

**AUDITED
BASIC FINANCIAL STATEMENTS**

IROQUOIS CENTRAL SCHOOL DISTRICT
ELMA, NEW YORK

JUNE 30, 2019

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

**IROQUOIS CENTRAL SCHOOL DISTRICT
TABLE OF CONTENTS**

| | <u>Page</u> |
|---|-------------|
| FINANCIAL SECTION | |
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis | 3-13 |
| Basic Financial Statements: | |
| 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 | 23-45 |
| Required Supplementary Information: | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual General Fund | 46-47 |
| Schedule of Changes in the Total OPEB Related Liability and Related Ratios | 48 |
| Schedule of the District's Proportionate Share of Net Pension (Asset)/Liability – Employees' and Teachers' Retirement Systems | 49 |
| Schedule of District's Pension Contributions – Employees' and Teachers' Retirement Systems | 50 |
| Notes to Required Supplementary Information | 51 |

**IROQUOIS CENTRAL SCHOOL DISTRICT
TABLE OF CONTENTS**

| | <u>Page</u> |
|---|--------------------|
| Supplementary Information: | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 52 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds | 53 |
| Schedule of Change from Adopted Budget to Final Budget - General Fund | 54 |
| Real Property Tax Limit | 54 |
| Schedule of Project Expenditures - Capital Projects Fund | 55 |
| Schedule of Net Investment in Capital Assets | 56 |
| 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> | 57-58 |

FINANCIAL SECTION

*****THIS PAGE INTENTIONALLY LEFT BLANK*****



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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

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, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was 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, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2019, 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 11, 2019

Management's Discussion and Analysis Iroquois Central School District Fiscal Year ended June 30, 2019

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, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Assets and deferred outflows exceeded liabilities and deferred inflows by \$47,805,757 (\$47,331,316 in 2018) 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.

The District's net position as of June 30, 2019 increased by \$474,441.

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.

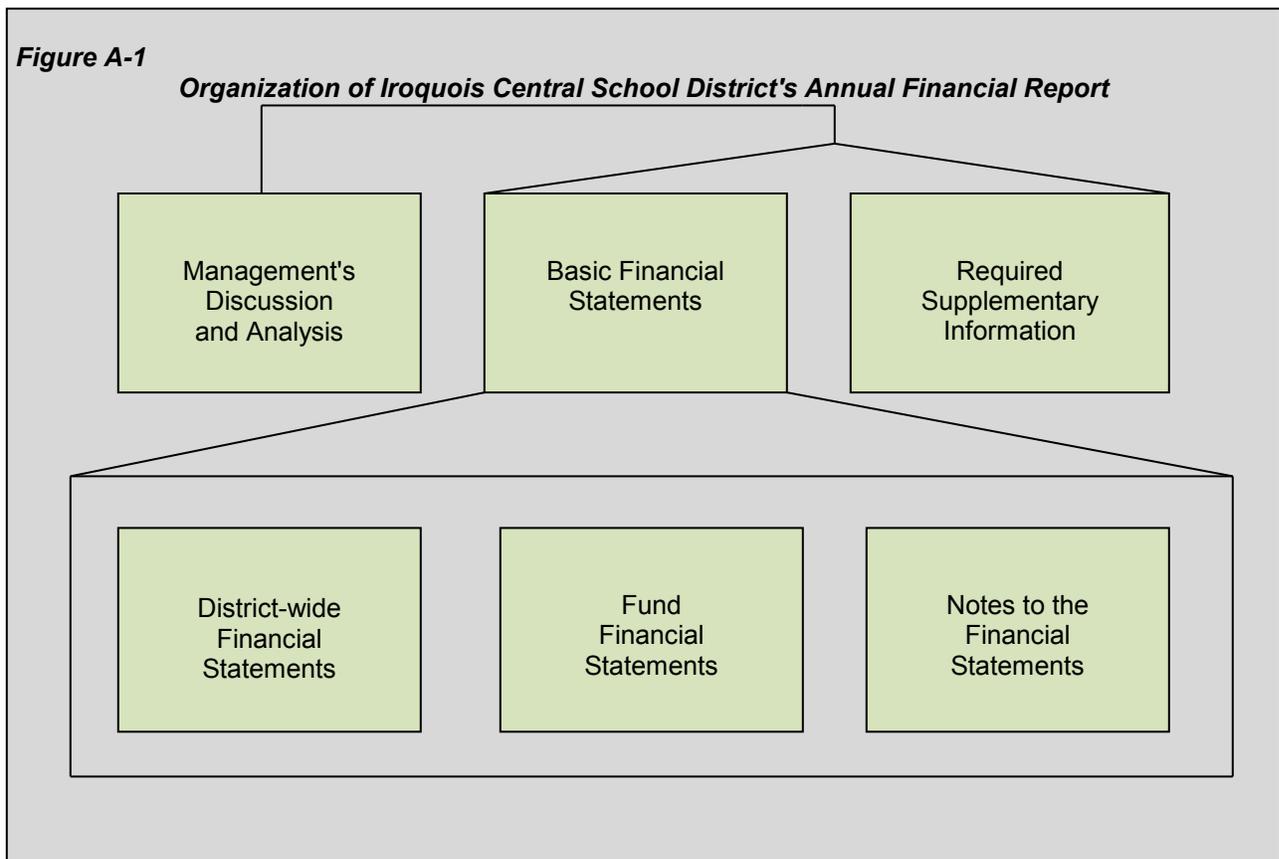


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances | Statement of Net Position – Fiduciary Funds <ul style="list-style-type: none"> • Statement of Changes in Net Position – Fiduciary Fund |
| 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 3.67% or approximately \$1,811,000 in fiscal year 2019 (increase of 2.16% or approximately \$1,041,000 in 2018). The increase in revenues is largely due to property tax and related items which increased by \$889,000. This increase reflected the 2.77% allowable tax cap calculation. State and federal aid increased by approximately \$650,000 or 3.87% (increase of approximately \$320,000 or 1.9% in 2018) as a result of an overall increase in amounts available to school districts.

Instructional expenses increased by approximately \$1,171,000 or 3.25% (increase of approximately \$589,000 or 1.66% in 2018). General support including administrative costs, central services, capital project and building maintenance cost increased approximately \$65,000 or .94% (increase of approximately \$360,000 or 5.5% in 2018).

Transportation expenditures decreased by \$12,000 or -.38% (increased by \$152,000 - or 5% in 2018). The decrease is related to lower fuel and contractual expenses.

Total fund balances for the governmental funds decreased from \$17,866,219 to \$14,144,320 - as further described below:

- Real property taxes increased \$832,353 or 2.77% (\$725,388 or 2.58% in 2018)
- Spending across all governmental funds decreased \$2,445,979 or -4.2% during 2019 (increased \$8,828,460 or 18.2% during 2018). The decrease reflects declining activities supporting a \$17 million capital project approved by public vote.
- \$1,515,990 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 (\$1,601,641 in 2018).
- The District funded its capital reserve by \$654,651 (\$710,166 in 2018).
- The District also has \$2,094,337 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 2019-20 property tax levy (\$1,773,612 was designated in 2018).

Figure A-3

Condensed Statement of Net Assets
(in thousands of dollars)

| | Governmental Activities and Total District | | | Total Percentage Change | Total Percentage Change |
|---|---|------------------|------------------|-------------------------------|-------------------------------|
| | 2019 | 2018 | 2017 | 2018-2019 | 2017-2018 |
| Current and other assets | \$ 16,495 | \$ 19,869 | \$ 19,694 | -16.98% | 0.89% |
| Capital assets not being depreciated | 1,997 | 7,691 | 2,762 | -74.03% | 178.46% |
| Capital assets, net of accumulated depreciation | 43,079 | 33,531 | 30,408 | 28.47% | 10.27% |
| TRIS pension asset | 1,915 | 816 | - | 100.00% | 100.00% |
| Total assets | <u>63,486</u> | <u>61,907</u> | <u>52,864</u> | <u>2.55%</u> | <u>17.11%</u> |
| Deferred outflow of resources - Pension | 11,403 | 12,613 | 12,715 | -9.59% | -0.80% |
| Deferred outflow of resources - OPEB | 850 | 133 | 109 | 539.95% | 21.91% |
| | <u>12,254</u> | <u>12,746</u> | <u>12,824</u> | <u>-3.86%</u> | <u>-0.61%</u> |
| Current liabilities | 2,381 | 2,002 | 2,505 | 18.89% | -20.06% |
| Long term liabilities | 22,685 | 21,324 | 15,762 | 6.38% | 35.29% |
| Total liabilities | <u>25,066</u> | <u>23,327</u> | <u>18,267</u> | <u>7.45%</u> | <u>27.70%</u> |
| Deferred inflow of resources - Pension | 2,832 | 3,952 | 654 | -28.33% | 504.21% |
| Deferred inflow of resources - OPEB | 37 | 43 | 30 | -15.62% | 44.33% |
| | <u>2,869</u> | <u>3,995</u> | <u>684</u> | <u>-28.19%</u> | <u>484.04%</u> |
| Invested in capital assets, net of related debt | 28,856 | 23,496 | 23,276 | 22.81% | 0.95% |
| Restricted for: | | | | | |
| Capital projects | 3,361 | 2,830 | 2,213 | 18.73% | 27.90% |
| Debt service | 482 | 504 | 332 | -4.42% | 51.88% |
| Employee benefit accrued liability | 1,516 | 1,602 | 1,633 | -5.35% | -1.92% |
| Insurance | 213 | 211 | 210 | 0.90% | 0.33% |
| Repairs | 844 | 865 | 953 | | |
| Retirement | 676 | 744 | 916 | | |
| Tax Certiorari | 529 | 671 | 669 | -21.13% | 0.35% |
| Unemployment insurance | 612 | 607 | 604 | 0.90% | 0.44% |
| Workers' compensation | 210 | 332 | 528 | -36.76% | -37.14% |
| Unrestricted (deficit) | 10,507 | 15,470 | 15,403 | -32.08% | 0.43% |
| Total net assets | <u>\$ 47,806</u> | <u>\$ 47,331</u> | <u>\$ 46,737</u> | <u>1.00%</u> | <u>1.27%</u> |

Figure A-4

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

| | Governmental Activities and Total District | | | Total Percentage Change | Total Percentage Change |
|------------------------------|---|---------------|---------------|-------------------------------|-------------------------------|
| | 2019 | 2018 | 2017 | 2018-2019 | 2017-2018 |
| Revenues: | | | | | |
| Real property taxes | \$ 29,626 | \$ 28,794 | \$ 28,069 | 2.89% | 2.58% |
| Real property tax items | 258 | 201 | 210 | 28.31% | -4.29% |
| Non-property taxes | 2,666 | 2,677 | 2,635 | -0.42% | 1.59% |
| Charges for services | 239.31 | 226 | 239 | 5.89% | -5.44% |
| Use of money and property | 299 | 125 | 90 | 139.04% | 38.89% |
| Other miscellaneous revenues | 275 | 202 | 301 | 35.91% | -32.89% |
| State and federal aid | 17,448 | 16,798 | 16,478 | 3.87% | 1.94% |
| School lunch | 278 | 254 | 215 | 9.56% | 18.14% |
| School store | 21 | 22 | 21 | -5.14% | 4.76% |
| Total revenues | <u>51,110</u> | <u>49,299</u> | <u>48,258</u> | <u>3.67%</u> | <u>2.16%</u> |
| Expenses: | | | | | |
| General support | 6,973 | 6,908 | 6,548 | 0.94% | 5.50% |
| Instruction | 37,260 | 36,089 | 35,500 | 3.25% | 1.66% |
| Pupil transportation | 3,154 | 3,166 | 3,014 | -0.38% | 5.04% |
| Debt service | 520 | 241 | 260 | 115.89% | -7.31% |
| School lunch | 491 | 464 | 391 | 5.81% | 18.67% |
| School store | 20 | 21 | 19 | -5.45% | 10.53% |
| Home and community | 7 | 8 | 7 | -18.48% | 14.29% |
| Depreciation | 2,210 | 1,807 | 1,707 | 22.31% | 5.86% |
| Total expenses | <u>50,635</u> | <u>48,704</u> | <u>47,446</u> | <u>3.97%</u> | <u>2.65%</u> |
| Changes in net positions | <u>\$ 474</u> | <u>\$ 595</u> | <u>\$ 812</u> | <u>-20.26%</u> | <u>-26.72%</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

| <i>Net Cost of Governmental Activities (in thousands of dollars)</i> | | | | | |
|--|-------------------------|------------------|------------------|----------------------|----------------------|
| | Net Cost of Services | | | Percentage Change | Percentage Change |
| | 2019 | 2018 | 2017 | 2018-2019 | 2018-2019 |
| General support | \$ 6,792 | \$ 6,732 | \$ 6,391 | 0.90% | 5.34% |
| Instruction | 31,900 | 28,637 | 28,017 | 11.39% | 2.21% |
| Pupil transportation | 1,201 | 1,223 | 1,071 | -1.78% | 14.19% |
| Debt service - interest | 520 | 241 | 260 | 115.88% | -7.31% |
| School lunch | (5) | (17) | (36) | -72.78% | -52.02% |
| School store | (1) | (1) | (2) | -17.56% | -38.50% |
| Home and community | 7 | 8 | 7 | -19.74% | 16.09% |
| Depreciation | 2,210 | 1,807 | 1,707 | 22.32% | 5.85% |
| Total | <u>\$ 42,625</u> | <u>\$ 38,630</u> | <u>\$ 37,415</u> | <u>10.34%</u> | <u>3.25%</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 the following reserves: \$50,000 to the TRS Reserve, \$50,000 to the Employee Benefits Reserve and \$654,651 to the Capital Reserve.

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 2019 was \$48,882,627 and actual revenue exceeded the amount budgeted by \$823,077 or 1.68%.

Actual expenditures and other financing uses, exclusive of carryover encumbrances, were less than the final amended budget by \$1,842,334 (\$1,609,679 in 2018). The largest differences between actual and final budgeted expenditures occurred with central services, employee benefits, and pupil transportation. 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)

| | 2019 | | |
|-----------------------|-----------------|---------------------|----------------------|
| | <u>Revenues</u> | <u>Expenditures</u> | <u>Fund Balances</u> |
| General Fund | \$ 49,769 | \$ 49,359 | \$ 12,301 |
| Special Aid Fund | 1,212 | 1,212 | - |
| | 2018 | | |
| | <u>Revenues</u> | <u>Expenditures</u> | <u>Fund Balances</u> |
| General Fund | \$ 47,768 | \$ 47,744 | \$ 11,891 |
| Special Aid Fund | 1,312 | 1,312 | - |
| Capital Projects Fund | 10,266 | 9,803 | 5,349 |
| | 2017 | | |
| | <u>Revenues</u> | <u>Expenditures</u> | <u>Fund Balances</u> |
| General Fund | \$ 46,643 | \$ 51,246 | \$ 11,867 |
| Special Aid Fund | 1,276 | 1,276 | - |
| Capital Projects Fund | 6,364 | 1,996 | 4,886 |

Capital Asset and Debt Administration

Current year additions of \$6,064,000 included construction in progress related to the capital project (\$5,350,153). These additions were offset by depreciation of \$1,210,000.

Figure A-7

| <i>Capital Assets Net of Depreciation (in thousands of dollars)</i> | | | | | |
|---|--|------------------|------------------|----------------------|----------------------|
| | Governmental Activities and Total District | | | Percentage Change | Percentage Change |
| | 2019 | 2018 | 2017 | 2018-2019 | 2017-2018 |
| Land | \$ 872 | \$ 872 | \$ 872 | 0.00% | 0.04% |
| Construction in process | 1,125 | 6,819 | 1,890 | -83.50% | 260.78% |
| Land improvement | 567 | 680 | 811 | -16.67% | -16.15% |
| Buildings | 39,432 | 29,967 | 26,787 | 31.58% | 11.87% |
| Furniture, fixtures & equipment | 1,072 | 1,046 | 1,123 | 2.52% | -4.51% |
| Vehicles | 2,008 | 1,838 | 1,687 | 9.25% | 19.03% |
| Total | <u>\$ 45,076</u> | <u>\$ 41,222</u> | <u>\$ 33,170</u> | <u>9.35%</u> | <u>35.89%</u> |

Long-Term Obligations

At June 30, 2019 the District had \$16,065,000 in bonds outstanding, with \$2,165,000 due within one year (\$17,560,000 was outstanding as of June 30, 2018). Outstanding compensated absences payable were \$3,222,686 with \$322,269 due within one year (\$2,088,586 outstanding at June 30, 2018).

Figure A-8

| <i>Outstanding Long-Term Debt (in thousands of dollars)</i> | | | | | |
|---|--|------------------|------------------|----------------------|----------------------|
| | Governmental Activities and Total District | | | Percentage Change | Percentage Change |
| | 2019 | 2018 | 2017 | 2018-2019 | 2017-2018 |
| Serial bonds payable | \$ 16,065 | \$ 17,560 | \$ 9,894 | -8.51% | 77.48% |
| Unamortized premiums | 155 | 166 | - | -6.67% | 100.00% |
| Compensated absences | 3,223 | 2,089 | 2,153 | 54.30% | -2.99% |
| Pension - ERS | 1,202 | 518 | 2,754 | 132.18% | -81.21% |
| Post employment benefits | 2,041 | 992 | 961 | 105.66% | 3.25% |
| | <u>\$ 22,685</u> | <u>\$ 21,324</u> | <u>\$ 15,762</u> | <u>-100.00%</u> | <u>43.92%</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, 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.

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

**IROQUOIS CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

| | <u>2019</u> | <u>2018</u> (Memo Only) |
|---|----------------------|----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 13,878,161 | \$ 16,951,171 |
| State and federal aid receivable | 817,988 | 1,081,748 |
| Receivables | 1,520 | 1,957 |
| Due from other governments | 1,729,193 | 1,783,910 |
| Due from fiduciary funds | 30,494 | 5,200 |
| Inventory | 37,298 | 44,721 |
| Net TRS pension asset | 1,915,371 | 816,114 |
| Capital assets not being depreciated | 1,997,482 | 7,691,077 |
| Capital assets, net of accumulated depreciation | <u>43,078,741</u> | <u>33,531,093</u> |
| Total assets | <u>63,486,248</u> | <u>61,906,991</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred pension outflows | 11,403,388 | 12,613,197 |
| Deferred postemployment outflows | <u>850,389</u> | <u>132,883</u> |
| Total deferred outflows of resources | <u>12,253,777</u> | <u>12,746,080</u> |
| LIABILITIES | | |
| Accounts payable | 35,861 | - |
| Accrued liabilities | 109,161 | 53,287 |
| Unearned revenue | 12,824 | 7,059 |
| Due to other governments | 1,943 | 1,889 |
| Due to retirement systems | 2,221,022 | 1,940,253 |
| Long-term liabilities: | | |
| Due and payable within one year | 2,498,343 | 2,389,933 |
| Due and payable after one year | <u>20,186,526</u> | <u>18,934,492</u> |
| Total liabilities | <u>25,065,680</u> | <u>23,326,913</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred pension inflows | 2,832,055 | 3,951,544 |
| Deferred postemployment inflows | <u>36,533</u> | <u>43,298</u> |
| Total deferred inflows of resources | <u>2,868,588</u> | <u>3,994,842</u> |
| NET POSITION | | |
| Net investment in capital assets | 28,856,182 | 23,496,055 |
| Restricted for: | | |
| Capital projects | 3,360,608 | 2,830,480 |
| Debt service | 481,935 | 504,239 |
| Employee benefit accrued liability | 1,515,990 | 1,601,641 |
| Insurance | 212,595 | 210,699 |
| Repairs | 844,454 | 864,748 |
| Retirement contribution | 675,527 | 743,832 |
| Tax certiorari | 529,486 | 671,314 |
| Unemployment insurance | 612,122 | 606,661 |
| Workers' compensation | 209,887 | 331,900 |
| Unrestricted | <u>10,506,971</u> | <u>15,469,747</u> |
| Total net position | <u>\$ 47,805,757</u> | <u>47,331,316</u> |

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

| <u>Functions / Programs</u> | <u>Expenses</u> | <u>Indirect Cost Allocation</u> | <u>Program Revenues</u> | | <u>2019</u> | <u>2018</u> |
|---|----------------------|---|---------------------------------|---|---|---|
| | | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Net (Expense) Revenues and Changes in Net Position</u> | <u>Net (Expense) Revenues and Changes in Net Position (Memo Only)</u> |
| Governmental activities: | | | | | | |
| General support | \$ 5,601,375 | \$ 1,371,489 | \$ 180,400 | \$ - | \$ (6,792,464) | \$ (6,732,018) |
| Instruction | 26,429,691 | 10,830,791 | 58,913 | 5,301,751 | (31,899,818) | (28,637,299) |
| Pupil transportation | 2,296,498 | 857,580 | - | 1,952,876 | (1,201,202) | (1,222,933) |
| Interest | 520,287 | - | - | - | (520,287) | (241,006) |
| School lunch | 490,971 | - | 278,280 | 217,392 | 4,701 | 17,273 |
| School store | 19,855 | - | 20,869 | - | 1,014 | 1,230 |
| Home and community | 6,522 | - | - | - | (6,522) | (8,126) |
| Unallocated employee benefits | 13,059,860 | (13,059,860) | - | - | - | - |
| Unallocated depreciation | 2,210,191 | - | - | - | (2,210,191) | (1,806,858) |
| Total governmental activities | <u>\$ 50,635,250</u> | <u>\$ -</u> | <u>\$ 538,462</u> | <u>\$ 7,472,019</u> | <u>(42,624,769)</u> | <u>(38,629,737)</u> |
| General revenues: | | | | | | |
| Real property taxes | | | | | 29,626,370 | 28,794,017 |
| Real property tax items | | | | | 257,905 | 201,076 |
| Non-property taxes | | | | | 2,665,874 | 2,677,118 |
| Use of money and property | | | | | 298,799 | 125,177 |
| State and federal aid not restricted for a specific purpose | | | | | 9,975,724 | 7,226,367 |
| Other miscellaneous revenues | | | | | 274,538 | 201,210 |
| Total general revenues | | | | | <u>43,099,210</u> | <u>39,224,965</u> |
| Change in net position | | | | | 474,441 | 595,228 |
| Net position- beginning of year | | | | | <u>47,331,316</u> | <u>46,736,088</u> |
| Net position - end of year | | | | | <u>\$ 47,805,757</u> | <u>\$ 47,331,316</u> |

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | General | Special Aid | Nonmajor Governmental Funds | 2019 Total Governmental Funds | 2018 (Memo Only) Total Governmental Funds |
|-------------------------------------|----------------------|------------------------|--|--|--|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 12,602,133 | \$ 115,948 | \$ 1,160,080 | \$ 13,878,161 | \$ 16,951,171 |
| State and federal aid receivable | 359,347 | 444,471 | 14,170 | 817,988 | 1,081,748 |
| Receivables | 1,520 | - | - | 1,520 | 1,957 |
| Due from other governments | 1,729,193 | - | - | 1,729,193 | 1,783,910 |
| Due from other funds | 715,886 | 138,347 | 676,802 | 1,531,035 | 1,759,027 |
| Inventory | 32,241 | - | 5,057 | 37,298 | 44,721 |
| Total assets | <u>\$ 15,440,320</u> | <u>\$ 698,766</u> | <u>\$ 1,856,109</u> | <u>\$ 17,995,195</u> | <u>\$ 21,622,534</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 35,861 | \$ - | \$ - | \$ 35,861 | \$ - |
| Accrued liabilities | 65,570 | 571 | 12,543 | 78,684 | 53,287 |
| Unearned revenue | - | 12,824 | - | 12,824 | 7,059 |
| Due to other governments | 1,864 | - | 79 | 1,943 | 1,889 |
| Due to other funds | 814,883 | 685,371 | 287 | 1,500,541 | 1,753,827 |
| Due to retirement systems | 2,221,022 | - | - | 2,221,022 | 1,940,253 |
| Total liabilities | <u>3,139,200</u> | <u>698,766</u> | <u>12,909</u> | <u>3,850,875</u> | <u>3,756,315</u> |
| FUND BALANCE | | | | | |
| Nonspendable | 32,241 | - | 5,057 | 37,298 | 44,721 |
| Restricted | 7,960,669 | - | 481,935 | 8,442,604 | 8,365,514 |
| Assigned | 2,213,873 | - | 1,356,208 | 3,570,081 | 7,397,668 |
| Unassigned | 2,094,337 | - | - | 2,094,337 | 2,058,316 |
| Total fund balances | <u>12,301,120</u> | <u>-</u> | <u>1,843,200</u> | <u>14,144,320</u> | <u>17,866,219</u> |
| Total liabilities and fund balances | <u>\$ 15,440,320</u> | <u>\$ 698,766</u> | <u>\$ 1,856,109</u> | <u>\$ 17,995,195</u> | <u>\$ 21,622,534</u> |

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019
(Continued)**

Amounts reported for governmental activities in the Statement of Net Position (page 14) are different because:

| | | |
|---|----------------------|----------------------|
| Total fund balances - governmental funds (page 16) | 14,144,320 | 17,866,219 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation. | 45,076,223 | 41,222,170 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| Serial bonds payable | (16,065,000) | (17,560,000) |
| Amortization of premium | (155,041) | (166,115) |
| Compensated absences | (3,222,686) | (2,088,586) |
| Other postemployment benefits | (2,040,583) | (992,202) |
| ERS pension liability | (1,201,559) | (517,522) |
| TRS pension asset | 1,915,371 | 816,114 |
| Interest is accrued and reported in the district-wide statement of net position but not on the fund basis Balance Sheet because it is not due and payable in the current period | (30,477) | - |
| 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 | 813,856 | 89,585 |
| Net pension deferred outflows and inflows of resources | <u>8,571,333</u> | <u>8,661,653</u> |
| Net position of governmental activities | <u>\$ 47,805,757</u> | <u>\$ 47,331,316</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, 2019**

| | | | | <u>2019</u> | <u>2018</u> |
|--|-------------------|------------------------|---|---|---|
| | <u>General</u> | <u>Special Aid</u> | <u>Non-Major Governmental Funds</u> | <u>Total Governmental Funds</u> | <u>Total Governmental Funds (Memo Only)</u> |
| REVENUES | | | | | |
| Real property taxes | \$ 29,626,370 | \$ - | \$ - | \$ 29,626,370 | \$ 28,794,017 |
| Real property tax items | 257,905 | - | - | 257,905 | 201,076 |
| Non-property taxes | 2,665,874 | - | - | 2,665,874 | 2,677,118 |
| Charges for services | 239,313 | - | - | 239,313 | 226,777 |
| Use of money and property | 291,103 | - | 7,696 | 298,799 | 125,177 |
| Sale of property and compensation for loss | 49,574 | - | 8,056 | 57,630 | 8,368 |
| Miscellaneous local sources | 216,707 | - | 201 | 216,908 | 192,842 |
| State sources | 16,295,010 | 45,867 | 8,229 | 16,349,106 | 15,683,472 |
| Federal sources | 89,192 | 800,282 | 209,163 | 1,098,637 | 1,114,810 |
| School lunch | - | - | 278,280 | 278,280 | 253,717 |
| School store | 20,869 | - | - | 20,869 | 21,806 |
| Total revenues | <u>49,751,917</u> | <u>846,149</u> | <u>511,625</u> | <u>51,109,691</u> | <u>49,299,180</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General support | 5,742,689 | - | - | 5,742,689 | 5,744,101 |
| Instruction | 25,710,818 | 1,075,338 | - | 26,786,156 | 26,493,961 |
| Pupil transportation | 2,168,479 | 137,024 | - | 2,305,503 | 2,361,832 |
| Home and community services | 6,522 | - | - | 6,522 | 8,126 |
| School lunch | - | - | 507,774 | 507,774 | 464,213 |
| School store | 19,855 | - | - | 19,855 | 20,576 |
| Employee benefits | 11,926,550 | - | - | 11,926,550 | 11,336,424 |
| Debt service: | | | | | |
| Principal | - | - | 2,170,000 | 2,170,000 | 1,499,000 |
| Interest | - | - | 500,884 | 500,884 | 241,006 |
| Capital outlay: | | | | | |
| General support | - | - | 4,246,443 | 4,246,443 | 8,590,490 |
| Instruction | - | - | 624,848 | 624,848 | 627,875 |
| Pupil transportation | - | - | 669,366 | 669,366 | 564,965 |
| Total expenditures | <u>45,574,913</u> | <u>1,212,362</u> | <u>8,719,315</u> | <u>55,506,590</u> | <u>57,952,569</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, 2019
(Continued)**

| | General | Special Aid | Non-Major Governmental Funds | 2019 Total Governmental Funds | 2018 Total Governmental Funds (Memo Only) |
|--|----------------------|------------------------|---|--|--|
| Excess (deficit) of revenues over expenditures | 4,177,004 | (366,213) | (8,207,690) | (4,396,899) | (8,653,389) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Interfund transfers in | 17,070 | 366,213 | 3,417,420 | 3,800,703 | 3,111,148 |
| Interfund transfers out | (3,783,633) | - | (17,070) | (3,800,703) | (3,111,148) |
| Premium on debt | - | - | - | - | 166,115 |
| Serial bond proceeds | - | - | 675,000 | 675,000 | 9,165,000 |
| Total other financing sources (uses) | <u>(3,766,563)</u> | <u>366,213</u> | <u>4,075,350</u> | <u>675,000</u> | <u>9,331,115</u> |
| Net change in fund balances | 410,441 | - | (4,132,340) | (3,721,899) | 677,726 |
| Fund balances - beginning | <u>11,890,679</u> | <u>-</u> | <u>5,975,540</u> | <u>17,866,219</u> | <u>17,188,493</u> |
| Fund balances - ending | <u>\$ 12,301,120</u> | <u>\$ -</u> | <u>\$ 1,843,200</u> | <u>\$ 14,144,320</u> | <u>\$ 17,866,219</u> |

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

| | <u>2019</u> | <u>2018</u> (Memo Only) |
|--|-------------------|----------------------------|
| 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). | \$ (3,721,899) | \$ 677,726 |
| 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 (\$16,529,827) excluding construction in process placed in service (\$10,465,389) in the current period exceeded depreciation (\$2,210,191). | 3,854,247 | 8,082,051 |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trades) is to decrease net position. | (194) | (29,948) |
| The governmental funds report bond proceeds and other long-term debt as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of these differences is as follows: | | |
| Proceeds of serial bonds | (675,000) | (9,165,000) |
| Repayment of serial bonds | 2,170,000 | 1,499,000 |
| Proceeds from debt premium | - | (166,115) |
| Amortization of debt premium | 11,074 | |
| Interest accrued and reported in the Statement of Activities does not provide for or require the use of current financial resources and therefore is not reported in the governmental funds. | (30,477) | - |
| In the Statement of Activities, certain operating expenses are measured by the amounts accrued or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. The net effect of these differences are: | | |
| Compensated absences | (1,134,100) | 64,548 |
| Change in proportionate share of net pension asset (liability) and OPEB reported in the Statement of Net Position do not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds. | | |
| Net pension - proportionate share -TRS | 1,099,257 | 1,967,705 |
| Net pension - proportionate share -ERS | (684,037) | 1,084,389 |
| Other postemployment benefits | (1,048,381) | (31,031) |
| Change in proportionate share of net pension and OPEB deferred inflows and outflows 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 and OPEB subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | |
| Net pension - proportionate share -TRS | (622,335) | (2,357,301) |
| Net pension - proportionate share -ERS | 532,015 | (1,042,123) |
| Other postemployment benefits | 724,271 | 11,327 |
| Change in net position of governmental activities | <u>\$ 474,441</u> | <u>\$ 595,228</u> |

**IROQUOIS CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019**

| | Private Purpose Trust | Agency |
|--|--------------------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| ASSETS | | |
| Cash and cash equivalents | \$ - | \$ 1,091,686 |
| Cash and cash equivalents - restricted | 48,418 | 148,984 |
| | <u> </u> | <u> </u> |
| Total assets | 48,418 | \$ <u><u>1,240,670</u></u> |
| LIABILITIES | | |
| Agency liabilities | - | \$ 1,061,192 |
| Due to other funds | - | 30,494 |
| Extraclassroom activity balances | - | 148,984 |
| | <u> </u> | <u> </u> |
| Total liabilities | - | \$ <u><u>1,240,670</u></u> |
| NET POSITION | | |
| Restricted for scholarships | \$ <u><u>48,418</u></u> | |

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

| | Private Purpose Trust |
|--------------------------|--------------------------------------|
| ADDITIONS | |
| Gifts and donations | \$ 86,255 |
| Investment income | 1,299 |
| | <u>87,554</u> |
| DEDUCTIONS | |
| Scholarships | <u>478,552</u> |
| Change in net position | (390,998) |
| Net position - beginning | <u>439,416</u> |
| Net position - ending | <u>\$ 48,418</u> |

See notes to basic financial statements.

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

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

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 GASB Statement No. 14, *The Financial Reporting Entity*; as amended by GASB Statement No. 39, *Component Units*. 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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found in the District's business office. 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-Chautauqua-Cattaraugus 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.

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.

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

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). In addition, component districts pay tuition or a service fee for programs in which its students participate. During the year ended June 30, 2019, the District was billed \$4,396,141 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 of the cost of the capital project as part of their BOCES administrative costs. During the year ended June 30, 2019, the District was billed \$592,973 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 Net Position presents the financial position of the District at fiscal year-end. 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.

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 (other than major capital projects) such as Federal and State grants that are legally restricted to expenditures for a specific purpose. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

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

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.

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 is 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 recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Property taxes and sales tax associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues in the current year. 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.

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 utilize 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.

2. RESTRICTED ASSETS

Certain assets are classified on the Balance Sheet and Statement of Net Position 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.

3. RECEIVABLES

Receivables are carried at their net realizable value. Receivables 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 receivables, however, no allowance for uncollectible receivables has been provided since management believes that such allowance would not be material.

4. 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.

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

5. INTERFUND TRANSACTIONS

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

In the district-wide statements, the amounts reported on the Statement of Net Position for inter-fund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all inter-fund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

Refer to Note 3.G for a detailed disclosure by individual fund for inter-fund receivables, payables, expenditures, and revenues activity.

6. 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 |

7. 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.

8. 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

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

represents the effect of the net change in the District's proportion of the collective net pension (asset)/liability, the 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 3.D. The second item is related to other postemployment benefits (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 3.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 (asset)/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 3.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 3.E.

9. 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.

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 governmental 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.

Premiums received upon the issuance of debt are included as other financing sources in the governmental fund statements when issued. In the district-wide statements, premiums are recognized the related debt issue and amortized on a straight-line basis as a components of interest expense over the life of the related obligation.

11. VESTED EMPLOYEE BENEFITS

Compensated Absences

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

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.

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

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.

12. POSTEMPLOYMENT BENEFITS

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 3.E).

13. 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.

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

14. 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.

15. 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

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

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

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.

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, 2019, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*.

The District has evaluated Statements No. 83 and 88 and have determined that they have no impact on the District's operations in the current year.

The GASB has issued the following new pronouncements:

- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2020.
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021.
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective for the year ending June 30, 2021.
- Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which will be effective for the year ending June 30, 2020.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending June 30, 2022.

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

NOTE 2 - STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

A. LEGAL COMPLIANCE BUDGETS

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. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

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

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.

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

NOTE 3 - 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, 2019.

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 \$148,984 within the Agency Fund restricted for extraclassroom activities and \$48,418 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**

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

State and federal aid receivable, consist of the following at June 30, 2019:

| | | |
|-----------------------------|----|-----------------------|
| General Fund | | |
| State aid - excess cost aid | \$ | 359,347 |
| Special Aid Fund | | 444,471 |
| School Lunch Fund | | <u>14,170</u> |
| Total | \$ | <u><u>817,988</u></u> |

Due from other governments, consist of the following at June 30, 2019:

| | | |
|---------------|----|-------------------------|
| General Fund | | |
| BOCES aid | \$ | 1,002,337 |
| Sales tax | | 670,043 |
| Miscellaneous | | 56,813 |
| Total | \$ | <u><u>1,729,193</u></u> |

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

C. CAPITAL ASSETS

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

Governmental Activities:

| | Balance 07/01/18 | Increases | Decreases | Balance 06/30/19 |
|--|----------------------|----------------------|----------------------|----------------------|
| <u>Capital assets not being depreciated:</u> | | | | |
| Land | \$ 872,363 | \$ - | \$ - | \$ 872,363 |
| Construction work in progress | 6,818,714 | 4,771,794 | 10,465,389 | 1,125,119 |
| Total capital assets not being depreciated | <u>7,691,077</u> | <u>4,771,794</u> | <u>10,465,389</u> | <u>1,997,482</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Land improvements | 3,878,181 | - | - | 3,878,181 |
| Buildings and building improvements | 52,764,559 | 10,950,469 | - | 63,715,028 |
| Furniture, fixtures and equipment | 3,160,023 | 138,198 | 11,385 | 3,286,836 |
| Vehicles | 5,595,470 | 669,366 | 702,900 | 5,561,936 |
| Total capital assets, being depreciated | <u>65,398,233</u> | <u>11,758,033</u> | <u>714,285</u> | <u>76,441,981</u> |
| <u>Less accumulated depreciation:</u> | | | | |
| Land improvements | 3,198,149 | 113,371 | - | 3,311,520 |
| Buildings and building improvements | 22,797,440 | 1,485,793 | - | 24,283,233 |
| Furniture, fixtures and equipment | 2,114,056 | 111,660 | 11,191 | 2,214,525 |
| Vehicles & equipment | 3,757,495 | 499,367 | 702,900 | 3,553,962 |
| Total accumulated depreciation | <u>31,867,140</u> | <u>2,210,191</u> | <u>714,091</u> | <u>33,363,240</u> |
| Total capital assets being depreciated, net | <u>33,531,093</u> | <u>9,547,842</u> | <u>194</u> | <u>43,078,741</u> |
| Governmental activities capital assets, net | <u>\$ 41,222,170</u> | <u>\$ 14,319,636</u> | <u>\$ 10,465,583</u> | <u>\$ 45,076,223</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. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. TRS issues a publicly available financial report that contains financial statements and required supplementary information. 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.

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

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. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. ERS issues a publicly available financial report that contains financial statements and required supplementary information. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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 31st.

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

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

| | <u>TRS</u> | <u>ERS</u> |
|--|----------------|----------------|
| Measurement date | June 30, 2018 | March 31, 2019 |
| Net pension (asset)/liability | \$ (1,915,371) | \$ 1,201,559 |
| District's portion of the Plan's total net pension liability | 0.105923% | 0.016959% |
| Change in proportion since the prior measurement date | -0.001446 | -0.000924 |

For the year ended June 30, 2019, the District recognized pension expense of \$1,496,564 for TRS and \$1,001,426 for ERS, respectively. At June 30, 2019, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

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

| | <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 | \$ 1,431,341 | \$ 236,612 | \$ 259,272 | \$ 80,658 |
| Change of assumptions | 6,695,479 | 302,023 | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | - | 2,126,208 | 308,386 |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 101,845 | 460,645 | 21,888 | 35,643 |
| District's contributions subsequent to the measurement date | <u>1,966,858</u> | <u>208,585</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 10,195,523</u> | <u>\$ 1,207,865</u> | <u>\$ 2,407,368</u> | <u>\$ 424,687</u> |

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

| | <u>TRS</u> | <u>ERS</u> |
|-------------|--------------|------------|
| Year ended: | | |
| 2020 | \$ 1,929,892 | \$ 426,785 |
| 2021 | 1,313,511 | (116,305) |
| 2022 | 147,514 | 55,113 |
| 2023 | 1,308,998 | 209,000 |
| 2024 | 897,691 | - |
| Thereafter | 223,691 | - |

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.

Significant actuarial assumptions used in the valuations were as follows:

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

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

For TRS, the actuarial assumptions used in the June 30, 2018, 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, 2018, 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 rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

| Measurement Date | Target Allocation | | Long-Term Expected Real Rate of Return | |
|----------------------------------|-------------------|----------------|--|----------------|
| | TRS | ERS | June 30, 2018 | March 31, 2019 |
| | | | TRS | ERS |
| Asset Class: | | | | |
| Domestic equity | 33.0 % | 36.0 % | 5.8 % | 4.6 % |
| International equity | 16.0 | 14.0 | 7.3 | 6.4 |
| Private equity | 8.0 | 10.0 | 8.9 | 7.5 |
| Real estate | 11.0 | 10.0 | 4.9 | 5.6 |
| Global equities | 4.0 | - | 6.7 | - |
| Absolute return strategies | - | 2.0 | - | 3.8 |
| Opportunistic portfolio | - | 3.0 | - | 5.7 |
| Real assets | - | 3.0 | - | 5.3 |
| Bond and mortgages | 7.0 | 17.0 | 2.8 | 1.3 |
| Cash/short term | 1.0 | 1.0 | 0.3 | (0.3) |
| Inflation-indexed bonds | - | 4.0 | - | 1.3 |
| Domestic fixed income securities | 16.0 | - | 1.3 | - |
| Global fixed income securities | 2.0 | - | 0.9 | - |
| Private debt | 1.0 | - | 6.8 | - |
| High yield income securities | 1.0 | - | 3.5 | - |
| Total | <u>100.0 %</u> | <u>100.0 %</u> | | |

Discount Rate

The discount rate used to calculate the total pension liability was 7.25% for TRS and 7.0% for ERS. 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 (asset)/liability calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, 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 (6.25% for TRS and 6.0% for ERS) or 1-percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

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

| | <u>1% Decrease (6.25%)</u> | <u>Current Assumption (7.25%)</u> | <u>1% Increase (8.25%)</u> |
|--|------------------------------------|---|------------------------------------|
| <u>TRS</u> | | | |
| Employer's proportionate share of the net pension liability (asset)/liability | \$ 13,158,913 | \$ (1,915,371) | \$ (14,543,432) |
| | <u>1% Decrease (6.0%)</u> | <u>Current Assumption (7.0%)</u> | <u>1% Increase (8.0%)</u> |
| <u>ERS</u> | | | |
| Employer's proportionate share of the net pension liability (asset)/liability | \$ 5,253,408 | \$ 1,201,559 | \$ (2,202,282) |

Pension Plan Fiduciary Net Position

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

| | (Dollars in Thousands) | |
|---|------------------------|---------------------|
| | <u>TRS</u> | <u>ERS</u> |
| Measurement date | June 30, 2018 | March 31, 2018 |
| Employer' total pension liability | \$ 118,107,254 | \$ 189,803,429 |
| Plan net position | 119,915,518 | 182,718,124 |
| Employers' net pension (asset)/liability | <u>\$ (1,808,264)</u> | <u>\$ 7,085,305</u> |
| Ratio of plan net position to the employers' total pension (asset)/liability | -101.5% | 96.3% |

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employee and employer contributions for the fiscal year ended June 30, 2019, based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019, amounted to \$2,012,437.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019, through June 30, 2019, based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019, amounted to \$208,585.

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 standalone 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.

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

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.

Employees Covered by Benefit Terms

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

| | |
|--|-------------------|
| Active employees, not eligible to retire | 358 |
| Active employees, eligible to retire | 108 |
| Retired and surviving spouses | 88 |
| Retired spouses covered | <u>24</u> |
| Total | <u><u>578</u></u> |

The District's total OPEB liability of \$2,040,583 was measured as of April 1, 2019, using updated procedures to roll forward the total actuarial valuation from June 30, 2018.

Actuarial Assumptions and Other Inputs

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

| | |
|--|--|
| Inflation | 3.44% |
| Salary Increases | 3.36%, average, including inflation |
| Discount Rate | 3.44% |
| Healthcare Cost Trend Rates | 5.20 % of 2019, with an ultimate rate of 4.32% for 2051 and later years |
| Retirees' Share of Benefit-Related Costs | 100% of future retirees eligible for an employer subsidy. 25% of future retirees required to pay 100% of premiums. |

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 Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, distinct for Teachers, General and Safety, without separate Contingent Survivor mortality, fully generational using Scale MP-2018.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2019.

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

Changes in the Total OPEB Liability

| | | |
|--|----|-------------------------|
| Balance at July 1, 2018 | \$ | 992,202 |
| <u>Changes for the year:</u> | | |
| Service cost | | 35,174 |
| Interest | | 35,569 |
| Changes of benefit terms | | 78,028 |
| Differences between expected and actual experience | | 933,187 |
| Changes in assumptions or other inputs | | 8,502 |
| Benefit payments | | (42,079) |
| Net changes | | <u>1,048,381</u> |
| Balance at June 30, 2019 | \$ | <u><u>2,040,583</u></u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.61 percent in 2018 to 3.44 percent in 2019 and changes in the mortality improvement scale from MP-2016 to RD-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 (2.44%) or 1 percentage point higher (4.44%) than the current discount rate.

| | 1% Decrease (2.44%) | Discount Rate (3.44%) | 1% Increase (4.44%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB Liability | \$ <u>2,224,873</u> | \$ <u>2,040,583</u> | \$ <u>1,871,670</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 (3.32%) or 1 percentage point higher (5.32%) than the current healthcare cost trend rate:

| | 1% Decrease (4.20% decreasing to 3.32%) | Healthcare Cost Trend Rates (5.20% decreasing to 4.32%) | 1% Increase (6.20% decreasing to 5.32%) |
|----------------------|--|---|--|
| Total OPEB Liability | \$ <u>1,814,521</u> | \$ <u>2,040,583</u> | \$ <u>2,305,824</u> |

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

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$355,903. At June 30, 2019, 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 | \$ 823,048 | \$ 11,752 |
| Changes of assumptions | 16,821 | 24,781 |
| Contributions subsequent to the measurement date | 10,520 | - |
| Total | <u>\$ 850,389</u> | <u>\$ 36,533</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 Ended June 30,</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| 2020 | \$ 207,132 |
| 2021 | 207,132 |
| 2022 | 207,132 |
| 2023 | 147,566 |
| 2024 | 7,314 |
| Thereafter | 27,060 |

F. LONG-TERM LIABILITIES

1. 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.

2. SERIAL BONDS

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The provisions will be in the General Fund's future budgets for capital indebtedness.

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

The following is a summary of maturities of indebtedness:

| <u>Description</u> | <u>Original Issue Date</u> | <u>Original Borrowing</u> | <u>Final Maturity</u> | <u>Interest Rates to Maturity</u> | <u>Outstanding Balance 6/30/2019</u> |
|----------------------------|----------------------------|---------------------------|-----------------------|-----------------------------------|--------------------------------------|
| Governmental activities | | | | | |
| Serial Bond - Construction | 8/24/2010 | \$ 3,150,000 | 6/15/2020 | 2.000-4.375% | \$ 395,000 |
| Serial Bond - Construction | 5/10/2012 | 10,800,000 | 6/15/2027 | 2.000-3.000% | 5,810,000 |
| Serial Bond - Buses | 8/13/2013 | 400,000 | 8/1/2018 | 0.650-2.000% | - |
| Serial Bond - Buses | 8/19/2014 | 503,000 | 8/1/2019 | 1.250-1.750% | 110,000 |
| Serial Bond - Buses | 8/19/2015 | 536,800 | 8/1/2020 | 1.380% | 225,000 |
| Serial Bond - Buses | 8/25/2016 | 564,000 | 8/1/2021 | 1.250-1.500% | 355,000 |
| Serial Bond - Buses | 8/25/2017 | 565,000 | 8/1/2022 | 1.890% | 475,000 |
| Serial Bond - Construction | 4/18/2018 | 8,600,000 | 6/15/2033 | 3.000% | 8,020,000 |
| Serial Bond - Buses | 8/24/2018 | 675,000 | 8/1/2023 | 2.375% | 675,000 |
| | | | | | <u>\$ 16,065,000</u> |

3. 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 3.D.) and other postemployment benefit obligations. (See Note 3.E.)

4. CHANGES IN LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2019, are as follows:

| | <u>Balance 7/1/2018</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 6/30/2019</u> | <u>Due Within One Year</u> |
|---|-------------------------|---------------------|---------------------|--------------------------|----------------------------|
| Government activities: | | | | | |
| Bonds Payable: | | | | | |
| Serial Bonds | \$ 17,560,000 | \$ 675,000 | \$ 2,170,000 | \$ 16,065,000 | \$ 2,165,000 |
| Unamortized premium | 166,115 | - | 11,074 | 155,041 | 11,074 |
| Total bonds payable | <u>17,726,115</u> | <u>675,000</u> | <u>2,181,074</u> | <u>16,220,041</u> | <u>2,176,074</u> |
| Other liabilities | | | | | |
| Compensated absences | \$ 2,088,586 | \$ 2,121,347 | \$ 987,247 | \$ 3,222,686 | 322,269 |
| Net pension liabilities (ERS) - proportionate share** | 517,522 | 684,037 | - | 1,201,559 | - |
| Total OPEB liability | <u>992,202</u> | <u>1,090,460</u> | <u>42,079</u> | <u>2,040,583</u> | <u>-</u> |
| Total long-term liabilities | <u>\$ 21,324,425</u> | <u>\$ 4,570,844</u> | <u>\$ 3,210,400</u> | <u>\$ 22,684,869</u> | <u>\$ 2,498,343</u> |

**Reductions to net pension liabilities are presented net to additions.

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> | <u>Premium</u> |
|--------------------|----------------------|---------------------|-------------------|
| 2020 | 2,165,000 | 432,471 | 11,074 |
| 2021 | 1,715,000 | 376,814 | 11,074 |
| 2022 | 1,640,000 | 339,095 | 11,074 |
| 2023 | 1,565,000 | 301,288 | 11,074 |
| 2024 | 1,470,000 | 262,533 | 11,074 |
| 2025-2029 | 4,935,000 | 760,500 | 55,372 |
| 2030-2033 | 2,575,000 | 194,100 | 44,299 |
| Total | <u>\$ 16,065,000</u> | <u>\$ 2,666,801</u> | <u>\$ 155,041</u> |

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

G. INTERFUND ACTIVITY

Interfund activity at June 30, 2019, are as follows:

| | Interfund <u>Receivables</u> | Interfund <u>Payables</u> | Interfund <u>Revenues</u> | Interfund <u>Expenditures</u> |
|-----------------------|---------------------------------|------------------------------|------------------------------|----------------------------------|
| General Fund | \$ 715,886 | \$ 814,883 | \$ 17,070 | \$ 3,783,633 |
| Capital Projects Fund | 671,163 | 266 | 771,163 | 17,070 |
| Special Aid Fund | 138,347 | 685,371 | 366,213 | - |
| Special Revenue Fund | - | - | - | - |
| School Lunch Fund | 5,373 | 21 | 5,373 | - |
| Debt Service Fund | 266 | - | 2,640,884 | - |
| Agency Fund | - | 30,494 | - | - |
| Total | <u>\$ 1,531,035</u> | <u>\$ 1,531,035</u> | <u>\$ 3,800,703</u> | <u>\$ 3,800,703</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 the General Fund on behalf of the Special Aid Fund, as well as the General Fund paying the Capital Projects Fund for capital projects. The majority of the interfund revenues and expenses were transfers from the General Fund to the Capital Projects Fund to fund current project expenditures, budgeted transfers to the Debt Service Fund to fund debt obligations and transfers to the Special Aid Fund to write off uncollectible receivables in the Summer School Handicap Program.

H. NET POSITION AND FUND BALANCE

1. NET POSITION

The district-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and debt used to fund capital asset purchases reduce the balance in this category.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation. Restricted net position is consistent with restricted fund balance at June 30, 2019.

Unrestricted net position – This category represents net position of the District not restricted for any project or other purpose.

2. FUND BALANCE

In the governmental fund financial statements there are five classifications of fund balance:

Nonspendable – represents amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by District at June 30, 2019, include:

- *Inventory* – represents nonspendable inventory in the school lunch fund and school store.

Restricted – represents amounts with constraints placed on the use of resources and are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

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

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the District’s highest level of decision-making authority, the Board of Education. As of June 30, 2019, the District had no committed fund balances.

Assigned – represents amounts that are constrained by the District’s intent to be used for the specified purposes noted below, but are neither restricted nor committed.

- *Assigned to specific use* – Represents fund balance within the special revenue funds that is assigned or a specific purpose. The assignment’s purpose related to each fund’s operations and represents amounts within funds that are not restricted or committed.
- *Assigned to subsequent year’s expenditure* – Represents available fund balance being appropriated to meet expenditure requirements in the 2020 fiscal year.

Unassigned – represents all amounts not included in other spendable classifications. The General fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

| | General | Nonmajor Funds | Total |
|---------------------------------------|----------------------|---------------------|----------------------|
| <u>Nonspendable</u> | | | |
| Inventory | \$ 32,241 | \$ 5,057 | \$ 37,298 |
| <u>Restricted:</u> | | | |
| Capital | 3,360,608 | - | 3,360,608 |
| Debt service | - | 481,935 | 481,935 |
| Employee benefit accrued liability | 1,515,990 | - | 1,515,990 |
| Insurance | 212,595 | - | 212,595 |
| Repairs | 844,454 | - | 844,454 |
| Retirement contribution | 675,527 | - | 675,527 |
| Tax certiorari | 529,486 | - | 529,486 |
| Unemployment insurance | 612,122 | - | 612,122 |
| Workers' Compensation | 209,887 | - | 209,887 |
| <u>Assigned:</u> | | | - |
| Subsequent years' expenditures | 1,773,612 | - | 1,773,612 |
| <u>Encumbrances:</u> | | | |
| General support | 93,876 | - | 93,876 |
| Instruction | 342,417 | - | 342,417 |
| Transportation | 2,866 | - | 2,866 |
| Home and community | 1,102 | - | 1,102 |
| Capital Projects | - | 1,237,497 | 1,237,497 |
| School lunch | - | 118,711 | 118,711 |
| <u>Unassigned:</u> | | | |
| General | 2,094,337 | - | 2,094,337 |
| Total | \$ 12,301,120 | \$ 1,843,200 | \$ 14,144,320 |

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**

NOTE 4 - RISK MANAGEMENT

A. GENERAL

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. 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. Settled claims from these risks has not yet exceeded commercial insurance coverage for the past three fiscal years.

B. 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-Chautauqua-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 are 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, 2018, and based upon the most recent available audited information, the Consortium's net position was \$2,696,867.

C. SELF-FUNDED HEALTH INSURANCE PLAN

The District is self-insured for health insurance, and the program is managed by a third party administrator. The District has calculated its best estimate of health insurance losses and claims paid subsequent to year end based on claim reports provided by the third party administrator. This does not include an estimate of the claims incurred, but not reported, since management believes that any such estimated would not be material. The District purchases stop loss insurance to reimburse the District for individual claims in excess of \$500,000.

At the end of the year, the District compares the liability for claims paid subsequent to year end to excess premiums held in the District's Trust and Agency Fund and records any deficit as a current liability in the governmental financial statements. As of June 30, 2019, excess premiums in the District's Trust and Agency Fund exceeded the liability for claims paid subsequent to year end, thus no liability has been recorded.

| | | |
|--|----|--------------------|
| Estimated claims as of June 30, 2018 | \$ | - |
| Premium equivalent deposited in the Trust and Agency Fund | | 6,668,825 |
| Payments made during the year net | | <u>(5,879,715)</u> |
| Excess premiums held in the Trust and Agency fund as of June 30, 2019 | \$ | <u>789,110</u> |

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

NOTE 5 - COMMITMENTS AND CONTINGENCIES

A. CONSTRUCTION COMMITMENTS

The District has an active capital improvement project as of June 30, 2019. Outstanding construction commitments are estimated at \$1,915,900.

B. ENCUMBRANCES

As discussed in Note 2.A, Budgetary Information, Budgetary Basis of Accounting, 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 \$440,156 reported in the General Fund.

C. GRANT AWARDS

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.

D. CONTINGENCIES

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 obligation subsequent to June 30, 2019, will be \$395,316, to be paid in fiscal year ending June 30, 2020.

NOTE 6 - 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.

As a result of these tax abatement agreements, for the year ended June 30, 2019, the District's total tax revenues were reduced by \$158,980.

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

NOTE 7 - SUBSEQUENT EVENTS

A. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after September 11, 2019, which is the date these financial statements were available to be issued.

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

REQUIRED SUPPLEMENTARY INFORMATION

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

**IROQUOIS CENTRAL SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019**

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Current Year's Revenues</u> | <u>Over (Under) Amended Budget</u> |
|--|----------------------------|---------------------------|------------------------------------|--|
| REVENUES | | | | |
| Local sources: | | | | |
| Real property taxes | \$ 29,626,370 | \$ 29,626,370 | \$ 29,626,370 | \$ - |
| Real property tax items | 239,305 | 239,305 | 257,905 | 18,600 |
| Non-property tax items | 2,556,197 | 2,556,197 | 2,665,874 | 109,677 |
| Charges for services | 132,200 | 132,200 | 239,313 | 107,113 |
| Use of money and property | 59,000 | 59,000 | 291,103 | 232,103 |
| Sale of property and compensation for loss | 5,400 | 22,744 | 49,574 | 26,830 |
| Miscellaneous local sources | 140,000 | 148,000 | 216,707 | 68,707 |
| State sources: | | | | |
| Basic formula | 12,621,421 | 12,621,421 | 11,926,135 | (695,286) |
| Lottery aid | 1,763,740 | 1,763,740 | 2,289,689 | 525,949 |
| BOCES | 1,472,777 | 1,472,777 | 1,835,409 | 362,632 |
| Other | 216,217 | 216,217 | 243,777 | 27,560 |
| Federal sources | 50,000 | 50,000 | 89,192 | 39,192 |
| Total revenues | 48,882,627 | 48,907,971 | 49,731,048 | 823,077 |
| Other sources: | | | | |
| Interfund transfers in | - | - | 17,070 | 17,070 |
| Appropriated fund balance and use of reserves | 2,515,707 | 2,706,170 | - | (2,706,170) |
| Total revenues and other sources - general fund | \$ 51,398,334 | \$ 51,614,141 | \$ 49,748,118 | \$ (1,866,023) |
| Total revenues - book store | 27,000 | 27,000 | 20,869 | (6,131) |
| Total revenues | \$ 51,425,334 | \$ 51,641,141 | \$ 49,768,987 | \$ (1,872,154) |

The notes to the required supplementary information are an integral part of this schedule.

**IROQUOIS CENTRAL SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019
 (Continued)**

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Current Year's Expenditures</u> | <u>Encumbrances</u> | <u>Unencumbered Balances</u> |
|---|----------------------------|---------------------------|--|---------------------|----------------------------------|
| EXPENDITURES: | | | | | |
| General support: | | | | | |
| Board of education | \$ 18,680 | \$ 28,680 | \$ 20,878 | \$ - | \$ 7,802 |
| Central administration | 257,705 | 261,055 | 257,096 | 3,320 | 639 |
| Finance | 545,897 | 550,736 | 503,058 | 8,669 | 39,009 |
| Staff | 204,758 | 204,758 | 197,917 | - | 6,841 |
| Central services | 4,105,365 | 4,259,640 | 3,683,169 | 81,175 | 495,296 |
| Special items | 719,404 | 1,115,834 | 1,080,571 | 712 | 34,551 |
| Instruction: | | | | | |
| Instruction, administration and improvements | 1,971,402 | 1,955,245 | 1,852,206 | 7,490 | 95,549 |
| Teaching - regular school | 13,460,845 | 13,170,210 | 12,742,894 | 244,250 | 183,066 |
| Programs for children with handicaps | 6,372,872 | 6,330,275 | 6,282,733 | 26,349 | 21,193 |
| Occupational education | 1,535,653 | 1,287,505 | 1,272,868 | 8,349 | 6,288 |
| Teaching - special schools | 84,750 | 84,250 | 79,701 | - | 4,549 |
| Instructional media | 1,459,836 | 1,540,581 | 1,340,103 | 42,295 | 158,183 |
| Pupil services | 2,080,904 | 2,240,484 | 2,140,313 | 13,579 | 86,592 |
| Pupil transportation | 2,651,516 | 2,656,141 | 2,168,479 | 2,866 | 484,796 |
| Home and community services | 7,624 | 7,624 | 6,522 | 1,102 | - |
| Employee benefits | 12,965,764 | 12,887,190 | 11,926,550 | - | 960,640 |
| Debt service - interest | 8,000 | 8,000 | - | - | 8,000 |
| Total expenditures | 48,450,975 | 48,588,208 | 45,555,058 | 440,156 | 2,592,994 |
| Other financing uses: | | | | | |
| Interfund transfers out | 2,947,359 | 3,025,933 | 3,783,633 | - | (757,700) |
| Total expenditures and other uses - general fund | \$ 51,398,334 | \$ 51,614,141 | \$ 49,338,691 | \$ 440,156 | \$ 1,835,294 |
| Total expenditures - book store | 27,000 | 27,000 | 19,855 | 105 | 7,040 |
| Total expenditures and other uses | \$ 51,425,334 | \$ 51,641,141 | \$ 49,358,546 | \$ 440,261 | \$ 1,842,334 |
| Net change in fund balance | | | \$ 410,441 | | |

The notes to the required supplementary information are an integral part of this schedule.

**IROQUOIS CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB RELATED LIABILITY
AND RELATED RATIOS
LAST THREE FISCAL YEARS***

| Measurement Date | <u>2017</u> April, 1 | <u>2018</u> April, 1 | <u>2019</u> April, 1 |
|---|-------------------------|-------------------------|-------------------------|
| Total OPEB Liability | | | |
| Service cost | \$ 32,620 | \$ 35,928 | \$ 35,174 |
| Interest | 28,382 | 36,422 | 35,569 |
| Changes in benefit terms | - | - | 78,028 |
| Differences between expected and actual experience in the measurement of the total OPEB liability | 118,897 | (19,586) | 933,187 |
| Changes of assumptions or other inputs | (33,325) | 16,880 | 8,502 |
| Benefit payments | <u>(34,482)</u> | <u>(38,613)</u> | <u>(42,079)</u> |
| Net change in total OPEB liability | 112,092 | 31,031 | 1,048,381 |
| Total OPEB liability - beginning | <u>849,079</u> | <u>961,171</u> | <u>992,202</u> |
| Total OPEB liability - ending | <u>\$ 961,171</u> | <u>\$ 992,202</u> | <u>\$ 2,040,583</u> |
| Covered employee payroll | \$ 21,691,051 | \$ 21,691,051 | \$ 22,409,025 |
| Total OPEB liability as a percentage of covered employee payroll | 4.57% | 4.43% | 9.11% |

* This schedule is intended to show information for ten years. Since 2017 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

**IROQUOIS CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY
LAST FIVE FISCAL YEARS***

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--|----------------------|-----------------------|-----------------------|---------------------|-----------------------|
| Teachers' Retirement System (TRS) | | | | | |
| Measurement date | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 |
| District's proportion of the net pension liability (asset) | 0.107373% | 0.107037% | 0.107521% | 0.107369% | 0.105923% |
| 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> | \$ <u>(816,114)</u> | \$ <u>(1,915,371)</u> |
| District's covered payroll | 16,263,827 | 16,796,716 | 17,186,661 | 17,195,011 | 18,496,985 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 73.5% | 66.2% | 6.7% | -4.7% | -10.4% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | -111.5% | -110.5% | 99.1% | -100.7% | -101.5% |
| Employees' Retirement System (ERS) | | | | | |
| Measurement date | March 31, 2015 | March 31, 2016 | March 31, 2017 | March 31, 2018 | March 31, 2019 |
| District's proportion of the net pension liability | 0.016685% | 0.017183% | .0170485% | 0.016035% | 0.016959% |
| District's proportionate share of the net pension liability | \$ <u>(563,644)</u> | \$ <u>(2,757,963)</u> | \$ <u>(1,601,911)</u> | \$ <u>(517,522)</u> | \$ <u>1,201,559</u> |
| District's covered payroll | 5,127,269 | 5,380,010 | 5,611,940 | 5,615,115 | 5,821,722 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | -11.0% | -51.3% | -28.5% | -9.2% | 20.6% |
| Plan fiduciary net position as a percentage of the total pension liability | 97.9% | 90.7% | 94.7% | 98.2% | 96.3% |

* This schedule is intended to show information for ten years. Since 2015 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

The notes to the required supplementary information are an integral part of this schedule.

**IROQUOIS CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS -
EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2019**

| | <u>Teachers' Retirement System</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> | <u>2018</u> | <u>2019</u> |
| Contractually required contribution | \$ 960,532 | \$ 1,301,440 | \$ 1,714,908 | \$ 1,847,620 | \$ 2,577,361 | \$ 2,818,538 | \$ 2,200,036 | \$ 2,015,255 | \$ 1,685,111 | \$ 1,966,858 |
| Contributions in relation to the contractually required contribution | 960,532 | 1,301,440 | 1,714,908 | 1,847,620 | 2,577,361 | 2,818,538 | 2,200,036 | 2,015,255 | 1,685,111 | 1,966,858 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 15,653,844 | \$ 15,442,959 | \$ 15,622,472 | \$ 15,774,917 | \$ 16,263,827 | \$ 16,796,716 | \$ 17,186,661 | \$ 17,195,011 | \$ 17,195,012 | \$ 18,496,985 |
| Contributions as a percentage of covered payroll | 6% | 8% | 11% | 12% | 16% | 17% | 13% | 12% | 10% | 11% |
| | <u>Employees' Retirement System</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> | <u>2018</u> | <u>2019</u> |
| Contractually required contribution | \$ 341,014 | \$ 541,136 | \$ 749,286 | \$ 959,311 | \$ 1,092,271 | \$ 980,979 | \$ 990,119 | \$ 883,097 | \$ 840,490 | \$ 849,174 |
| Contributions in relation to the contractually required contribution | 341,014 | 541,136 | 749,286 | 959,311 | 1,092,271 | 980,979 | 990,119 | 883,097 | 840,490 | 840,490 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 4,739,525 | \$ 4,930,633 | \$ 5,072,870 | \$ 5,262,457 | \$ 5,262,931 | \$ 5,504,688 | \$ 5,690,201 | \$ 5,706,976 | \$ 5,906,961 | \$ 6,010,565 |
| Contributions as a percentage of covered payroll | 7% | 11% | 15% | 18% | 21% | 18% | 17% | 15% | 14% | 14% |

The notes to the required supplementary information are an integral part of this schedule.

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

NOTE 1 - BUDGETARY INFORMATION

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, 2019, and, therefore, is the only fund presented on the Budgetary Comparison Schedule.

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 private purpose trust 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.

NOTE 2 - FACTORS AFFECTING TRENDS IN OTHER POSTEMPLOYMENT BENEFITS AND PENSIONS

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go-basis. Changes of assumptions and other inputs reflect a change in the discount rate from 3.61 percent in 2018 to 3.44 percent in 2019 and changes in the inflation rate from 4.17 percent to 4.32 percent in 2019.

The District's proportionate share of the net pension (asset)/liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invest in. In addition, the discount factor has varied from 7.5% to 7.25% over the past four years.

SUPPLEMENTARY INFORMATION

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

**IROQUOIS CENTRAL SCHOOL DISTRICT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | <u>School Lunch</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Total</u> |
|-------------------------------------|-------------------------|-----------------------------|-------------------------|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 111,811 | \$ 566,600 | \$ 481,669 | \$ 1,160,080 |
| State and federal aid receivable | 14,170 | - | - | 14,170 |
| Due from other funds | 5,373 | 671,163 | 266 | 676,802 |
| Inventory | 5,057 | - | - | 5,057 |
| | <u>136,411</u> | <u>1,237,763</u> | <u>481,935</u> | <u>1,856,109</u> |
| Total assets | <u>\$ 136,411</u> | <u>\$ 1,237,763</u> | <u>\$ 481,935</u> | <u>\$ 1,856,109</u> |
| LIABILITIES | | | | |
| Accrued liabilities | \$ 12,543 | \$ - | \$ - | \$ 12,543 |
| Due to other governments | 79 | - | - | 79 |
| Due to other funds | 21 | 266 | - | 287 |
| | <u>12,643</u> | <u>266</u> | <u>-</u> | <u>12,909</u> |
| Total liabilities | <u>12,643</u> | <u>266</u> | <u>-</u> | <u>12,909</u> |
| FUND BALANCE | | | | |
| Nonspendable | 5,057 | - | - | 5,057 |
| Restricted | - | - | 481,935 | 481,935 |
| Assigned | 118,711 | 1,237,497 | - | 1,356,208 |
| Total fund balances | <u>123,768</u> | <u>1,237,497</u> | <u>481,935</u> | <u>1,843,200</u> |
| Total liabilities and fund balances | <u>\$ 136,411</u> | <u>\$ 1,237,763</u> | <u>\$ 481,935</u> | <u>\$ 1,856,109</u> |

**IROQUOIS CENTRAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

| | <u>School Lunch</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Total</u> |
|--|-------------------------|-----------------------------|-------------------------|---------------------|
| REVENUES | | | | |
| Use of money and property | \$ - | - | \$ 7,696 | \$ 7,696 |
| Sale of property and compensation for loss | 8,056 | - | - | 8,056 |
| Miscellaneous local sources | - | 201 | - | 201 |
| State sources | 8,229 | \$ - | - | 8,229 |
| Federal sources | 209,163 | - | - | 209,163 |
| School lunch | 278,280 | - | - | 278,280 |
| | <u>503,728</u> | <u>201</u> | <u>7,696</u> | <u>511,625</u> |
| Total revenues | | | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| School lunch | 507,774 | - | - | 507,774 |
| Debt service: | | | | |
| Principal | - | - | 2,170,000 | 2,170,000 |
| Interest | - | - | 500,884 | 500,884 |
| Capital outlay: | | | | |
| General support | - | 4,246,443 | - | 4,246,443 |
| Instruction | - | 624,848 | - | 624,848 |
| Pupil transportation | - | 669,366 | - | 669,366 |
| Total expenditures | <u>507,774</u> | <u>5,540,657</u> | <u>2,670,884</u> | <u>8,719,315</u> |
| Deficit of revenues over expenditures | (4,046) | (5,540,456) | (2,663,188) | (8,207,690) |
| OTHER FINANCING SOURCES | | | | |
| Interfund transfers in | 5,373 | 771,163 | 2,640,884 | 3,417,420 |
| Interfund transfers out | - | (17,070) | - | (17,070) |
| Serial bond proceeds | - | 675,000 | - | 675,000 |
| | <u>5,373</u> | <u>1,429,093</u> | <u>2,640,884</u> | <u>4,075,350</u> |
| Total other financing sources | | | | |
| Net change in fund balances | 1,327 | (4,111,363) | (22,304) | (4,132,340) |
| Fund balances - beginning | <u>122,441</u> | <u>5,348,860</u> | <u>504,239</u> | <u>5,975,540</u> |
| Fund balances - ending | <u>\$ 123,768</u> | <u>1,237,497</u> | <u>\$ 481,935</u> | <u>\$ 1,843,200</u> |

**IROQUOIS CENTRAL SCHOOL DISTRICT
 SCHEDULE OF CHANGE FROM ADOPTED
 BUDGET TO FINAL BUDGET –
 GENERAL FUND AND REAL PROPERTY TAX LIMIT
 FOR THE YEAR ENDED JUNE 30, 2019**

| | | | |
|------------------------------|--|----|--------------------------|
| Adopted Budget | | \$ | 51,398,334 |
| Additions: | | | |
| Encumbrances from prior year | | | <u>162,592</u> |
| Original Budget | | | 51,560,926 |
| Budget Revision: | | | |
| Emergency repairs | | | <u>53,215</u> |
| Final budget | | \$ | <u><u>51,614,141</u></u> |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

| | | | |
|-----------------------------------|--|----|------------|
| <u>2019-20 expenditure budget</u> | | \$ | 52,210,044 |
| Maximum allowed | | | 2,088,402 |

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

| | | | |
|-------------------------------------|------------------|--|--|
| Unrestricted fund balance: | | | |
| Assigned fund balance | 2,213,768 | | |
| Unassigned fund balance - General | 2,088,402 | | |
| Unassigned fund balance - Bookstore | 5,935 | | |
| Total unrestricted fund balance | <u>4,308,105</u> | | |

| | | | |
|--|------------------|--|--|
| Less: | | | |
| Appropriated fund balance | 1,773,612 | | |
| Encumbrances included in assigned fund balance | 440,156 | | |
| Unassigned - Bookstore | 5,935 | | |
| Total adjustments | <u>2,219,703</u> | | |

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 2,088,402

Actual percentage 4.00%

**IROQUOIS CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES -
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019**

| <u>Project Title</u> | <u>Original Appropriations</u> | <u>Revised Appropriations</u> | <u>Expenditures to Date</u> | | | <u>Unexpended Balance</u> | <u>Methods of Financing</u> | | | | <u>Fund Balance June 30, 2019</u> |
|-------------------------|--------------------------------|-------------------------------|-----------------------------|---------------------|----------------------|---------------------------|--------------------------------|------------------|----------------------|----------------------|-----------------------------------|
| | | | <u>Prior Years</u> | <u>Current Year</u> | <u>Total</u> | | <u>Proceeds of Obligations</u> | <u>State Aid</u> | <u>Local Sources</u> | <u>Total</u> | |
| Bus Purchase 18-19 | \$ 675,000 | \$ 669,366 | \$ - | \$ 669,366 | \$ 669,366 | \$ - | \$ 669,366 | \$ - | \$ - | \$ 669,366 | \$ - |
| \$100,000 Project 18-19 | \$ 100,000 | \$ 100,000 | \$ - | \$ 11,736 | \$ 11,736 | \$ 88,264 | \$ - | \$ - | \$ 100,000 | \$ 100,000 | \$ 88,264 |
| \$100,000 Project 17-18 | \$ 100,000 | \$ 100,000 | \$ 802 | \$ 82,128 | \$ 82,930 | \$ 17,070 | \$ - | \$ - | \$ 82,930 | \$ 82,930 | \$ - |
| Smart Schools Project | \$ 1,305,424 | \$ 1,305,424 | \$ 69,550 | \$ 468,780 | \$ 538,330 | \$ 767,094 | \$ - | \$ - | \$ - | \$ - | \$ (538,330) |
| Capital Project \$17M | \$ 17,000,000 | \$ 17,000,000 | \$ 10,959,827 | \$ 4,303,012 | \$ 15,262,839 | \$ 1,737,161 | \$ 8,600,000 | \$ - | \$ 8,350,402 | \$ 16,950,402 | \$ 1,687,563 |
| Total | \$ 19,180,424 | \$ 19,180,424 | \$ 11,030,179 | \$ 5,535,022 | \$ 16,565,201 | \$ 2,609,589 | \$ 9,269,366 | \$ - | \$ 8,533,332 | \$ 17,802,698 | \$ 1,237,497 |

**IROQUOIS CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2019**

| | | |
|----------------------------------|----|--------------------------|
| Capital assets, net | \$ | 45,076,223 |
| Add: | | |
| Serial Bonds | | (16,065,000) |
| Unamortized debt premium | | <u>(155,041)</u> |
| Net investment in capital assets | \$ | <u><u>28,856,182</u></u> |

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

INTERNAL CONTROL AND COMPLIANCE

*****THIS PAGE INTENTIONALLY LEFT BLANK*****



**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, 2019, 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 11, 2019.

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 11, 2019

*****THIS PAGE INTENTIONALLY LEFT BLANK*****