outflows and inflows of resources	<u>12,061,077</u>	<u>1,006,668</u>
Net position of governmental activities	<u>\$ 46,736,088</u>	<u>\$ 46,463,631</u>

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

				<u>2017</u>		<u>2016</u>	
	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>							
Real property taxes	\$ 28,068,629	\$ -	\$ -	\$ -	\$ 28,068,629	\$ 27,842,604	
Real property tax items	209,999	-	-	-	209,999	201,318	
Non-property taxes	2,634,223	-	-	-	2,634,223	2,639,911	
Charges for services	239,136	-	-	-	239,136	296,076	
Use of money and property	84,867	-	-	5,159	90,026	86,910	
Sale of property and compensation for loss	19,167	-	-	-	19,167	30,291	
Miscellaneous local sources	282,398	-	-	-	282,398	368,649	
State sources	14,958,389	340,377	-	8,621	15,307,387	13,746,541	
Federal sources	117,217	850,880	-	202,891	1,170,988	1,101,305	
School lunch	-	-	-	215,154	215,154	216,627	
School store	20,914	-	-	-	20,914	17,598	
Total revenues	<u>46,634,939</u>	<u>1,191,257</u>	<u>-</u>	<u>431,825</u>	<u>48,258,021</u>	<u>46,547,830</u>	
<b>EXPENDITURES</b>							
Current:							
General support	5,381,033	-	-	-	5,381,033	4,797,793	
Instruction	25,017,699	1,175,037	-	-	26,192,736	24,854,223	
Pupil transportation	2,279,515	101,314	-	-	2,380,829	2,320,491	
Home and community services	7,252	-	-	-	7,252	7,921	
School lunch	-	-	-	396,258	396,258	424,545	
School store	18,479	-	-	-	18,479	14,703	
Employee benefits	11,007,680	-	-	-	11,007,680	10,696,879	
Debt service:							
Principal	-	-	-	1,391,800	1,391,800	1,318,000	
Interest	-	-	-	260,386	260,386	286,022	
Capital outlay:							
General support	-	-	818,664	-	818,664	187,852	
Instruction	-	-	605,382	-	605,382	566,643	
Pupil transportation	-	-	563,610	-	563,610	541,383	
Total expenditures	<u>43,711,658</u>	<u>1,276,351</u>	<u>1,987,656</u>	<u>2,048,444</u>	<u>49,024,109</u>	<u>46,016,455</u>	

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>2017 Total Governmental Funds</u>	<u>2016 Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	2,923,281	(85,094)	(1,987,656)	(1,616,619)	(766,088)	531,375
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	7,616	85,094	5,800,000	1,652,186	7,544,896	2,730,155
Interfund transfers out	(7,537,280)	-	(7,616)	-	(7,544,896)	(2,730,155)
Serial bond proceeds	-	-	564,000	-	564,000	536,800
Total other financing sources (uses)	<u>(7,529,664)</u>	<u>85,094</u>	<u>6,356,384</u>	<u>1,652,186</u>	<u>564,000</u>	<u>536,800</u>
Net change in fund balances	(4,606,383)	-	4,368,728	35,567	(202,088)	1,068,175
Fund balances - beginning	<u>16,473,351</u>	<u>-</u>	<u>517,640</u>	<u>399,590</u>	<u>17,390,581</u>	<u>16,322,406</u>
Fund balances - ending	<u>\$ 11,866,968</u>	<u>\$ -</u>	<u>\$ 4,886,368</u>	<u>\$ 435,157</u>	<u>\$ 17,188,493</u>	<u>\$ 17,390,581</u>

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>
Amounts reported for governmental activities in the Statement of Activities (page 15) are different because:		
Net change in fund balances - total governmental funds (page 19).	\$ (202,088)	\$ 1,068,175
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$2,160,593) exceeded depreciation expense (\$1,707,071) in the current period.	453,522	(293,304)
Change in proportionate share of net pension asset (liability) reported in the Statement of Net Position 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	(11,113,243)	(3,037,310)
Change in proportionate share of net deferred pension inflow and outflow reported in the Statement of Net Position during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems subsequent to the measurement date 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	11,054,409	5,892,651
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net position. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of the financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:		
Proceeds of serial bonds	(564,000)	(536,800)
Repayment of serial bonds	1,391,800	1,318,000
Change in compensated absences	(174,096)	(253,849)
Change in postemployment benefit obligations	(112,092)	(27,525)
In the Statement of Activities, the loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources and therefore are not reported as revenues or expenditures in the governmental funds.	-	(18,963)
On the statement of activities, the actual and projected long term expenditures for postemployment benefit obligations are reported whereas on the governmental funds only the actual expenditures are recorded for postemployment benefits.	<u>78,258</u>	<u>-</u>
Change in net position of governmental activities	<u>\$ 812,470</u>	<u>\$ 4,111,075</u>

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2017**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 329,181
Cash and cash equivalents - restricted	382,755	119,984
Total assets	<u>382,755</u>	<u>449,165</u>
<b>LIABILITIES</b>		
Agency liabilities	-	304,040
Due to other funds	-	25,141
Extraclassroom activity balances	-	119,984
Total liabilities	<u>-</u>	<u>\$ 449,165</u>
<b>NET POSITION</b>		
Restricted for scholarships	<u>\$ 382,755</u>	

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2017**

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	<b>Private Purpose Trust</b>
	<hr/>
<b>ADDITIONS</b>	
Gifts and donations	\$ 313,425
Investment income	328
	<hr/> 313,753
<b>DEDUCTIONS</b>	
Scholarships	<hr/> 6,925
Change in net position	306,828
Net position - beginning	<hr/> 75,927
Net position - ending	<hr/> <hr/> \$ 382,755

See notes to basic financial statements.

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**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

The scope of activities included within the accompanying financial statements are those transactions which comprise District operations and are governed by, or significantly influenced by, the Board of Education. Essentially, the primary function of the District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function. The financial reporting entity includes all funds, account groups, functions and organizations over which the District officials exercise oversight responsibility.

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

**1. INCLUDED IN THE REPORTING ENTITY**

The Extraclassroom Activity Funds of the District represent funds of the students within the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to financial transactions and designation of student management. The District accounts for assets held as an agent for various student organizations in the Agency Fund of the District.

**2. JOINT VENTURE**

The District is a component school district of the Erie #2-Chataqua-Catteraugus Board of Cooperative Education Services (BOCES). The BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs which provide educational and support activities.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school district enrollment as defined in Education Law Section 1950 (4)(b)(7). BOCES charges districts for program costs based on participation and for administrative costs. During the year ended June 30, 2017, the District was billed \$5,187,969 for BOCES administrative and program costs. Financial statements for the BOCES are available from the BOCES administrative office at 8685 Erie Road, Angola, NY 14006.

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

The BOCES has initiated a capital project. The District is billed annually for their proportionate share the cost of the capital project as part of their BOCES administrative costs. During the year ended June 30, 2017, the District was billed \$658,859 for their proportionate share of the cash flow needs for the project.

**B. BASIS OF PRESENTATION**

**1. DISTRICT-WIDE STATEMENTS:**

While separate district-wide and fund financial statements are presented, they are interrelated. The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall District 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 property taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include specific operating and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2. FUND FINANCIAL STATEMENTS:

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

The District reports the following major governmental funds:

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

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

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Additionally, the District reports the following fund types:

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

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

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the district-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the district-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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 the timing of related cash flows. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, state aid, grants and donations. Property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from state aid recognized in the fiscal year it is appropriated by the State. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within one year of the end of the current fiscal period with the exception of property taxes, which the period of availability is sixty days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The Agency Fund has no measurement focus but utilized the accrual basis of accounting for reporting its assets and liabilities.

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

**1. CASH AND CASH EQUIVALENTS**

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

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

1. RESTRICTED ASSETS

Certain assets are classified on the balance sheet as restricted because their use is limited. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund, are restricted specifically for those purposes. Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment, are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

2. RECEIVABLES

Accounts receivables are carried at their net realizable value. Accounts are written-off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles require the establishment of an allowance for uncollectible accounts, however, no allowance for uncollectible accounts has been provided since management believes that such allowance would not be material.

3. INVENTORY

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

These assets are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

5. CAPITAL ASSETS

Capital assets, which include property and equipment are reported in the district-wide financial statements.

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2004. For assets acquired prior to June 30, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair value at the time received. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	straight-line	40 years
Building improvements	5,000	straight-line	40 years
Site improvements	5,000	straight-line	15 years
Vehicles	5,000	straight-line	15 years
Furniture and equipment	5,000	straight-line	8 years

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

6. INSURANCE

The District insures against liability for most risks including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

7. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability, and difference during the measurement period between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense and any contributions to the pension systems subsequent to the measurement date. See details of deferred pension outflows in Note 2.D. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience. See details of deferred OPEB outflows in Note 2.E.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense. See details of deferred pension inflows in Note 2.D. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the net effect of the changes of assumptions or other inputs. See details of deferred OPEB inflows in Note 2.E.

8. UNEARNED REVENUE

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

9. VESTED EMPLOYEE BENEFITS

Compensated Absences

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

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis. Upon retirement, resignation or death, employees may receive a payment or a credit to be used towards health insurance based on unused accumulated sick leave, based on contractual provisions. These payments are budgeted annually without accrual.

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end in the district-wide financial statements. The compensated absences liability is calculated based on contractually negotiated rates in effect at year end.

In the governmental fund statements only, the amount of matured vacation time is accrued within the General Fund based on expendable and available financial resources. Sick time is expensed on a pay-as-you-go basis.

**10. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES**

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 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 governmental 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 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.

**11. POSTEMPLOYMENT BENEFITS/OTHER BENEFITS**

Eligible 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 District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. The obligation of the District and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. Payments are budgeted annually without accrual and are based on the pay-as-you go method (see Note 2.E).

**12. NET POSITION FLOW ASSUMPTION**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the district-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**13. FUND BALANCE FLOW ASSUMPTIONS**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the District's fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

The District has adopted a formal spending policy, under the provisions of GASB Statement No. 54, stating the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classifications will be charged.

**14. FUND BALANCE POLICIES**

Fund balance of the District's funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Business Administrator to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**E. REVENUES AND EXPENDITURES/EXPENSES**

**1. PROGRAM REVENUES**

Amounts reported as *program revenues* include 1) charges to tax payers or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. PROPERTY TAXES**

Real property taxes are levied annually by the Board of Education no later than September 1. Taxes are collected during the period of September through November. Uncollected real property taxes are subsequently enforced by the Counties of Erie and Wyoming, in which the District is located. Uncollected real property taxes transmitted to the Counties for enforcement are paid by the Counties to the District no later than the forthcoming April 1.

**F. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**G. ACCOUNTING PRONOUNCEMENTS**

During the fiscal year ended June 30, 2017, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*; Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; Statement No. 79, *Certain External Investment Pools and Pool Participants*; Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*; and Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*.

The primary objective of Statement No. 75 is to improve accounting and financial reporting by governments, such as the District, for postemployment benefits. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The primary objective of Statement No. 77 is to require governments, such as the District, that enter into tax abatement agreements to disclose information about the tax abatement agreements that are entered into by other governments and that reduce the District's tax revenues.

The District has evaluated Statements No. 74, 78, 79, 80 and 82 and have determined that they have no impact on the District's operations.

The GASB has issued the following new pronouncements:

- Statement No. 81, *Split-Interest Agreements*, which will be effective for the year ending June 30, 2018;
- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending June 30, 2019;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2020;
- Statement No. 85, *Omnibus*, which will be effective for the year ending June 30, 2018;
- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending June 30, 2018; and
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021.

The District is currently reviewing these statements and plans on adoption, as required.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. SUBSEQUENT EVENTS**

These financial statements have not been updated for subsequent events occurring after September 20, 2017 which is the date these financial statements were available to be issued.

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. DEPOSITS AND INVESTMENTS**

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. The District funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits, time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts, and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

The District's aggregate bank balances were fully collateralized at June 30, 2017.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contract to be reserved for various purposes. Restricted cash as of year end includes \$119,984 within the Agency Fund restricted for extraclassroom activities and \$382,755 in the Private Purpose Trust Fund restricted for scholarships.

**Investment and Deposit Policy**

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits.

The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

**B. RECEIVABLES**

Significant revenues accrued by the District include the following:

Capital Projects Fund	
Grants receivable	<u>\$ 100,000</u>

State and federal aid receivable, consist of the following at June 30, 2017:

General Fund	
State aid - excess cost aid	\$ 449,374
Special Aid Fund	580,043
Capital fund	100,000
School Lunch Fund	<u>12,061</u>
Total	<u>\$ 1,141,478</u>

Due from other governments consists of the following at June 30, 2017:

General Fund	
BOCES aid	\$ 878,492
Sales Tax	680,474
Miscellaneous	<u>78,299</u>
Total	<u>\$ 1,637,265</u>

**C. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Balance <u>7/1/16</u>	Increases	Decreases	Balance <u>6/30/17</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 872,363	\$ -	\$ -	\$ 872,363
Construction work in progress	<u>658,819</u>	<u>1,525,173</u>	<u>293,938</u>	<u>1,890,054</u>

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

	<u>Balance 7/1/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/17</u>
Total capital assets not being depreciated	<u>1,531,182</u>	<u>1,525,173</u>	<u>293,938</u>	<u>2,762,417</u>
Capital assets being depreciated:				
Land improvements	3,676,627	201,554	-	3,878,181
Buildings and building improvements	48,303,718	171,136	-	48,474,854
Furniture, fixtures and equipment	3,137,105	19,900	5,984	3,151,021
Vehicles	<u>5,109,032</u>	<u>536,768</u>	<u>264,274</u>	<u>5,381,526</u>
Total capital assets, being depreciated	<u>60,226,482</u>	<u>929,358</u>	<u>270,258</u>	<u>60,885,582</u>
Less accumulated depreciation:				
Land improvements	2,919,053	148,272	-	3,067,325
Buildings and building improvements	20,684,943	1,002,625	-	21,687,568
Furniture, fixtures and equipment	1,924,371	110,070	5,984	2,028,457
Vehicles	<u>3,512,752</u>	<u>446,104</u>	<u>264,274</u>	<u>3,694,582</u>
Total accumulated depreciation	<u>29,041,119</u>	<u>1,707,071</u>	<u>270,258</u>	<u>30,477,932</u>
Total capital assets being depreciated, net	<u>31,185,363</u>	<u>(777,713)</u>	<u>-</u>	<u>30,407,650</u>
Governmental activities capital assets, net	<u>\$ 32,716,545</u>	<u>\$ 747,460</u>	<u>\$ 293,938</u>	<u>\$ 33,170,067</u>

Depreciation has not been allocated to the individual functions of the District operation as no allocation methodology has been established.

**D. PENSION OBLIGATIONS**

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

**Provisions and Administration**

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

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

The ERS 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 District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://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.

Funding Policies

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

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

At June 30, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of June 30, 2016 for TRS and March 31, 2017 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2016	March 31, 2017
Net pension liability	\$1,151,591	\$1,601,911
District's portion of the Plan's total net pension liability	0.107521%	0.017049%
Change in proportion since the prior measurement date	.000484%	(0.000134%)

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

For the year ended June 30, 2017, the District's recognized pension expense of \$1,053,553 for ERS and \$1,900,888 for TRS, respectively. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ -	\$ 40,142	\$ 374,101	\$ 243,259
Changes of assumptions	6,560,198	547,271	-	-
Net difference between projected and actual earnings on pension plan investments	2,589,383	319,967	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	9,256	419,130	32,201	4,389
District's contributions subsequent to the measurement date	<u>2,015,255</u>	<u>214,425</u>	<u>-</u>	<u>-</u>
Total	<u>\$11,174,092</u>	<u>\$ 1,540,935</u>	<u>\$ 406,302</u>	<u>\$ 247,648</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>TRS</u>	<u>ERS</u>
Year ended:		
2018	\$ 797,003	\$ 439,151
2019	797,003	439,151
2020	2,807,989	373,114
2021	2,182,313	(172,554)
2022	998,731	-
Thereafter	1,169,497	-

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2016	March 31, 2017
Actuarial valuation date	June 30, 2015	April 1, 2016
Interest rate	7.5%	7.0%
Salary scale	1.9% - 4.7%	3.8%
Decrement tables	July 1, 2009 – June 30, 2014 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.5%	1.3%

For TRS, the actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP 2014. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

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.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

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

Measurement Date	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS June 30, 2016</u>	<u>ERS March 31, 2017</u>
<b>Asset Class:</b>				
Domestic equities	37.0%	36.0%	6.1%	4.6%
International equities	18.0	14.0	7.3	6.4
Private equity	-	10.0	-	7.8
Real estate	10.0	10.0	5.4	5.8
Alternative Investments	7.0	-	9.2	-
Absolute return strategies	20.0	2.0	1.9	4.0
Opportunistic portfolio	-	3.0	-	5.9
Real assets	-	3.0	-	5.5
Bond and Mortgages	8.0	17.0	3.1	1.3
Cash	-	1.0	-	(0.3)
Inflation-indexed bonds	-	4.0	-	1.5
Total	<u>100.0%</u>	<u>100.0%</u>		

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following tables present the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the 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 (6.0% for ERS and 6.5% for TRS ) or 1-percentage point higher (8.0% for ERS and 8.5% for TRS) than the current rate :

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability/(asset)	\$15,025,127	\$1,151,591	(\$10,484,803)
ERS	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Employer's proportionate share of the net pension liability/(asset)	\$5,116,186	\$1,601,911	(\$1,369,402)

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Pension Plan Fiduciary Net Position

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

	ERS	TRS (Dollars in Thousands)	Total
Measurement date	March 31, 2017	June 30, 2016	
Employers' total pension liability	\$ 177,400,586	\$ 108,577,184	\$ 285,977,770
Plan net position	<u>168,004,363</u>	<u>107,506,142</u>	<u>275,510,505</u>
Employers' net pension liability	<u>\$ 9,396,223</u>	<u>\$ 1,071,042</u>	<u>\$ 10,467,265</u>
Ratio of Plan net position to the employers' total pension liability	94.7%	99.0%	

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$2,074,322.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$214,425.

**E. OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS (OPEB)**

Plan Description

The Iroquois Central School District administers the Iroquois Central School District Retiree Medical, Prescription Vision and Dental Plan (the Plan) as a single-employer defined benefit Other Post-employment Benefit Plan (OPEB). The Plan provides for continuation of medical, prescription vision and dental benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Employees Covered by Benefit Terms

As of June 30, 2017, the following employees were covered by the benefit terms:

Active employees not eligible to retire	359
Active employees eligible to retire	98
Retired surviving spouses	81
Retiree spouses covered	<u>21</u>
Total	<u>559</u>

The District's total OPEB liability of \$961,171 was measured as of April 1, 2017, and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary Increases	3.31%, average, including inflation
Discount Rate	3.80%
Healthcare Cost Trend Rates	5.30% of 2017, with an ultimate rate of 4.17% for 2051 and later years
Retirees' Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy.

The discount rate was based on the Fidelity Mutual General Obligation AA 20 year Bond rate as of the measurement date.

Mortality rates for active members were based on the 2015 New York State Teacher Retirement System mortality rates for active members and all active employees. Mortality rates for retirees and surviving spouses were based on the 2015 New York State Teacher Retirement System mortality base rates for service and deferred annuitants and beneficiaries, fully generational using Mortality Improvement Scale MP-2016.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

Changes in the Total OPEB Liability

Balance at July 1, 2016	\$ 849,079
<u>Changes for the year-</u>	
Service cost	32,620
Interest	28,382
Changes of benefit terms	-
Differences between expected and actual experience	118,897
Changes in assumptions or other inputs	(33,325)
Benefit payments	<u>(34,482)</u>
Net changes	<u>112,092</u>
Balance at June 30, 2017	<u>\$ 961,171</u>

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Changes of assumptions and other inputs reflect a change in the discount rate from 3.35 percent in 2016 to 3.80 percent in 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following present the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.80%) or 1 percentage point higher (4.80%) than the current discount rate.

	<u>1% Decrease (2.80%)</u>	<u>Discount Rate (3.80%)</u>	<u>1% Increase (4.80%)</u>
Total OPEB Liability	\$ <u>1,053,206</u>	\$ <u>961,171</u>	\$ <u>877,534</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (3.60%) or 1 percentage point higher (6.30%) than the current healthcare cost trend rate:

	<u>1% Decrease (4.30% to 3.60%)</u>	<u>Healthcare Cost Trend Rates (5.30% to 4.60%)</u>	<u>1% Increase (6.30% to 5.60%)</u>
Total OPEB Liability	\$ <u>849,835</u>	\$ <u>961,171</u>	\$ <u>1,092,686</u>

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

For the year ended June 30, 2017, the District recognized OPEB expense of \$34,482. At June 30, 2017, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 108,735	\$ -
Changes of assumptions	<u>-</u>	<u>30,477</u>
Total	\$ <u>108,735</u>	\$ <u>30,477</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 7,314
2019	7,314
2020	7,314
2021	7,314
2022	7,314
Thereafter	<u>41,688</u>
	\$ <u>78,258</u>

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**F. LONG-TERM LIABILITIES**

**GENERAL OBLIGATION BONDS**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

In the fund financial statements, governmental funds recognize bond premiums and discounts 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. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The following is a summary of maturities of indebtedness:

<u>Description</u>	<u>Issue Date</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding 6/30/17</u>
Government activities:					
Serial Bond - Construction	05/10/12	\$10,800,000	06/15/27	2.000-3.000%	7,200,000
Serial Bond - Buses	08/17/12	\$ 273,000	08/01/17	1.500-1.750%	60,000
Serial Bond - Buses	08/13/13	\$ 400,000	08/01/18	0.650-2.000%	175,000
Serial Bond - Buses	08/19/14	\$ 503,000	08/01/19	1.250-1.750%	315,000
Serial Bond - Buses	08/19/15	\$ 536,800	08/01/20	1.375%	440,000
Serial Bond - Buses	08/25/16	\$ 564,000	08/01/21	1.250-1.500%	564,000
					<u>\$ 9,894,000</u>

**OTHER LONG-TERM LIABILITIES**

In addition to the above long-term debt, the District had a non-current liability for compensated absences, pensions (See Note 2.D.) and other postemployment benefit obligations. (See Note 2.E.)

**CHANGES IN LONG-TERM LIABILITIES**

Changes in the District's long-term liabilities for the year ended June 30, 2017 are as follows:

	<u>Balance 7/1/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/17</u>	<u>Due Within One Year</u>
Government activities:					
General obligation debt:					
Serial Bonds	\$ 10,721,800	\$ 564,000	\$ 1,391,800	\$ 9,894,000	\$ 1,499,000
Other liabilities:					
Compensated absences	1,979,038	513,783	339,687	2,153,134	215,313
Net pension liabilities*	(8,359,741)	11,113,243	-	2,753,502	-
Postemployment benefit obligations	849,079	146,574	34,482	961,171	-
Governmental activities long-term liabilities	<u>\$ 5,190,176</u>	<u>\$12,337,600</u>	<u>\$ 1,765,969</u>	<u>\$ 15,761,807</u>	<u>\$ 1,714,313</u>

\*Additions to net pension liability are presented net of reductions.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

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

The following is a summary of maturing debt service requirements for the District's serial bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,499,000	\$ 241,006
2019	1,500,000	202,979
2020	1,450,000	167,955
2021	970,000	131,744
2022	870,000	114,238
2023-2027	<u>3,605,000</u>	<u>286,863</u>
Total	<u>\$ 9,894,000</u>	<u>\$ 1,144,785</u>

As of June 30, 2017, the Board had authorized the issuance of \$584,965 of General Obligation Serial Bonds for the purchase of buses.

**G. INTERFUND ACTIVITY**

Interfund activity at June 30, 2017 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 729,412	\$ -	\$ 7,616	\$ 7,537,280
Capital Projects Fund	-	1,619	5,800,000	7,616
Special Aid Fund	-	704,267	85,094	-
School Lunch Fund	-	4	-	-
Debt Service Fund	1,619	-	1,652,186	-
Trust & Agency Fund	<u>-</u>	<u>25,141</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 731,031</u>	<u>\$ 731,031</u>	<u>\$ 7,544,896</u>	<u>\$ 7,544,896</u>

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

Interfund receivables and payables were incurred primarily due to salaries paid by General Fund on behalf of the Special Aid Fund. The majority of the interfund revenues and expenses were a transfer to the Debt Service fund for future debt payments related to the capital project and a transfer to the Capital Fund from the General Fund to offset future project costs.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**H. DETAIL OF FUND BALANCES**

As of June 30, 2017, fund balances were classified as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Nonspendable</u>				
Inventory	\$ 28,940	\$ -	\$ 11,459	\$ 40,399
<u>Restricted:</u>				
Capital projects	2,213,036	-	-	2,213,036
Debt service	-	-	332,220	332,220
Employee benefit accrued liability	1,632,446	-	-	1,632,446
Insurance	209,889	-	-	209,889
Repairs	952,822	-	-	952,822
Retirement contribution	916,367	-	-	916,367
Tax certiorari	668,734	-	-	668,734
Unemployment insurance	604,330	-	-	604,330
Workers' compensation	527,598	-	-	527,598
<u>Assigned:</u>				
Subsequent years' expenditures	1,773,612	-	-	1,773,612
<u>Encumbrances:</u>				
General support	56,014	-	-	56,014
Instruction	308,639	-	-	308,639
Transportation	6,368	-	-	6,368
Capital projects	-	4,886,368	-	4,886,368
School lunch	-	-	91,478	91,478
<u>Unassigned:</u>				
General fund	<u>1,968,173</u>	<u>-</u>	<u>-</u>	<u>1,968,172</u>
<b>Total</b>	<b><u>\$11,866,968</u></b>	<b><u>\$4,886,368</u></b>	<b><u>\$ 435,157</u></b>	<b><u>\$ 17,188,493</u></b>

Assigned to subsequent year's expenditure – Represents available fund balance being appropriated to meet expenditure requirements in the 2018 fiscal year.

Assigned to specific use – Represents fund balance within the special revenue and capital funds that is assigned for a specific purpose. The assignment's purpose is related to each fund's operations and represents amounts within funds that are not restricted or committed.

Unassigned fund balance – Represents the residual classification of the District's General Fund surplus and funds with deficit fund balances.

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

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 3 - RISK MANAGEMENT**

**A. WORKERS' COMPENSATION PLAN**

The District is a participant in the Erie #2 Workers' Compensation Consortium (the Consortium). The Consortium was established under the provisions of Workers' Compensation Law of the State of New York and is administered and sponsored by its predominant participant, Erie #2-Chatauqua-Cattaraugus BOCES. The Consortium is a public entity risk pool which provides the District the opportunity to participate in a cooperative program for providing workers' compensation benefits to its employees by entering into an intermunicipal agreement pursuant to Article 5-G of General Municipal Law.

Membership is effective on the first day of the month following the Board's resolution to accept a new participant organization. Voluntary withdrawal from the Consortium is effective only once annually on the last day of the plan year. Notice of intent to withdraw must be submitted in writing not less than 120 days prior to the end of the plan year (June 30). Premiums for coverage and determined annually by the Board of Directors after review of claim history information and consultation with various advisors. Participant organizations are billed in installments during the year.

No refunds or assessments, other than periodic premiums, are charged to the participant organizations, except in the case where the Consortium's assets are not sufficient to meet liabilities. In that instance, a special assessment may be assessed against the participant organizations.

The Consortium has established reserve liabilities which provide for expenditures to be made over the life of the claims. The reserve liabilities are based on estimates of the cost of claims (including future claim adjustment expenses) which have been reported but not settled, and of claims which have been incurred but not reported. Since actual claim costs depend on such complex factors as inflation and changes in doctrines of legal liability, the process used in estimating future claim liability does not result in exact amount. Estimated claim liability is calculated based on actuarial and statistical information which reflects settlements and other social and economic factors, as well as past experience. As of June 30, 2016 and based upon the most recent available audited information, the Consortium's net position was \$2,344,376.

**B. HEALTH INSURANCE PLAN**

The District participates in the NY44 Health Benefits Plan Trust (the Plan), which is sponsored by Erie #2 BOCES, a cost-sharing arrangement that maintains and administers accounts for the payment of insurance premiums and claims for hospitalization and medical benefits.

Group members pay premiums based upon a monthly pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Refunds are not made nor additional assessments charged other than annual premium equivalent. The Plan has an excess coverage liability policy in effect with a maximum amount and loss limit per individual.

The District has transferred all risk to the plan. Plan members could be subjected, however, to supplemental assessments in the event that the Plan's assets are not adequate to meet claims. To date, these supplemental assessments have not been required. If the Group's assets were to be exhausted, members would be equally responsible for the remaining liabilities.

The Plan currently pays actual claims as they are reported. Because the estimation of incurred but not reported claims and a future payment of losses is very complex, the exposure, which the District may have for such losses, if any, cannot be reasonably determined.

As of June 30, 2016, the date of the most recent audited financial statements, the Plan accrued a liability for incurred but not reported and incurred but not paid healthcare claims. The accrual was based upon subsequent disbursements for claims incurred during the plan year and an actuarial valuation of incurred but not reported claims. As of June 30, 2016, the Plan was under funded by \$8,048,704.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 4 - COMMITMENTS AND CONTINGENCIES**

**A. CONSTRUCTION COMMITMENTS**

The District has an active capital improvement project as of June 30, 2017. Outstanding construction commitments are estimated at \$8,682,808.

**B. ENCUMBRANCES**

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$371,021 reported in the General Fund.

**C. CONTINGENCIES**

1. The District participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, will be immaterial.
2. As stated in Note 3, the District participates in the NY44 Health Benefits Plan Trust (the Plan), which is sponsored by Erie #2 BOCES, a cost-sharing arrangement that maintains and administers accounts for the payment of insurance premiums and claims for hospitalization and medical benefits. The District has elected to withdraw from the plan effective July 1, 2018. As of June 30, 2016 the plan was underfunded by \$8,048,704. As a participant of the Plan, the District may become liable for a portion of the unfunded liability. As of June 30, 2017, an estimate of the potential liability cannot be made.
3. As stated in Note 1.A.2, the District is a component school district of Erie #2 BOCES and the BOCES has initiated a capital project to be completed over a three year period. The District's annual obligation subsequent to June 30, 2017 will be \$658,859, to be paid in fiscal years ending June 30, 2018 and 2019.

**NOTE 5 – TAX ABATEMENTS**

The Erie County Industrial Development Agency, created by Chapter 565 of the Laws of 1970 of the State of New York pursuant to Title I of Article 18-A of General Municipal Law of the State of New York (collectively "the Act"), has ten real property tax abatement agreements with various businesses in the District under Section 412-a of the New York State Real Property Tax Law and Section 874 of the Act for the purpose of economic development in the District.

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) based on the requirements noted in said individual agreements. Should the property owner not comply with the policies and laws as set forth in each agreement, the PILOT will discontinue as outlined in each agreement.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 5 – TAX ABATEMENTS (Continued)**

As a result of these tax abatement agreements, for the year ended June 30, 2017, the District's total tax revenues were reduced by \$372,943.

Copies of the agreements may be obtained from the Iroquois Central School, 2111 Girdle Road, Elma, NY 14059

**NOTE 6 – RESTATEMENT OF NET POSITION**

For the fiscal year ended June 30, 2017, the District implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The implementation of Statement No. 75 resulted in the reporting of a deferred postemployment outflow of resources, postemployment liability and deferred postemployment inflow of resources related to the District's single-employer defined benefit other postemployment plan.

Net position beginning of year, as previously stated	\$ 46,463,631
GASB Statement No. 75 implementation	
Beginning plan liability under GASB Statement No. 75	(849,079)
Beginning plan liability under GASB Statement No. 45	<u>309,066</u>
Net position beginning of year, as restated	\$ <u>45,923,618</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**IROQUOIS CENTRAL SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY  
LAST THREE FISCAL YEARS\*  
FOR THE YEAR ENDED JUNE 30**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Teachers' Retirement System (TRS)</b>			
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016
District's proportion of the net pension liability (asset)	0.107373%	0.107037%	0.107521%
District's proportionate share of the net pension liability (asset)	\$ <u>11,960,695</u>	\$ <u>11,117,704</u>	\$ <u>1,151,591</u>
District's covered-employee payroll	16,263,827	16,796,716	17,186,661
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.5%	66.2%	6.7%
Plan fiduciary net position as a percentage of the total pension liability (asset)	-111.5%	-110.5%	99.0%
<b>Employees' Retirement System (ERS)</b>			
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017
District's proportion of the net pension liability	0.016685%	0.017183%	.0170485%
District's proportionate share of the net pension liability	\$ <u>(563,644)</u>	\$ <u>(2,757,963)</u>	\$ <u>(1,601,911)</u>
District's covered-employee payroll	5,504,688	5,690,201	5,706,976
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-10.2%	-48.5%	-28.1%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	94.7%

\*Information prior to the year ended June 30, 2015 is not available.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS -  
EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS  
FOR THE YEAR ENDED JUNE 30,**

<b>Teachers' Retirement System</b>										
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 1,222,471	\$ 1,147,597	\$ 960,532	\$ 1,301,440	\$ 1,714,908	\$ 1,847,620	\$ 2,577,361	\$ 2,818,538	\$ 2,200,036	\$ 2,015,255
Contributions in relation to the contractually required contribution	<u>1,222,471</u>	<u>1,147,597</u>	<u>960,532</u>	<u>1,301,440</u>	<u>1,714,908</u>	<u>1,847,620</u>	<u>2,577,361</u>	<u>2,818,538</u>	<u>2,200,036</u>	<u>2,015,255</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 14,217,651	\$ 15,244,588	\$ 15,653,844	\$ 15,442,959	\$ 15,622,472	\$ 15,774,917	\$ 16,015,222	\$ 16,078,367	\$ 16,687,692	\$ 17,195,011
Contributions as a percentage of covered-employee payroll	9%	8%	6%	8%	11%	12%	16%	18%	13%	12%
<b>Employees' Retirement System</b>										
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 384,114	\$ 341,758	\$ 341,014	\$ 541,136	\$ 749,286	\$ 959,311	\$ 1,092,271	\$ 980,979	\$ 990,119	\$ 883,097
Contributions in relation to the contractually required contribution	<u>384,114</u>	<u>341,758</u>	<u>341,014</u>	<u>541,136</u>	<u>749,286</u>	<u>959,311</u>	<u>1,092,271</u>	<u>980,979</u>	<u>990,119</u>	<u>883,097</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 4,234,398	\$ 4,563,365	\$ 4,739,525	\$ 4,930,633	\$ 5,072,870	\$ 5,262,457	\$ 5,262,931	\$ 5,504,688	\$ 5,690,201	\$ 5,706,976
Contributions as a percentage of covered-employee payroll	9%	7%	7%	11%	15%	18%	21%	18%	17%	15%

**IROQUOIS CENTRAL SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Amended Budget</u>
<b>REVENUES</b>				
Local sources:				
Real property taxes	\$ 28,068,629	\$ 28,068,629	\$ 28,068,629	\$ -
Real property tax items	198,815	198,815	209,999	11,184
Non-property tax items	2,552,854	2,552,854	2,634,223	81,369
Charges for services	105,200	105,200	239,136	133,936
Use of money and property	59,000	59,000	84,867	25,867
Sale of property and compensation for loss	5,400	5,400	19,167	13,767
Miscellaneous local sources	110,000	110,000	282,398	172,398
State sources:				
Basic formula	10,559,576	10,559,576	10,646,962	87,386
Lottery aid	2,507,301	2,507,301	2,495,407	(11,894)
BOCES	1,328,389	1,328,389	1,544,624	216,235
Other	228,964	228,964	271,396	42,432
Federal sources	<u>50,000</u>	<u>50,000</u>	<u>117,217</u>	<u>67,217</u>
Total revenues	45,774,128	45,774,128	46,614,025	839,897
Other sources:				
Interfund transfers in	-	-	7,616	7,616
Appropriated fund balance	<u>2,206,481</u>	<u>8,516,558</u>	<u>-</u>	<u>(8,516,558)</u>
Total revenues and other sources - general fund	\$ 47,980,609	\$ 54,290,686	\$ 46,621,641	\$ (7,669,045)
Total revenues - book store	<u>\$ 21,500</u>	<u>\$ 23,500</u>	<u>\$ 20,914</u>	<u>\$ (2,586)</u>
Total revenues	<u><u>\$ 48,002,109</u></u>	<u><u>\$ 54,314,186</u></u>	<u><u>\$ 46,642,555</u></u>	<u><u>\$ (7,671,631)</u></u>

**IROQUOIS CENTRAL SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2017  
 (Continued)**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
<b>EXPENDITURES:</b>					
General support:					
Board of education	\$ 18,390	\$ 19,480	\$ 15,382	\$ -	\$ 4,098
Central administration	245,222	245,222	243,598	-	1,624
Finance	518,804	518,804	481,707	-	37,097
Staff	202,160	202,160	200,184	-	1,976
Central services	3,971,087	3,819,390	3,243,716	56,014	519,660
Special items	612,864	1,271,723	1,196,446	-	75,277
Instruction:					
Instruction, administration and improvements	1,765,137	1,832,758	1,715,336	8,422	109,000
Teaching - regular school	12,658,911	12,760,085	12,285,669	128,588	345,828
Programs for children with handicaps	6,047,202	5,785,873	5,639,065	125,847	20,961
Occupational education	1,462,361	1,443,971	1,369,981	41,573	32,417
Teaching - special schools	84,200	85,165	84,201	-	964
Instructional media	1,376,808	2,217,218	2,002,922	4,207	210,089
Pupil services	1,978,928	2,019,867	1,920,525	-	99,342
Pupil transportation	2,566,332	2,512,719	2,279,515	6,369	226,835
Home and community services	6,500	7,252	7,252	-	-
Employee benefits	12,569,224	11,952,520	11,007,680	-	944,840
Debt service - interest	8,000	8,000	-	-	8,000
<b>Total expenditures</b>	<b>46,092,130</b>	<b>46,702,207</b>	<b>43,693,179</b>	<b>371,020</b>	<b>2,638,008</b>
Other financing uses:					
Interfund transfers out	1,888,479	7,588,479	7,537,280	-	51,199
<b>Total expenditures and other uses - general fund</b>	<b>\$ 47,980,609</b>	<b>\$ 54,290,686</b>	<b>\$ 51,230,459</b>	<b>\$ 371,020</b>	<b>\$ 2,689,207</b>
Total expenditures - book store	\$ 21,500	\$ 23,500	\$ 18,479	\$ 1,169	\$ 3,852
<b>Total expenditures and other uses</b>	<b>\$ 48,002,109</b>	<b>\$ 54,314,186</b>	<b>\$ 51,248,938</b>	<b>\$ 372,189</b>	<b>\$ 2,693,058</b>
Net change in fund balance			<u>\$ (4,606,383)</u>		

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

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**1. BUDGETARY INFORMATION**

**BUDGETARY BASIS OF ACCOUNTING**

**A. BUDGET POLICIES**

The District's administration prepares a proposed budget for approval by the Board of Education for the general fund. The proposed appropriation budget is then approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. The appropriated budget is prepared by fund and function. Transfers of appropriations between functions require the approval of the Board of Education.

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

**B. BUDGETARY BASIS OF ACCOUNTING**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2017, and therefore, is the only fund presented on the Budgetary Comparison Schedule.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists that was not determined at the time the budget was adopted.

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

Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

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## **SUPPLEMENTARY INFORMATION**

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**IROQUOIS CENTRAL SCHOOL DISTRICT  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>School Lunch</u>	<u>Debt Service</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 83,240	\$ 330,601	\$ 413,841
State and federal aid receivable	12,061	-	12,061
Due from other funds	-	1,619	1,619
Inventory	11,459	-	11,459
	<u>106,760</u>	<u>332,220</u>	<u>438,980</u>
Total assets	\$ 106,760	\$ 332,220	\$ 438,980
<b>LIABILITIES</b>			
Accrued liabilities	\$ 3,729	\$ -	\$ 3,729
Due to other governments	90	-	90
Due to other funds	4	-	4
	<u>3,823</u>	<u>-</u>	<u>3,823</u>
Total liabilities	3,823	-	3,823
<b>FUND BALANCE</b>			
Nonspendable	11,459		11,459
Restricted	-	332,220	332,220
Assigned	91,478	-	91,478
Total fund balances	<u>102,937</u>	<u>332,220</u>	<u>435,157</u>
Total liabilities and fund balances	\$ 106,760	\$ 332,220	\$ 438,980

**IROQUOIS CENTRAL SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>School Lunch</u>	<u>Debt Service</u>	<u>Total</u>
<b>REVENUES</b>			
Use of money and property	\$ -	\$ 5,159	\$ 5,159
State sources	8,621	-	8,621
Federal sources	202,891	-	202,891
School lunch	215,154	-	215,154
	<u>426,666</u>	<u>5,159</u>	<u>431,825</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
School lunch	396,258	-	396,258
Debt service:			
Principal	-	1,391,800	1,391,800
Interest	-	260,386	260,386
	<u>396,258</u>	<u>1,652,186</u>	<u>2,048,444</u>
Total expenditures			
Deficit of revenues over expenditures	30,408	(1,647,027)	(1,616,619)
<b>OTHER FINANCING SOURCES</b>			
Interfund transfers in	-	1,652,186	1,652,186
	<u>-</u>	<u>1,652,186</u>	<u>1,652,186</u>
Total other financing sources			
Net change in fund balances	30,408	5,159	35,567
Fund balances - beginning	72,529	327,061	399,590
	<u>72,529</u>	<u>327,061</u>	<u>399,590</u>
Fund balances - ending	\$ <u>102,937</u>	\$ <u>332,220</u>	\$ <u>435,157</u>

**IROQUOIS CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CHANGE FROM FINAL  
BUDGET TO AMENDED BUDGET -  
GENERAL FUND AND REAL PROPERTY TAX LIMIT  
FOR THE YEAR ENDED JUNE 30, 2017**

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Adopted Budget	\$ 47,980,609
Additions:	
Encumbrances from prior year	<u>575,277</u>
Original Budget	48,555,886
Budget Revision:	
Transfer to Capital Fund for repairs	5,700,000
Use of reserve funds	<u>34,800</u>
Final budget	\$ <u>54,290,686</u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2017-18 expenditure budget	\$ 49,026,895
Maximum allowed	1,961,076

**General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:**

Unrestricted fund balance:	
Assigned fund balance	2,144,633
Unassigned fund balance - General Fund	1,961,076
Unassigned fund balance - Bookstore	<u>7,096</u>
Total unrestricted fund balance	<u>4,112,805</u>
Less:	
Appropriated fund balance	1,773,612
Encumbrances included in committed and assigned fund balance	371,021
Unassigned fund balance - Bookstore	<u>7,096</u>
Total adjustments	<u>2,151,729</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 1,961,076

Actual percentage 4.0%

**IROQUOIS CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES -  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

Project Title	Original Appropriations	Revised Appropriations	Expenditures to Date			Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2017
			Prior Years	Current Year	Total			State Aid	Local Sources	Total	
Bus Purchase 16-17	564,000	564,000	-	563,610	563,610	390	564,000	-	-	564,000	390
\$100,000 Project 16-17	100,000	100,000	-	-	-	100,000	-	-	100,000	100,000	100,000
\$100,000 Project 15-16	100,000	100,000	9,272	90,728	100,000	-	-	-	100,000	100,000	-
Smart Schools Project	1,305,424	1,291,564	13,860	-	13,860	1,277,704	-	-	-	-	(13,860)
Capital Project \$17M	17,000,000	16,462,567	537,433	1,340,934	1,878,367	14,584,200	-	-	6,678,205	6,678,205	4,799,838
Total	\$ 19,069,424	\$ 18,518,131	\$ 560,565	\$ 1,995,272	\$ 2,555,837	\$ 15,962,294	\$ 564,000	\$ -	\$ 6,878,205	\$ 7,442,205	\$ 4,886,368

**IROQUOIS CENTRAL SCHOOL DISTRICT  
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2017**

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Capital assets, net	\$ 33,170,067
Deduct:	
Bonds payable	<u>(9,894,000)</u>
Net investment in capital assets	\$ <u>23,276,067</u>

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**FEDERAL FINANCIAL ASSISTANCE**

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**IROQUOIS CENTRAL SCHOOL DISTRICT, NEW YORK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through to to Subrecipients</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed through New York State Bureau of School Food Management:</i>				
<i><u>Child Nutrition Cluster</u></i>				
School Breakfast Program	10.553	N/A	\$ -	\$ 30,708
National School Lunch Program	10.555	N/A	-	138,380
National School Lunch Program - Food Distribution	10.555	N/A	-	33,803
<i>Total Child Nutrition Cluster</i>			-	202,891
<i>Total U.S. Department of Agriculture</i>			-	202,891
<b><u>U.S. Department of Education</u></b>				
<i>Passed through New York State Education Department:</i>				
Title I Grants to Local Educational Agencies	84.010	21170785	-	254,853
Title I Grants School Improvement	84.010	11173038	-	55,000
<i><u>Special Education Cluster</u></i>				
Special Education_Grants to States	84.027	32170225	-	467,519
Special Education_Preschool Grants	84.173	33170225	-	13,267
<i>Total Special Education Cluster</i>			-	790,639
Supporting Effective Instruction State Grant	84.367	147170785	-	60,241
<i>Total Supporting Effective Instruction State Grant</i>			-	60,241
<i>Total U.S Department of Education</i>			-	850,880
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 1,053,771</b>

See notes to schedule of expenditures of federal awards.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal financial assistance programs administered by the District, an entity as defined in Note 1 to the District's basic financial statements. 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). Federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included in the schedule. Because the schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. The amounts reported as federal expenditures were obtained from the District's financial reporting system, which is the source of the District's basic financial statements.

**NOTE 3 - PASS-THROUGH GRANTOR**

All of the federal financial assistance received was passed-through departments of the State of New York.

**NOTE 4 - NON-MONETARY FEDERAL PROGRAM**

The District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2017, the District received \$33,803 of commodities under the Surplus Food Distribution Program (CFDA 10.555).

**NOTE 5 – INDIRECT COST RATE**

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

## **INTERNAL CONTROL AND COMPLIANCE**

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

**INDEPENDENT AUDITOR'S REPORT**

The President and Members of the  
Board of Education of  
Iroquois Central School District  
Elma, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iroquois Central School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 20, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 20, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

The President and Members of the  
Board of Education of  
Iroquois Central School District  
Elma, New York

**Report on Compliance for Each Major Federal Program**

We have audited Iroquois Central School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, the 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, 2017.

## Report on Internal Control Over Compliance

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

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 20, 2017

**IROQUOIS CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**I. SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report(s) issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

***Federal Awards***

Internal control over major federal programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

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

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

Identification of major programs: CFDA#

Special Education Cluster 84.027/84.173

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

Auditee qualified as low risk auditee?  yes  no

**IROQUOIS CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

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**II. FINDINGS - FINANCIAL STATEMENT AUDIT**

There were no findings related to the financial statement audit noted in the current fiscal year.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings or questioned costs related to federal awards noted in the current fiscal year.

**IROQUOIS CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**I. FINDINGS - FINANCIAL STATEMENT AUDIT**

There were no findings related to the financial statement audit noted for the fiscal year ended June 30, 2016.

**II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings or questioned costs related to federal awards noted for the fiscal year ended June 30, 2016.

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## **EXTRACLASSROOM ACTIVITY**

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**INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN CASH BASIS NET POSITION OF THE  
EXTRACLASROOM ACTIVITY FUNDS**

The President and Members of the  
Board of Education of  
Iroquois Central School District  
Elma, New York

**Report on the Financial Statements**

We have audited the accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position of the Extraclassroom Activity Funds of Iroquois Central School District (the District), as of and for the year ended June 30, 2017 and the related note to the financial statement.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls over Extraclassroom Activity relevant to the District's preparation and fair presentation of the financial statement 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 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 qualified opinion.

### **Basis for Qualified Opinion**

Insufficient accounting controls are exercised over cash receipts from the point of collection to the time of submission to the Central Treasurer. Accordingly, it was impractical to extend our audit of receipts beyond the amounts recorded and were unable to determine whether any adjustments to these amounts were necessary.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the recorded transactions of the Extraclassroom Activity funds of the District for the year ended June 30, 2017, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

### **Basis of Accounting**

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

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 20, 2017

**IROQUOIS CENTRAL SCHOOL DISTRICT  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS  
NET POSITION OF THE EXTRACLASSROOM ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
Class of 2016	-	-	-	-
Class of 2017	11,737	76,614	88,351	-
Class of 2018	1,937	46,238	42,450	5,725
Class of 2019	2,648	-	200	2,448
Class of 2020	948	-	200	748
Class of 2021	-	1,378	-	1,378
Bright Ideas Club	-	578	144	434
Diversity Club	145	-	4	141
Drama Club	25,309	20,666	18,993	26,982
I.I Band	676	805	811	670
French Club	88	-	61	27
High School Band Club	10,709	62,444	64,535	8,618
High School Chorus Club	5,235	15,072	10,601	9,706
High School Orchestra Club	1,797	11,808	9,202	4,403
International Club	4,509	1,669	1,609	4,569
Key Club	33	1,899	1,488	444
Character Counts Club	1,399	280	463	1,216
L.E.A.D Club	3,153	4,458	5,064	2,547
Masterminds	35	5,903	5,413	525
Middle School Chorus Club	265	410	411	264
Middle School Drama Club	10,078	17,178	16,786	10,470
Middle School Memory Book Club	3,251	20,796	21,808	2,239
Middle School Music Club Band	2,086	1,127	646	2,567
Middle School Student Government Club	17,630	21,073	20,518	18,185
National Honor Society Club	95	3,085	2,597	583
Rifle Club	15,730	645	10,932	5,443
Rocket Club	248	-	192	56
S.G.B. Club	7,703	31,651	36,339	3,015
S.T.E.M. Club	413	276	-	689
Teens in Action Club	212	1,625	1,300	537
Varsity Club	813	2,390	2,826	377
Yearbook Club	8,159	50,740	54,020	4,879
Interest	64	293	258	99
Subtotal	<u>\$ 137,105</u>	<u>\$ 401,101</u>	<u>\$ 418,222</u>	<u>\$ 119,984</u>

**IROQUOIS CENTRAL SCHOOL DISTRICT  
EXTRACLASSROOM ACTIVITY FUNDS  
NOTE TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Iroquois Central School District (the District). Consequently, such transactions are included in the basic financial statements of the District only to the extent that cash and a corresponding liability are recorded in the Agency Fund in the District's Statement of Net Position-Fiduciary Funds at June 30, 2017.

The books and records of the District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenses are recognized when cash is disbursed.

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