

**AUDITED
BASIC FINANCIAL STATEMENTS**

IROQUOIS CENTRAL SCHOOL DISTRICT
ELMA, NEW YORK

JUNE 30, 2018

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iroquois Central School District (the District), as of and for the year ended June 30, 2018, 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, 2018 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 October 17, 2018 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
October 17, 2018

Management's Discussion and Analysis Iroquois Central School District Fiscal Year ended June 30, 2018

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, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Assets exceeded liabilities by \$47,331,316 (\$46,736,088 – in 2017) 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, 2018 increased by \$595,228.

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.

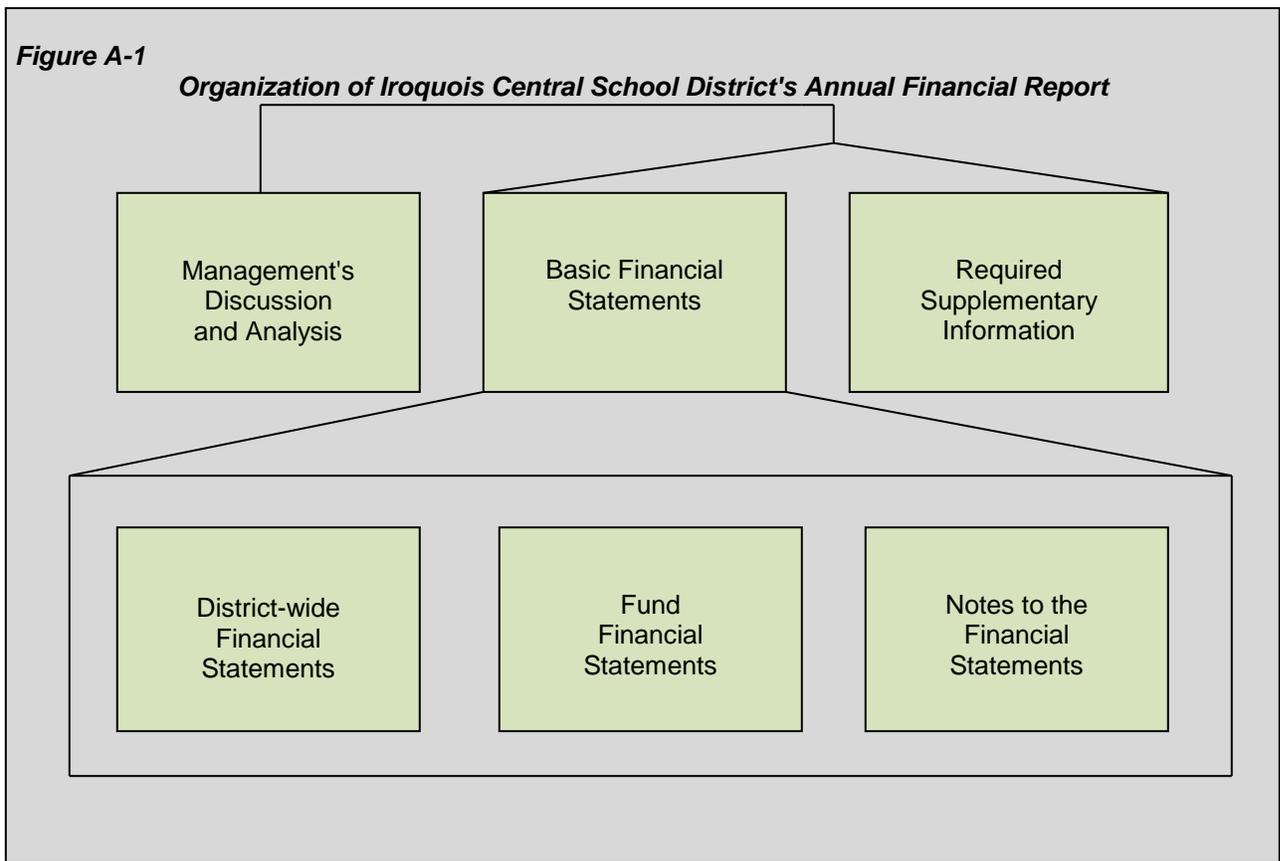


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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 	<ul style="list-style-type: none"> • Statement of Net Position – Fiduciary Funds • 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 2.16% or approximately \$1,041,000 in fiscal year 2018 (increase of 3.72% or approximately \$1,729,000 in 2017). The increase in revenues is largely due to an increase in state aid. State and federal aid increased by approximately \$320,000 or 1.9% (increase of approximately \$1,630,000 or 10.98% in 2017) as a result of an overall increase in amounts available to school districts. Taxes and related items increased approximately \$716,000 or 2.53% over 2017 as a result of a 2.58% tax increase, and an increase in PILOT agreement revenue.

Instructional expenses increased by approximately \$589,000 or 1.66% (increase of approximately \$4,007,000 or 12.72% in 2017). General support including administrative costs, central services, capital project and building maintenance cost increased approximately \$360,000 or 5.5% (increase of approximately \$898,000 or 15.89% in 2017).

Total salaries increased \$523,204 or 2.22% as a combined result of employee retirements and contractual salary increases (increase of \$602,214 or 2.62% in 2017). Transportation expenditures increased by \$152,000 or 5% (increased by \$143,000 - or 4.98% in 2017). The increase is a result of contractual obligations.

Total fund balances for the governmental funds increased from \$17,188,493 to \$17,866,219 - as further described below:

- Real property taxes increased \$725,388 or 2.58% (\$226,025 or .81% in 2017)
- Spending across all governmental funds increased \$8,928,460 or 18.2% during 2018 (increased \$3,007,654 or 6.54% during 2017). \$9,081,851 of the increase reflects activities supporting a \$17 million capital project approved by public vote.
- \$1,601,641 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 (\$1,632,446 in 2017).
- The District funded its capital reserve by \$710,166 (\$1,703,553 in 2017).
- The District also has \$2,055,933 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 2017-2018 property tax levy (\$1,773,612 was designated in 2017).

Figure A-3

Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities and Total District			Total Percentage Change	Total Percentage Change
	2018	2017	2016	2017-2018	2016-2017
Current and other assets	\$ 19,869	\$ 19,694	\$ 19,983	0.89%	-1.45%
Capital assets not being depreciated	7,691	2,762	1,531	178.46%	80.40%
Capital assets, net of accumulated depreciation	33,531	30,408	31,185	10.27%	-2.49%
TRS pension asset	816	-	11,118	100.00%	-100.00%
Total assets	<u>61,907</u>	<u>52,864</u>	<u>63,817</u>	<u>17.11%</u>	<u>-17.16%</u>
Deferred outflow of resources	<u>12,746</u>	<u>12,824</u>	<u>5,160</u>	<u>-0.61%</u>	<u>148.53%</u>
Other liabilities	2,003	2,505	2,592	-20.04%	-3.36%
Long-term liabilities	<u>21,324</u>	<u>15,762</u>	<u>15,768</u>	<u>35.29%</u>	<u>-0.04%</u>
Total liabilities	<u>23,327</u>	<u>18,267</u>	<u>18,360</u>	<u>27.70%</u>	<u>-0.51%</u>
Deferred inflow of resources	<u>3,995</u>	<u>684</u>	<u>4,154</u>	<u>484.06%</u>	<u>-83.53%</u>
Net investment in capital assets	23,496	23,276	21,995	0.95%	5.82%
Restricted for:					
Capital projects	2,830	2,213	6,308	27.88%	-64.92%
Debt service	504	332	327	51.81%	1.53%
Employee benefit accrued liability	1,602	1,633	1,793	-1.90%	-8.92%
Insurance	211	210	210	0.48%	0.00%
Repairs	865	953	987	-9.23%	-3.44%
Retirement Contributions	744	916	1,015	-18.78%	-9.75%
Tax Certiorari	671	669	668	0.30%	0.15%
Unemployment Insurance	606	604	613	0.33%	-1.47%
Workers' Compensation	332	528	577	-37.12%	-8.49%
Unrestricted	<u>15,470</u>	<u>15,403</u>	<u>11,970</u>	<u>0.43%</u>	<u>28.68%</u>
Total net assets	<u>\$ 47,331</u>	<u>\$ 46,737</u>	<u>\$ 46,463</u>	<u>1.27%</u>	<u>0.59%</u>

Figure A-4

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

	Governmental Activities and Total District			Total Percentage Change	Total Percentage Change
	2018	2017	2016	2017-2018	2016-2017
Revenues:					
Real property taxes	\$ 28,794	\$ 28,069	\$ 27,843	2.58%	0.81%
Real property tax items	201	210	201	-4.29%	4.48%
Non-property taxes	2,677	2,635	2,640	1.59%	-0.19%
Charges for services	226	239	296	-5.44%	-19.26%
Use of money and property	125	90	87	38.89%	3.45%
Sale of property	8	19	11	-57.89%	72.73%
Other miscellaneous revenues	194	282	368	-31.21%	-23.37%
State and federal aid	16,798	16,478	14,848	1.94%	10.98%
School lunch	254	215	217	18.14%	-0.92%
School store	22	21	18	4.76%	16.67%
Total revenues	<u>49,299</u>	<u>48,258</u>	<u>46,529</u>	<u>2.16%</u>	<u>3.72%</u>
Expenses:					
General support	6,908	6,548	5,650	5.50%	15.89%
Instruction	36,089	35,500	31,493	1.66%	12.72%
Pupil transportation	3,166	3,014	2,871	5.04%	4.98%
Debt service	241	260	286	-7.31%	-9.09%
School lunch	464	391	410	18.67%	-4.63%
School store	21	19	15	10.53%	26.67%
Home and community	8	7	8	14.29%	-12.50%
Depreciation	1,807	1,707	1,685	5.86%	1.31%
Total expenses	<u>48,704</u>	<u>47,446</u>	<u>42,418</u>	<u>2.65%</u>	<u>11.85%</u>
Changes in net assets	<u>\$ 595</u>	<u>\$ 812</u>	<u>\$ 4,111</u>	<u>-26.72%</u>	<u>-80.25%</u>

Governmental Activities

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

Figure A-5

Net Cost of Governmental Activities
(in thousands of dollars)

	Net Cost of Services			Percentage Change	Percentage Change
	2018	2017	2016	2017-2018	2016-2017
General support	\$ 6,732	\$ 6,391	\$ 5,502	5.34%	16.16%
Instruction	28,637	28,017	24,357	2.21%	15.03%
Pupil transportation	1,223	1,071	976	14.19%	9.73%
Interest	241	260	286	-7.31%	-9.09%
School lunch	(17)	(36)	(6)	-52.78%	500.00%
School store	(1)	(2)	(3)	-50.00%	-33.33%
Home and Community	8	7	8	14.29%	-12.50%
Depreciation	1,807	1,707	1,684	5.86%	1.37%
Total	<u>\$ 38,630</u>	<u>\$ 37,415</u>	<u>\$ 32,804</u>	<u>3.25%</u>	<u>17.76%</u>

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

Financial Analysis of The District's Funds

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

The District's continued conservative budgeting approach and strong fiscal management has resulted in the District's ability to improve the fiscal health of the District overall. The District was able to fund its reserves in the current year by \$710,166 (Capital Project 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 2018 was \$46,614,480 and actual revenue exceeded the amount budgeted by \$1,111,511 or 2.38%.

Actual expenditures and other financing uses, exclusive of carryover encumbrances, were less than the final amended budget by \$1,765,847 (\$2,693,058 in 2017). The largest differences between actual and final budgeted expenditures occurred with central services, employee benefits, and teaching. Differences are due to conservative budgeting and conscious effort to manage expenses to allow funds to be available to fund reserves.

Figure A-6

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

	2018		
	Revenues	Expenditures	Fund Balances
General Fund	\$ 47,768	\$ 47,744	\$ 11,891
Special Aid Fund	1,312	1,312	-
Capital Fund	10,266	9,803	5,349
	2017		
	Revenues	Expenditures	Fund Balances
General Fund	\$ 46,643	\$ 51,249	\$ 11,867
Special Aid Fund	1,276	1,276	-
Capital Fund	6,364	1,996	4,886
	2016		
	Revenues	Expenditures	Fund Balances
General Fund	\$ 44,827	\$ 44,138	\$ 16,473
Special Aid Fund	1,284	1,284	-
Capital Fund	1,683	1,296	518

Capital Asset and Debt Administration

Current year additions of \$9,888,909 included construction in progress related to the capital project (\$4,928,660), new vehicles (\$626,632), land and building improvements (\$4,289,705), and various equipment purchases (\$43,912). These additions were offset by depreciation of \$1,806,858.

	Activities and Total District			Percentage Change	Percentage Change
	2018	2017	2016	2017-2018	2016-2017
Land	\$ 872	\$ 872	\$ 872	0.00%	0.00%
Construction work in progress	6,819	1,890	659	260.79%	186.80%
Land improvements	680	811	758	-16.15%	6.99%
Buildings and building improvements	29,967	26,787	27,618	11.87%	-3.01%
Furniture, fixtures and equipment	1,046	1,123	1,213	-6.86%	-7.42%
Vehicles	1,838	1,687	1,596	8.95%	5.70%
Total	<u>\$ 41,222</u>	<u>\$ 33,170</u>	<u>\$ 32,716</u>	<u>24.27%</u>	<u>1.39%</u>

Long-Term Obligations

At June 30, 2018 the District had \$17,560,000 in bonds outstanding, with \$2,170,000 due within one year (\$9,894,000 was outstanding as of June 30, 2017). Outstanding compensated absences payable were \$2,088,586 with \$208,859 due within one year (\$2,153,134 outstanding at June 30, 2017).

Figure A-8

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

	Governmental Activities and Total District			Percentage Change
	2018	2017	2016	2016-2018
Serial bonds payable	\$ 17,726	\$ 9,894	\$ 10,722	65.32%
Compensated absences	2,089	2,153	1,979	5.56%
Post employment benefits	992	961	309	221.04%
Pension liabilities (ERS only-2018)	517	2,754	2,758	-81.25%
	<u>\$ 21,324</u>	<u>\$ 15,762</u>	<u>\$ 15,768</u>	<u>35.24%</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.

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**IROQUOIS CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>2018</u>	<u>2017</u> (Memo Only)
ASSETS		
Cash and cash equivalents	\$ 16,951,171	\$ 16,845,291
State and federal aid receivable	1,081,748	1,141,478
Receivables	1,957	3,986
Due from other governments	1,783,910	1,637,265
Due from fiduciary funds	5,200	25,141
Inventory	44,721	40,399
Net pension asset	816,114	-
Capital assets not being depreciated	7,691,077	2,762,417
Capital assets, net of accumulated depreciation	<u>33,531,093</u>	<u>30,407,650</u>
 Total assets	 <u>61,906,991</u>	 <u>52,863,627</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	12,613,197	12,715,027
Deferred postemployment outflows	<u>132,883</u>	<u>108,735</u>
 Total deferred outflows of resources	 <u>12,746,080</u>	 <u>12,823,762</u>
LIABILITIES		
Accounts payable	-	171,412
Accrued liabilities	53,287	31,312
Unearned revenue	7,059	11,793
Due to other governments	1,889	1,803
Due to retirement systems	1,940,253	2,288,747
Long-term liabilities:		
Due and payable within one year	2,389,933	1,714,313
Due and payable after one year	<u>18,934,492</u>	<u>14,047,494</u>
 Total liabilities	 <u>23,326,913</u>	 <u>18,266,874</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	3,951,544	653,950
Deferred postemployment inflows	<u>43,298</u>	<u>30,477</u>
 Total deferred inflows of resources	 <u>3,994,842</u>	 <u>684,427</u>
NET POSITION		
Net investment in capital assets	23,496,055	23,276,067
Restricted for:		
Capital projects	2,830,480	2,213,036
Debt service	504,239	332,220
Employee benefit accrued liability	1,601,641	1,632,446
Insurance	210,699	209,889
Repairs	864,748	952,822
Retirement contribution	743,832	916,367
Tax certiorari	671,314	668,734
Unemployment insurance	606,661	604,330
Workers' compensation	331,900	527,598
Unrestricted	<u>15,469,747</u>	<u>15,402,579</u>
 Total net position	 <u>\$ 47,331,316</u>	 <u>46,736,088</u>

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions / Programs	Expenses	Indirect Cost Allocation	Program Revenues		2018	2017
			Charges for Services	Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position	Net (Expense) Revenues and Changes in Net Position (Memo Only)
Governmental activities:						
General support	\$ 5,668,929	\$ 1,238,762	\$ 175,673	\$ -	\$ (6,732,018)	\$ (6,391,192)
Instruction	26,493,961	9,595,278	51,104	7,400,836	(28,637,299)	(28,016,615)
Pupil transportation	2,361,373	804,870	-	1,943,310	(1,222,933)	(1,070,500)
Interest	241,006	-	-	-	(241,006)	(260,386)
School lunch	464,213	-	253,717	227,769	17,273	35,892
School store	20,576	-	21,806	-	1,230	2,435
Home and community	8,126	-	-	-	(8,126)	(7,252)
Unallocated employee benefits	11,638,910	(11,638,910)	-	-	-	-
Unallocated depreciation	1,806,858	-	-	-	(1,806,858)	(1,707,071)
Total governmental activities	<u>\$ 48,703,952</u>	<u>\$ -</u>	<u>\$ 502,300</u>	<u>\$ 9,571,915</u>	<u>(38,629,737)</u>	<u>(37,414,689)</u>
General revenues:						
Real property taxes					28,794,017	28,068,629
Real property tax items					201,076	209,999
Non-property taxes					2,677,118	2,634,223
Use of money and property					125,177	90,026
State and federal aid not restricted for a specific purpose					7,226,367	6,922,717
Other miscellaneous revenues					201,210	301,565
Total general revenues					<u>39,224,965</u>	<u>38,227,159</u>
Change in net position					595,228	812,470
Net position- beginning of year, as previously stated					46,736,088	46,463,631
Restatement of net position					-	(540,013)
Net position - beginning of year, as restated					<u>46,736,088</u>	<u>45,923,618</u>
Net position - end of year					<u>\$ 47,331,316</u>	<u>\$ 46,736,088</u>

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018**

					<u>2018</u>		<u>2017</u>	
	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>(Memo Only) Total Governmental Funds</u>	
ASSETS								
Cash and cash equivalents	\$ 11,860,200	\$ 131,710	\$ 4,350,406	\$ 608,855	\$ 16,951,171	\$ 16,845,291		
State and federal aid receivable	425,249	644,460	-	12,039	1,081,748	1,141,478		
Receivables	1,957	-	-	-	1,957	3,986		
Due from other governments	1,783,910	-	-	-	1,783,910	1,637,265		
Due from other funds	755,250	-	1,000,000	3,777	1,759,027	731,031		
Inventory	34,884	-	-	9,837	44,721	40,399		
Total assets	<u>\$ 14,861,450</u>	<u>\$ 776,170</u>	<u>\$ 5,350,406</u>	<u>\$ 634,508</u>	<u>\$ 21,622,534</u>	<u>\$ 20,399,450</u>		
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,412		
Accrued liabilities	26,470	19,068	-	7,749	53,287	31,312		
Unearned revenue	-	7,059	-	-	7,059	11,793		
Due to other governments	1,817	-	-	72	1,889	1,803		
Due to other funds	1,002,231	750,043	1,546	7	1,753,827	705,890		
Due to retirement systems	1,940,253	-	-	-	1,940,253	2,288,747		
Total liabilities	<u>2,970,771</u>	<u>776,170</u>	<u>1,546</u>	<u>7,828</u>	<u>3,756,315</u>	<u>3,210,957</u>		
FUND BALANCE								
Nonspendable	34,884	-	-	9,837	44,721	40,399		
Restricted	7,861,275	-	-	504,239	8,365,514	8,057,442		
Assigned	1,936,204	-	5,348,860	112,604	7,397,668	7,122,479		
Unassigned	2,058,316	-	-	-	2,058,316	1,968,173		
Total fund balances	<u>11,890,679</u>	<u>-</u>	<u>5,348,860</u>	<u>626,680</u>	<u>17,866,219</u>	<u>17,188,493</u>		
Total liabilities and fund balances	<u>\$ 14,861,450</u>	<u>\$ 776,170</u>	<u>\$ 5,350,406</u>	<u>\$ 634,508</u>	<u>\$ 21,622,534</u>	<u>\$ 20,399,450</u>		

See notes to basic financial statement.

**IROQUOIS CENTRAL SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018
(Continued)**

	<u>2018</u>	<u>2017</u> (Memo Only)
Amounts reported for governmental activities in the statement of net position (page 14) are different because:		
Total fund balances - governmental funds (page 16)	17,866,219	17,188,493
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation.	41,222,170	33,170,067
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Serial bonds payable	(17,560,000)	(9,894,000)
Amortization of premium	(166,115)	-
Compensated absences	(2,088,586)	(2,153,134)
Net postemployment benefit obligations	(992,202)	(961,171)
ERS pension liability	(517,522)	(2,753,502)
TRS pension asset	816,114	-
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	89,585	78,258
Net pension deferred outflows and inflows of resources	<u>8,661,653</u>	<u>12,061,077</u>
Net position of governmental activities	<u>\$ 47,331,316</u>	<u>\$ 46,736,088</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, 2018**

					<u>2018</u>	<u>2017</u>
	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds (Memo Only)</u>
REVENUES						
Real property taxes	\$ 28,794,017	\$ -	\$ -	\$ -	\$ 28,794,017	\$ 28,068,629
Real property tax items	201,076	-	-	-	201,076	209,999
Non-property taxes	2,677,118	-	-	-	2,677,118	2,634,223
Charges for services	226,777	-	-	-	226,777	239,136
Use of money and property	119,273	-	-	5,904	125,177	90,026
Sale of property and compensation for loss	8,368	-	-	-	8,368	19,167
Miscellaneous local sources	192,042	-	800	-	192,842	282,398
State sources	15,443,974	231,178	-	8,320	15,683,472	15,307,387
Federal sources	63,346	832,015	-	219,449	1,114,810	1,170,988
School lunch	-	-	-	253,717	253,717	215,154
School store	21,806	-	-	-	21,806	20,914
Total revenues	<u>47,747,797</u>	<u>1,063,193</u>	<u>800</u>	<u>487,390</u>	<u>49,299,180</u>	<u>48,258,021</u>
EXPENDITURES						
Current:						
General support	5,744,101	-	-	-	5,744,101	5,381,033
Instruction	25,278,705	1,215,256	-	-	26,493,961	26,192,736
Pupil transportation	2,264,962	96,870	-	-	2,361,832	2,380,829
Home and community services	8,126	-	-	-	8,126	7,252
School lunch	-	-	-	464,213	464,213	396,258
School store	20,576	-	-	-	20,576	18,479
Employee benefits	11,336,424	-	-	-	11,336,424	11,007,680
Debt service:						
Principal	-	-	-	1,499,000	1,499,000	1,391,800
Interest	-	-	-	241,006	241,006	260,386
Capital outlay:						
General support	-	-	8,590,490	-	8,590,490	818,664
Instruction	-	-	627,875	-	627,875	605,382
Pupil transportation	-	-	564,965	-	564,965	563,610
Total expenditures	<u>44,652,894</u>	<u>1,312,126</u>	<u>9,783,330</u>	<u>2,204,219</u>	<u>57,952,569</u>	<u>49,024,109</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, 2018
(Continued)**

					<u>2018</u>	<u>2017</u>
	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds (Memo Only)</u>
Excess (deficit) of revenues over expenditures	3,094,903	(248,933)	(9,782,530)	(1,716,829)	(8,653,389)	(766,088)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	19,978	248,933	1,100,000	1,742,237	3,111,148	7,544,896
Interfund transfers out	(3,091,170)	-	(19,978)	-	(3,111,148)	(7,544,896)
Premium on debt	-	-	-	166,115	166,115	-
Serial bond proceeds	-	-	9,165,000	-	9,165,000	564,000
Total other financing sources (uses)	<u>(3,071,192)</u>	<u>248,933</u>	<u>10,245,022</u>	<u>1,908,352</u>	<u>9,331,115</u>	<u>564,000</u>
Net change in fund balances	23,711	-	462,492	191,523	677,726	(202,088)
Fund balances - beginning	<u>11,866,968</u>	<u>-</u>	<u>4,886,368</u>	<u>435,157</u>	<u>17,188,493</u>	<u>17,390,581</u>
Fund balances - ending	<u>\$ 11,890,679</u>	<u>\$ -</u>	<u>\$ 5,348,860</u>	<u>\$ 626,680</u>	<u>\$ 17,866,219</u>	<u>\$ 17,188,493</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, 2018**

	<u>2018</u>	<u>2017</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).	\$ 677,726	\$ (202,088)
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 (\$9,888,909) exceeded depreciation expense (\$1,806,858) in the current period.	8,082,051	453,522
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trades) is to decrease net position.	(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	(9,165,000)	(564,000)
Repayment of serial bonds	1,499,000	1,391,800
Proceeds from debt premium	(166,115)	-
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	64,548	(174,096)
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	1,967,705	(12,269,295)
Net pension - proportionate share -ERS	1,084,389	1,156,052
Other postemployment benefits	(31,031)	11,054,409
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	(2,357,301)	(112,092)
Net pension - proportionate share -ERS	(1,042,123)	
Other postemployment benefits	<u>11,327</u>	<u>78,258</u>
Change in net position of governmental activities	<u>\$ 595,228</u>	<u>\$ 812,470</u>

**IROQUOIS CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 315,180
Cash and cash equivalents - restricted	<u>439,416</u>	<u>148,053</u>
Total assets	<u>439,416</u>	<u>463,233</u>
LIABILITIES		
Agency liabilities	-	309,980
Due to other funds	-	5,200
Extraclassroom activity balances	<u>-</u>	<u>148,053</u>
Total liabilities	<u>-</u>	<u>\$ 463,233</u>
NET POSITION		
Restricted for scholarships	<u>\$ 439,416</u>	

See notes to basic financial statements.

**IROQUOIS CENTRAL SCHOOL DISTRICT
 STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND
 FOR THE YEAR ENDED JUNE 30, 2018**

	Private Purpose Trust
	<u> </u>
ADDITIONS	
Gifts and donations	\$ 62,554
Investment income	1,311
	<u> 63,865</u>
DEDUCTIONS	
Scholarships	<u> 7,204</u>
Change in net position	56,661
Net position - beginning	<u> 382,755</u>
Net position - ending	<u><u> \$ 439,416</u></u>

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**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-Chatauqua-Catteraugus Board of Cooperative Education Services (BOCES). The BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs which provide educational and support activities.

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, 2018, the District was billed \$5,089,493 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, 2018, the District was billed \$658,859 for their proportionate share of the cash flow needs for the project.

B. BASIS OF PRESENTATION

1. DISTRICT-WIDE STATEMENTS:

While separate district-wide and fund financial statements are presented, they are interrelated. The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through property taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include specific operating and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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**

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

Additionally, the District reports the following fund types:

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, state aid, grants and donations. Property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from state aid recognized in the fiscal year it is appropriated by the State. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within one year of the end of the current fiscal period with the exception of property taxes, which the period of availability is sixty days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are 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 period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year end).

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

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

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

1. CASH AND CASH EQUIVALENTS

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

2. RESTRICTED ASSETS

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

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.

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.

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

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. It 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.

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

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 funds statements when issued. In the district-wide statements, premiums are recognized with 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.

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.

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

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 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.

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

E. REVENUES AND EXPENDITURES/EXPENSES

1. PROGRAM REVENUES

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

2. PROPERTY TAXES

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

F. USE OF ESTIMATES

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

G. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 81, *Split-Interest Agreements*; Statement No. 85, *Omnibus-2017*; and Statement No. 86, *Certain Debt Extinguishment Issues*.

The primary objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The primary objective of Statement No. 85 is to address a variety of topics including issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and OPEB).

The primary objective of Statement No. 86 is to improve consistency in accounting and financial reporting for in substance defeasance of debt.

The District has evaluated Statements No. 81, 85, and 86 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. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending June 30, 2019;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2020;
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021;
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for the year ending June 30, 2019; and
- 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.

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

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

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. 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, 2018.

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 \$148,053 within the Agency Fund restricted for extraclassroom activities and \$439,416 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.

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

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.

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, 2018:

General Fund	
State aid - excess cost aid	\$ 425,249
Special Aid Fund	644,460
School Lunch Fund	<u>12,039</u>
Total	<u>\$ 1,081,748</u>

Due from other governments, consist of the following at June 30, 2018:

General Fund	
BOCES aid	\$ 1,053,912
Sales tax	682,594
Miscellaneous	<u>47,404</u>
Total	<u>\$ 1,783,910</u>

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

C. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

Governmental Activities:

	Balance 07/01/17	Increases	Decreases	Balance 06/30/18
<u>Capital assets not being depreciated:</u>				
Land	\$ 872,363	\$ -	\$ -	\$ 872,363
Construction work in progress	1,890,054	9,218,365	4,289,705	6,818,714
Total capital assets not being depreciated	<u>2,762,417</u>	<u>9,218,365</u>	<u>4,289,705</u>	<u>7,691,077</u>
<u>Capital assets being depreciated:</u>				
Land improvements	3,878,181	-	-	3,878,181
Buildings and building improvements	48,474,854	4,289,705	-	52,764,559
Furniture, fixtures and equipment	3,151,021	43,912	34,910	3,160,023
Vehicles	5,381,526	626,632	412,688	5,595,470
Total capital assets, being depreciated	<u>60,885,582</u>	<u>4,960,249</u>	<u>447,598</u>	<u>65,398,233</u>
<u>Less accumulated depreciation:</u>				
Land improvements	3,067,325	130,824	-	3,198,149
Buildings and building improvements	21,687,568	1,109,872	-	22,797,440
Furniture, fixtures and equipment	2,028,457	112,188	26,589	2,114,056
Vehicles & equipment	3,694,582	453,974	391,061	3,757,495
Total accumulated depreciation	<u>30,477,932</u>	<u>1,806,858</u>	<u>417,650</u>	<u>31,867,140</u>
Total capital assets being depreciated, net	<u>30,407,650</u>	<u>3,153,391</u>	<u>29,948</u>	<u>33,531,093</u>
Governmental activities capital assets, net	<u>\$ 33,170,067</u>	<u>\$ 12,371,756</u>	<u>\$ 4,319,653</u>	<u>\$ 41,222,170</u>

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

D. PENSION OBLIGATIONS

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

Provisions and Administration

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

**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. 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, 2018, the District reported the following liability for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability was measured as of June 30, 2017 for TRS and March 31, 2018 for ERS. The total pension (asset)/liability 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, 2017	March 31, 2018
Net pension (asset)/liability	\$ (816,114)	\$ 517,522
District's portion of the Plan's total net pension liability	0.017049%	0.016035%
Change in proportion since the prior measurement date	0.000152	-0.001014

For the year ended June 30, 2018, the District recognized pension expense of \$2,053,685 for TRS and \$792,156 for ERS, respectively. At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

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**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	\$ 671,461	\$ 184,583	\$ 318,193	\$ 152,533
Change of assumptions	8,304,117	343,160	-	-
Net difference between projected and actual earnings on pension plan investments	-	751,659	1,922,184	1,483,700
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	17,222	447,527	27,044	47,890
Village's contributions subsequent to the measurement date	<u>1,685,111</u>	<u>208,357</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,677,911</u>	<u>\$ 1,935,286</u>	<u>\$ 2,267,421</u>	<u>\$ 1,684,123</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:		
2019	\$ 190,736	\$ 277,284
2020	2,198,893	213,008
2021	1,574,097	(303,626)
2022	392,181	(143,860)
2023	1,569,523	-
Thereafter	799,949	-

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, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Interest rate	7.25%	7.00%
Salary scale	1.9% - 4.7%	3.8%
Decrement tables	July 1, 2009 June 30, 2014 System's Experience	April 1, 2010 March 31, 2015 System's Experience
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.5%	1.3%

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

For TRS, the actuarial assumptions used in the June 30, 2016 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, 2017 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	
			June 30, 2017	March 31, 2018
	TRS	ERS	TRS	ERS
Asset Class:				
Domestic equity	35.0 %	36.0 %	5.9 %	4.6 %
International equity	18.0	14.0	7.4	6.4
Private equity	8.0	10.0	9.0	7.5
Real estate	11.0	10.0	4.3	5.6
Absolute return strategies	-	2.0		3.8
Opportunistic portfolio	-	3.0	-	5.7
Real assets	-	3.0	-	5.3
Bond and mortgages	8.0	17.0	2.8	1.3
Cash/short term	1.0	1.0	0.6	-0.3
Inflation-indexed bonds	-	4.0	-	1.3
Domestic fixed income securities	16.0	-	1.6	-
Global fixed income securities	2.0	-	1.3	-
High yield income securities	1.0	-	3.9	-
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**

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<u>TRS</u>			
Employer's proportionate share of the net pension liability (asset)/liability	\$ 14,059,224	\$ (816,114)	\$ (13,273,471)

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<u>ERS</u>			
Employer's proportionate share of the net pension liability (asset)/liability	\$ 3,915,708	\$ 517,522	\$ (2,357,208)

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, 2017	March 31, 2018
Employer' total pension liability	\$ 114,708,261	\$ 183,400,590
Plan net position	115,468,360	180,173,145
Employers' net pension (asset)/liability	<u>\$ (760,099)</u>	<u>\$ 3,227,445</u>
Ratio of plan net position to the employers' total pension (asset)/liability	-100.7%	98.2%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 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, 2018 amounted to \$1,731,896.

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, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$208,357.

E. OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS (OPEB)

Plan Description

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

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement.

**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, 2018, the following employees were covered by the benefit terms:

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

The District's total OPEB liability of \$992,202 was measured as of April 1, 2018, using updated procedures to roll forward the total actuarial valuation from June 30, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.31%
Salary Increases	3.31%, average, including inflation
Discount Rate	3.61%
Healthcare Cost Trend Rates	6.2% of 2018, with an ultimate rate of 4.17% for 2051 and later years
Retirees' Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy. 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 were based on the 2015 New York State Teacher Retirement System mortality rates for active members and all active employees. Mortality rates for retirees and surviving spouses were based on the 2015 New York State Teacher Retirement System mortality base rates for service and deferred annuitants and beneficiaries, fully generational using Mortality Improvement Scale MP-2017.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

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

Changes in the Total OPEB Liability

Balance at July 1, 2017	\$	961,171
<u>Changes for the year:</u>		
Service cost		35,928
Interest		36,422
Changes of benefit terms		-
Differences between expected and actual experience		(19,586)
Changes in assumptions or other inputs		16,880
Benefit payments		(38,613)
Net changes		<u>31,031</u>
Balance at June 30, 2018	\$	<u><u>992,202</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.8 percent in 2017 to 3.61 percent in 2018 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 (2.61%) or 1 percentage point higher (4.61%) than the current discount rate.

	1% Decrease (2.61%)	Discount Rate (3.61%)	1% Increase (4.61%)
Total OPEB Liability	\$ <u>1,082,572</u>	\$ <u>992,202</u>	\$ <u>909,478</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 (3.17%) or 1 percentage point higher (5.17%) than the current healthcare cost trend rate:

	1% Decrease (5.20% decreasing to 3.17%)	Healthcare Cost Trend Rates (6.20% decreasing to 4.17%)	1% Increase (7.20% decreasing to 5.17%)
Total OPEB Liability	\$ <u>871,902</u>	\$ <u>992,202</u>	\$ <u>1,134,422</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$38,613. At June 30, 2018, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual experience	98,573	15,669
Changes of assumptions	13,504	27,629
Contributions subsequent to the measurement date	20,806	-
Total	<u><u>132,883</u></u>	<u><u>43,298</u></u>

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

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>
2019	\$ 6,773
2020	6,773
2021	6,773
2022	6,773
2023	7,313
Thereafter	34,374

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.

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 6/30/2018</u>
Governmental activities					
Serial Bond - Construction	8/24/2010	\$ 3,150,000	6/15/2020	2.000-4.375%	\$ 775,000
Serial Bond - Construction	5/10/2012	10,800,000	6/15/2027	2.000-3.000%	6,515,000
Serial Bond - Buses	8/13/2013	400,000	8/1/2018	2.000-5.000%	90,000
Serial Bond - Buses	8/19/2014	503,000	8/1/2019	1.250-1.750%	215,000
Serial Bond - Buses	8/19/2015	536,800	8/1/2020	1.380%	335,000
Serial Bond - Buses	8/25/2016	564,000	8/1/2021	1.250-1.500%	465,000
Serial Bond - Buses	8/25/2017	565,000	8/1/2022	1.890%	565,000
Serial Bond - Construction	4/18/2018	8,600,000	6/15/2033	3.000%	8,600,000
					<u>\$ 17,560,000</u>

2. 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.)

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

3. CHANGES IN LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2018 are as follows:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Due Within One Year
Government activities:					
Bonds Payable:					
Serial Bonds	\$ 9,894,000	\$ 9,165,000	\$ 1,499,000	\$ 17,560,000	\$ 2,170,000
Unamortized premium	-	166,115	-	166,115	11,074
Total bonds payable	<u>9,894,000</u>	<u>9,331,115</u>	<u>1,499,000</u>	<u>17,726,115</u>	<u>2,181,074</u>
Other liabilities					
Compensated absences	\$ 2,153,134	\$ 481,792	\$ 546,340	\$ 2,088,586	208,859
Net pension liabilities (ERS) - proportionate share**	2,753,502	-	1,151,591	517,522	-
Postemployment benefit obligations	<u>961,171</u>	<u>89,230</u>	<u>58,199</u>	<u>992,202</u>	<u>-</u>
Total long-term liabilities	<u>\$ 15,761,807</u>	<u>\$ 9,902,137</u>	<u>\$ 3,255,130</u>	<u>\$ 21,324,425</u>	<u>\$ 2,389,933</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:

Fiscal Year	Principal	Interest	Premium
2019	2,170,000	500,886	11,074
2020	2,065,000	416,439	11,074
2021	1,575,000	363,158	11,074
2022	1,495,000	328,763	11,074
2023	1,420,000	294,400	11,074
2024-2028	5,655,000	925,213	55,372
2029-2033	3,180,000	289,500	55,373
Total	<u>\$ 17,560,000</u>	<u>\$ 3,118,359</u>	<u>\$ 166,115</u>

G. INTERFUND ACTIVITY

Interfund activity at June 30, 2018 are as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenues	Interfund Expenditures
General Fund	\$ 755,250	\$ 1,002,231	\$ 19,978	\$ 3,091,170
Capital Projects Fund	1,000,000	1,546	1,100,000	19,978
Special Aid Fund	-	750,043	248,933	-
Special Revenue Fund	-	-	-	-
School Lunch Fund	2,231	7	2,231	-
Debt Service Fund	1,546	-	1,740,006	-
Agency Fund	-	5,200	-	-
Total	<u>\$ 1,759,027</u>	<u>\$ 1,759,027</u>	<u>\$ 3,111,148</u>	<u>\$ 3,111,148</u>

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

Interfund receivables and payables were incurred primarily due to salaries paid by General Fund on behalf of the Special Aid Fund as well as the General Fund paying the Capital Projects Fund for capital projects. The majority of the interfund revenues and expenses were a transfer to the Capital Projects Fund for the 17/18 projects.

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

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, 2018.

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, 2018 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.

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, 2018, 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 to 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 2019 fiscal year.

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

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

	General	Capital Projects	Nonmajor Funds	Total
<u>Nonspendable</u>				
Inventory	\$ 34,884	\$ -	\$ 9,837	\$ 44,721
<u>Restricted:</u>				
Capital	2,830,480	-	-	2,830,480
Debt service	-	-	504,239	504,239
Employee benefit accrued liability	1,601,641	-	-	1,601,641
Insurance	210,699	-	-	210,699
Repairs	864,748	-	-	864,748
Retirement contribution	743,832	-	-	743,832
Tax certiorari	671,314	-	-	671,314
Unemployment insurance	606,661	-	-	606,661
Workers' Compensation	331,900	-	-	331,900
<u>Assigned:</u>				-
Subsequent years' expenditures	1,773,612	-	-	1,773,612
<u>Encumbrances:</u>				
General support	96,505	-	-	96,505
Instruction	31,462	-	-	31,462
Transportation	34,625	-	-	34,625
Capital Projects		5,348,860	-	5,348,860
School lunch		-	112,604	112,604
<u>Unassigned:</u>				
General	2,058,316	-	-	2,058,316
Total	\$ 11,890,679	\$ 5,348,860	\$ 626,680	\$ 17,866,219

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.

NOTE 3 - RISK MANAGEMENT

A. WORKERS' COMPENSATION PLAN

The District is a participant in the Erie #2 Workers' Compensation Consortium (the Consortium). The Consortium was established under the provisions of Workers' Compensation Law of the State of New York and is administered and sponsored by its predominant participant, Erie #2-Chataqua-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.

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

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, 2017 and based upon the most recent available audited information, the Consortium's net position was \$3,095,861.

B. HEALTH INSURANCE PLAN

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

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

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

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

As of June 30, 2017, the date of the most recent audited financial statements, the Plan accrued a liability for incurred but not reported and incurred but not paid healthcare claims. The accrual was based upon subsequent disbursements for claims incurred during the plan year and an actuarial valuation of incurred but not reported claims. As of June 30, 2017, the Plan was under funded by \$14,363,901.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

A. CONSTRUCTION COMMITMENTS

The District has an active capital improvement project as of June 30, 2018. Outstanding construction commitments are estimated at \$3,223,212.

B. ENCUMBRANCES

As discussed in Note 1.D, 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 \$162,592 reported in the General Fund and \$3,223,212 reported in the Capital Projects Fund.

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

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

1. As stated in Note 3, the District participates in the NY44 Health Benefits Plan Trust (the Plan), which is sponsored by Erie #2 BOCES, a cost-sharing arrangement that maintains and administers accounts for the payment of insurance premiums and claims for hospitalization and medical benefits. The District has elected to withdraw from the plan effective July 1, 2018. As of June 30, 2018 the plan was underfunded by \$14,363,901. As a participant of the Plan, the District may become liable for a portion of the unfunded liability. As of June 30, 2018, an estimate of the potential liability cannot be made.
2. As stated in Note 1.A.2, the District is a component school district of Erie #2 BOCES and the BOCES has initiated a capital project to be completed over a three year period. The District's annual obligation subsequent to June 30, 2018 will be \$658,859, to be paid in fiscal year ending June 30, 2019.

NOTE 5 – TAX ABATEMENTS

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

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

As a result of these tax abatement agreements, for the year ended June 30, 2018, the District's total tax revenues were reduced by \$295,506

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

NOTE 8 – SUBSEQUENT EVENTS

A. SUBSEQUENT EVENTS

As of July 1, 2018, the District left the NY44 Health Benefit Plan Trust and is self funding for health insurance.

These financial statements have not been updated for subsequent events occurring after October 17, 2018 which is the date these financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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**IROQUOIS CENTRAL SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018**

	<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	\$ 28,794,017	\$ 28,794,017	\$ 28,794,017	\$ -
Real property tax items	195,472	195,472	201,076	5,604
Non-property tax items	2,556,197	2,556,197	2,677,118	120,921
Charges for services	105,200	105,200	226,777	121,577
Use of money and property	59,000	59,000	119,273	60,273
Sale of property and compensation for loss	5,400	5,400	8,368	2,968
Miscellaneous local sources	110,000	110,000	192,042	82,042
State sources:				
Basic formula	10,975,478	10,975,478	10,868,966	(106,512)
Lottery aid	2,344,547	2,344,547	2,388,822	44,275
BOCES	1,198,752	1,198,752	1,940,560	741,808
Other	220,417	220,417	245,626	25,209
Federal sources	<u>50,000</u>	<u>50,000</u>	<u>63,346</u>	<u>13,346</u>
Total revenues	46,614,480	46,614,480	47,725,991	1,111,511
Other sources:				
Interfund transfers in	-	-	19,978	19,978
Appropriated fund balance	<u>2,412,415</u>	<u>2,874,855</u>	<u>-</u>	<u>(2,874,855)</u>
Total revenues and other sources - general fund	\$ 49,026,895	\$ 49,489,335	\$ 47,745,969	\$ (1,743,366)
Total revenues - book store	<u>25,000</u>	<u>27,000</u>	<u>21,806</u>	<u>(5,194)</u>
Total revenues	<u>\$ 49,051,895</u>	<u>\$ 49,516,335</u>	<u>\$ 47,767,775</u>	<u>\$ (1,748,560)</u>

**IROQUOIS CENTRAL SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018
 (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	\$ 18,455	\$ 19,339	\$ 16,481	\$ -	\$ 2,858
Central administration	251,295	252,526	249,695	-	2,831
Finance	531,953	561,683	554,980	-	6,703
Staff	203,502	203,502	192,249	-	11,253
Central services	3,984,137	4,070,648	3,604,475	96,505	369,668
Special items	620,057	1,213,030	1,126,221	-	86,809
Instruction:					
Instruction, administration and improvements	1,893,138	1,921,403	1,857,749	-	63,654
Teaching - regular school	12,935,046	12,947,551	12,454,995	19,279	473,277
Programs for children with handicaps	6,313,426	6,033,247	5,951,653	-	81,594
Occupational education	1,330,943	1,303,112	1,300,087	-	3,025
Teaching - special schools	84,750	93,875	90,950	-	2,925
Instructional media	1,515,442	1,899,281	1,674,806	12,183	212,292
Pupil services	2,015,276	2,047,337	1,948,465	-	98,872
Pupil transportation	2,618,864	2,433,867	2,264,962	34,625	134,280
Home and community services	7,475	8,126	8,126	-	-
Employee benefits	12,605,837	12,224,172	11,336,424	-	887,748
Debt service - interest	8,000	6,173	-	-	6,173
	<u>46,937,596</u>	<u>47,238,872</u>	<u>44,632,318</u>	<u>162,592</u>	<u>2,443,962</u>
Other financing uses:					
Interfund transfers out	<u>2,089,299</u>	<u>2,250,463</u>	<u>3,091,170</u>	<u>-</u>	<u>(840,707)</u>
Total expenditures and other uses - general fund	\$ 49,026,895	\$ 49,489,335	\$ 47,723,488	\$ 162,592	\$ 1,603,255
Total expenditures - book store	<u>25,000</u>	<u>27,000</u>	<u>20,576</u>	<u>-</u>	<u>6,424</u>
Total expenditures and other uses	<u>\$ 49,051,895</u>	<u>\$ 49,516,335</u>	<u>\$ 47,744,064</u>	<u>\$ 162,592</u>	<u>\$ 1,609,679</u>
Net change in fund balance			<u>\$ 23,711</u>		

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

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

*Information prior to the year ended June 30, 2017 not available.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Teachers' Retirement System (TRS)				
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
District's proportion of the net pension liability (asset)	0.107373%	0.107037%	0.107521%	0.107369%
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>
District's covered-employee payroll	16,263,827	16,796,716	17,186,661	17,195,011
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.5%	66.2%	6.7%	-4.7%
Plan fiduciary net position as a percentage of the total pension liability (asset)	-111.5%	-110.5%	99.1%	-100.7%
Employees' Retirement System (ERS)				
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
District's proportion of the net pension liability	0.016685%	0.017183%	.0170485%	0.016035%
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>
District's covered-employee payroll	5,127,269	5,380,010	5,611,940	5,615,115
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-11.0%	-51.3%	-28.5%	-9.2%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	94.7%	98.2%

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

**IROQUOIS CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS -
EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2018**

	Teachers' Retirement System									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 1,147,597	\$ 960,532	\$ 1,301,440	\$ 1,714,908	\$ 1,847,620	\$ 2,577,361	\$ 2,818,538	\$ 2,200,036	\$ 2,015,255	\$ 1,685,111
Contributions in relation to the contractually required contribution	<u>1,147,597</u>	<u>960,532</u>	<u>1,301,440</u>	<u>1,714,908</u>	<u>1,847,620</u>	<u>2,577,361</u>	<u>2,818,538</u>	<u>2,200,036</u>	<u>2,015,255</u>	<u>1,685,111</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 15,244,588	\$ 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
Contributions as a percentage of covered-employee payroll	8%	6%	8%	11%	12%	16%	17%	13%	12%	10%
	Employees' Retirement System									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 341,758	\$ 341,014	\$ 541,136	\$ 749,286	\$ 959,311	\$ 1,092,271	\$ 980,979	\$ 990,119	\$ 883,097	\$ 840,490
Contributions in relation to the contractually required contribution	<u>341,758</u>	<u>341,014</u>	<u>541,136</u>	<u>749,286</u>	<u>959,311</u>	<u>1,092,271</u>	<u>980,979</u>	<u>990,119</u>	<u>883,097</u>	<u>840,490</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 4,563,365	\$ 4,739,525	\$ 4,930,633	\$ 5,072,870	\$ 5,262,457	\$ 5,262,931	\$ 5,504,688	\$ 5,690,201	\$ 5,706,976	\$ 5,906,961
Contributions as a percentage of covered-employee payroll	7%	7%	11%	15%	18%	21%	18%	17%	15%	14%

**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, 2018, 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 – POSTEMPLOYMENT BENEFITS OTHER THAN 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.

SUPPLEMENTARY INFORMATION

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**IROQUOIS CENTRAL SCHOOL DISTRICT
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018**

	<u>School Lunch</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 106,162	\$ 502,693	\$ 608,855
State and federal aid receivable	12,039	-	12,039
Due from other funds	2,231	1,546	3,777
Inventory	9,837	-	9,837
	<u>130,269</u>	<u>504,239</u>	<u>634,508</u>
Total assets	<u>\$ 130,269</u>	<u>\$ 504,239</u>	<u>\$ 634,508</u>
LIABILITIES			
Accrued liabilities	\$ 7,749	\$ -	\$ 7,749
Due to other governments	72	-	72
Due to other funds	7	-	7
	<u>7,828</u>	<u>-</u>	<u>7,828</u>
Total liabilities	<u>7,828</u>	<u>-</u>	<u>7,828</u>
FUND BALANCE			
Nonspendable	9,837		9,837
Restricted	-	504,239	504,239
Assigned	112,604	-	112,604
Total fund balances	<u>122,441</u>	<u>504,239</u>	<u>626,680</u>
Total liabilities and fund balances	<u>\$ 130,269</u>	<u>\$ 504,239</u>	<u>\$ 634,508</u>

**IROQUOIS CENTRAL SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>School Lunch</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES			
Use of money and property	\$ -	\$ 5,904	\$ 5,904
State sources	8,320	-	8,320
Federal sources	219,449	-	219,449
School lunch	<u>253,717</u>	<u>-</u>	<u>253,717</u>
Total revenues	<u>481,486</u>	<u>5,904</u>	<u>487,390</u>
EXPENDITURES			
Current:			
School lunch	464,213	-	464,213
Debt service:			
Principal	-	1,499,000	1,499,000
Interest	<u>-</u>	<u>241,006</u>	<u>241,006</u>
Total expenditures	<u>464,213</u>	<u>1,740,006</u>	<u>2,204,219</u>
Deficit of revenues over expenditures	17,273	(1,734,102)	(1,716,829)
OTHER FINANCING SOURCES			
Premium on debt	-	166,115	166,115
Interfund transfers in	<u>2,231</u>	<u>1,740,006</u>	<u>1,742,237</u>
Total other financing sources	<u>2,231</u>	<u>1,906,121</u>	<u>1,908,352</u>
Net change in fund balances	19,504	172,019	191,523
Fund balances - beginning	<u>102,937</u>	<u>332,220</u>	<u>435,157</u>
Fund balances - ending	<u>\$ 122,441</u>	<u>\$ 504,239</u>	<u>\$ 626,680</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, 2018**

Adopted Budget		\$	49,026,895
Additions:			
Encumbrances from prior year			<u>371,021</u>
Original Budget			49,397,916
Budget revision:			
Emergency repairs			<u>91,419</u>
Final budget		\$	<u><u>48,489,335</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

<u>2018-19 expenditure budget</u>		\$	51,398,334
Maximum allowed			2,055,933

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

Unrestricted fund balance:			
Assigned fund balance			1,936,204
Unassigned fund balance - General			2,055,933
Unassigned fund balance - Bookstore			2,383
Total unrestricted fund balance			<u><u>3,994,520</u></u>

Less:			
Appropriated fund balance			1,773,612
Encumbrances included in assigned fund balance			162,592
Unassigned - Bookstore			2,383
Total adjustments			<u><u>1,938,587</u></u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law \$ 2,055,933

Actual percentage 4.00%

**IROQUOIS CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES -
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018**

<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, 2018</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 17-18	\$ 565,000	\$ 564,965	\$ -	\$ 564,965	\$ 564,965	\$ -	\$ 564,965	\$ -	\$ -	\$ 564,965	\$ -
\$100,000 Project 16-17	100,000	100,000	-	80,022	80,022	19,978	-	-	80,022	80,022	-
\$100,000 Project 17-18	100,000	100,000	-	802	802	99,198	-	-	100,000	100,000	99,198
Smart Schools Project	1,305,424	1,291,564	13,860	55,690	69,550	1,235,874	-	-	-	-	(69,550)
Capital Project \$17M	<u>17,000,000</u>	<u>15,122,060</u>	<u>1,877,976</u>	<u>9,081,851</u>	<u>10,959,827</u>	<u>6,040,209</u>	<u>8,600,000</u>	<u>-</u>	<u>7,679,039</u>	<u>16,279,039</u>	<u>5,319,212</u>
Total	<u>\$ 19,070,424</u>	<u>\$ 17,178,589</u>	<u>\$ 1,891,836</u>	<u>\$ 9,783,330</u>	<u>\$ 11,675,166</u>	<u>\$ 7,395,259</u>	<u>\$ 9,164,965</u>	<u>\$ -</u>	<u>\$ 7,859,061</u>	<u>\$ 17,024,026</u>	<u>\$ 5,348,860</u>

**IROQUOIS CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2018**

Capital assets, net	\$	41,222,170
Add:		
Serial Bonds		(17,560,000)
Unamortized debt premium		<u>(166,115)</u>
Net investment in capital assets	\$	<u><u>23,496,055</u></u>

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INTERNAL CONTROL AND COMPLIANCE

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iroquois Central School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2018.

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
October 17, 2018

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