

IROQUOIS CENTRAL SCHOOL DISTRICT

**Financial Statements as of and
for the Year Ended June 30, 2020
Together with Independent
Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

IROQUOIS CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

October 21, 2020

To the Board of Education of the
Iroquois Central School District

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

100 Corporate Parkway
Suite 200
Amherst, New York 14226
p (716) 250-6600
f (716) 250-6605

www.bonadio.com

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, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of contributions - pension plans, proportionate share of the net pension liability (asset), and changes in total OPEB liability and related ratios 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 required by the New York State Education Department, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information, as required by the New York State Education Department, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020 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.

Bonadio & Co., LLP

IROQUOIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2020

The following is a discussion and analysis of the Iroquois Central School District's (the District) financial performance for the fiscal year ended June 30, 2020. The section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- At June 30, 2020 and 2019, total assets and deferred outflows (what the District owns) exceeded its total liabilities and deferred inflows (what the District owes) by \$45,974,816 and \$47,805,757 (net position), respectively, a decrease of \$1,830,941 from 2019 to 2020 operations.
- General revenue, which includes State aid, and property taxes, accounted for \$49,545,076 (or 95%), of all revenue. Program specific revenue in the form of Charges for Services and Operating and Capital Grants and Contributions accounted for \$2,450,627 (or 5%) of total revenue.
- Total expenses for in the district-wide financial statements totaled \$53,826,644 and \$50,635,250 in 2020 and 2019, respectively.
- As of the close of the fiscal year, the District's governmental funds reported combined fund balances of \$13,462,543 and \$14,144,320 in 2020 and 2019, respectively, a decrease of \$681,777 from 2019 to 2020.

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 Governmental fund financial statements that focus on individual activities of the District, reporting the operation in more detail than the District-wide statements.
- The Governmental fund statements tell how basic services, such as instruction and support functions, were financed in the short-term, as well as what remains for future spending.
- Fiduciary fund statements provide information about financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the District.

IROQUOIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2020

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison to the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1 Organization of the District's Annual Financial Report

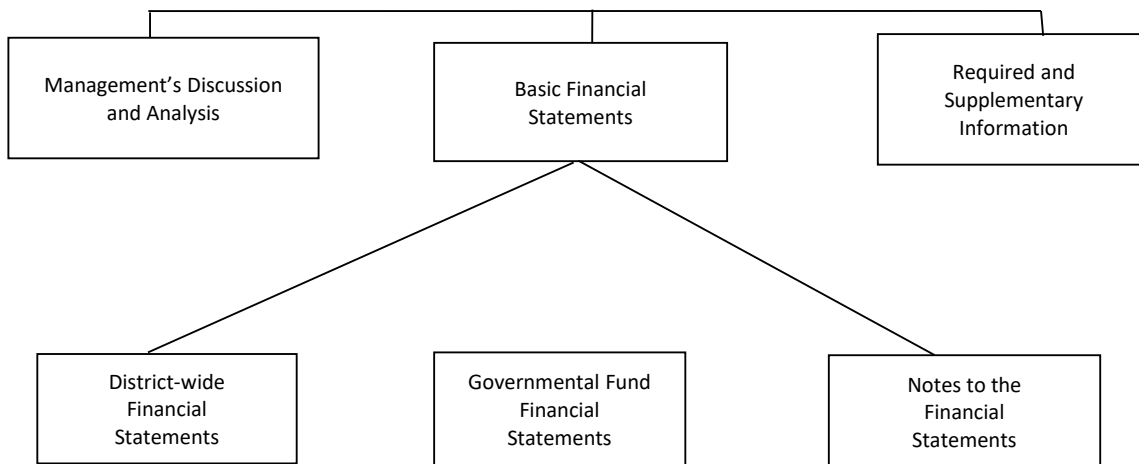


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

IROQUOIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) **For the Year Ended June 30, 2020**

Table A-2 Major Features of the District-Wide and Fund Financial Statements

		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the District, such as instruction and special education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund balance	• Statement of fiduciary net position • Statement of changes in fiduciary net position
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/deferred inflows-outflows of resources/liability information	All assets/deferred outflows of resources and liabilities/deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets/deferred outflows and liabilities/deferred inflows, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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

IROQUOIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2020

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 revenue and expenses 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 it has 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.
- For assessment of the overall health of the District, additional nonfinancial factors, such as changes in the property tax base and the condition of buildings and other facilities, should be considered.

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, 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. The funds have been established by the State of New York.

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 of the District and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund 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 in a reconciliation to the governmental fund statements explain the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General fund, Special Aid fund, School Lunch fund, Debt Service fund and the Capital Projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the 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. Fiduciary fund reporting focuses on net position and changes in net position.

IROQUOIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2020

Financial Analysis of the District as a Whole

Our analysis below focuses on the net position (Table A-3) and the change in net position (Table A-4) of the District-wide governmental activities.

Table A-3 Condensed Statements of Net Position - Governmental Activities

	Fiscal Year 2020	Fiscal Year 2019	Percent Change
Current Assets	\$ 16,176,189	\$ 16,494,654	-1.9%
Non-current assets	47,814,461	46,991,594	1.8%
Total assets	63,990,650	63,486,248	0.8%
Deferred outflows of resources	13,011,414	12,253,777	6.2%
Current liabilities	2,530,417	2,380,811	6.3%
Long-term liabilities	24,236,623	22,684,869	6.8%
Total liabilities	26,767,040	25,065,680	6.8%
Deferred inflows of resources	4,260,208	2,868,588	48.5%
Net position:			
Net investment in capital assets	30,367,481	28,856,182	5.2%
Restricted	7,885,981	8,442,604	-6.6%
Unrestricted	7,721,354	10,506,971	-26.5%
Total net position	\$ 45,974,816	\$ 47,805,757	-3.8%

In Table A-3, deferred outflows of resources at June 30, 2020 were approximately \$758,000 higher than at June 30, 2019 as a result of changes in the actuarial valuations for the District's ERS and TRS pension costs and Other Postemployment Benefits (OPEB) costs. Total assets increased approximately \$504,000 as a result of an increase in the TRS net pension asset of approximately \$920,000, offset by a decrease in amounts due from other governments of approximately \$260,000 and a decrease in capital assets of approximately \$98,000.

Current liabilities increased approximately \$150,000 primarily due to increased technology purchases to support student 1:1 devices.

Long-term liabilities increased approximately \$1.6 million from the prior year. There was a \$465,000 serial bond issuance for the District to purchase buses. There was also a bond refunding, which had a net \$455,000 decrease on bonds payable. With this, there was also an approximate \$600,000 premium, which increased total long-term liabilities. Bond principal payments made during the year decreased long-term liabilities by \$2,215,000. The other significant impact on long-term liabilities was the approximate \$3.2 million increase in the NYS ERS net pension liability, which resulted from changes in the actuarial valuation.

IROQUOIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2020

Deferred inflows of resources increased approximately \$1.4 million due to the valuation change of the District's proportionate share of ERS and TRS pension costs, as well as the valuation change for the District's OPEB costs.

Table A-4 Changes in Net Position from Operating Results - Governmental Activities

	Fiscal Year 2020	Fiscal Year 2019	Percent Change
Revenue:			
Charges for services	\$ 363,593	\$ 538,462	-32.5%
Operating grants	1,315,300	7,472,019	-82.4%
Capital grants	771,734	-	100.0%
General revenue:			
Real property taxes and tax items	30,577,001	29,884,275	2.3%
Non-property taxes	2,704,295	2,665,874	1.4%
Use of money and property	192,944	298,799	-35.4%
Sale of property	23,651	-	100.0%
Miscellaneous	148,811	274,538	-45.8%
State sources	15,805,204	9,975,724	58.4%
Other	93,170	-	100.0%
Total Revenue	<u>51,995,703</u>	<u>51,109,691</u>	1.7%
Expenses:			
General governmental support	7,477,782	6,972,864	7.2%
Instruction	39,660,813	37,260,482	6.4%
Pupil transportation	3,084,894	3,154,078	-2.2%
Interest	371,936	520,287	-28.5%
School lunch program	641,829	490,971	30.7%
School store	16,997	19,855	-14.4%
Community services	46,423	6,522	611.8%
Unallocated depreciation	<u>2,525,970</u>	<u>2,210,191</u>	14.3%
Total expenses	<u>53,826,644</u>	<u>50,635,250</u>	6.3%
CHANGE IN NET POSITION	<u>\$ (1,830,941)</u>	<u>\$ 474,441</u>	-485.9%

Changes in Net Position

The District's total fiscal year 2020 revenues totaled \$51,995,703. (See Table A-4). The majority of revenues are from property taxes and state aid, which account for 89% of the revenue. Non-property taxes account for another 5% of the revenue and increased 1.4% from the prior year.

IROQUOIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2020

The total cost of all programs and services totaled \$53,826,644 for fiscal year 2020. These expenses are predominately related to general instruction, which account for 74% of District expenses. (See Table A-6). The District's general support activities accounted for 14% of total costs.

Table A-5 Sources of Revenue for Fiscal Year 2020

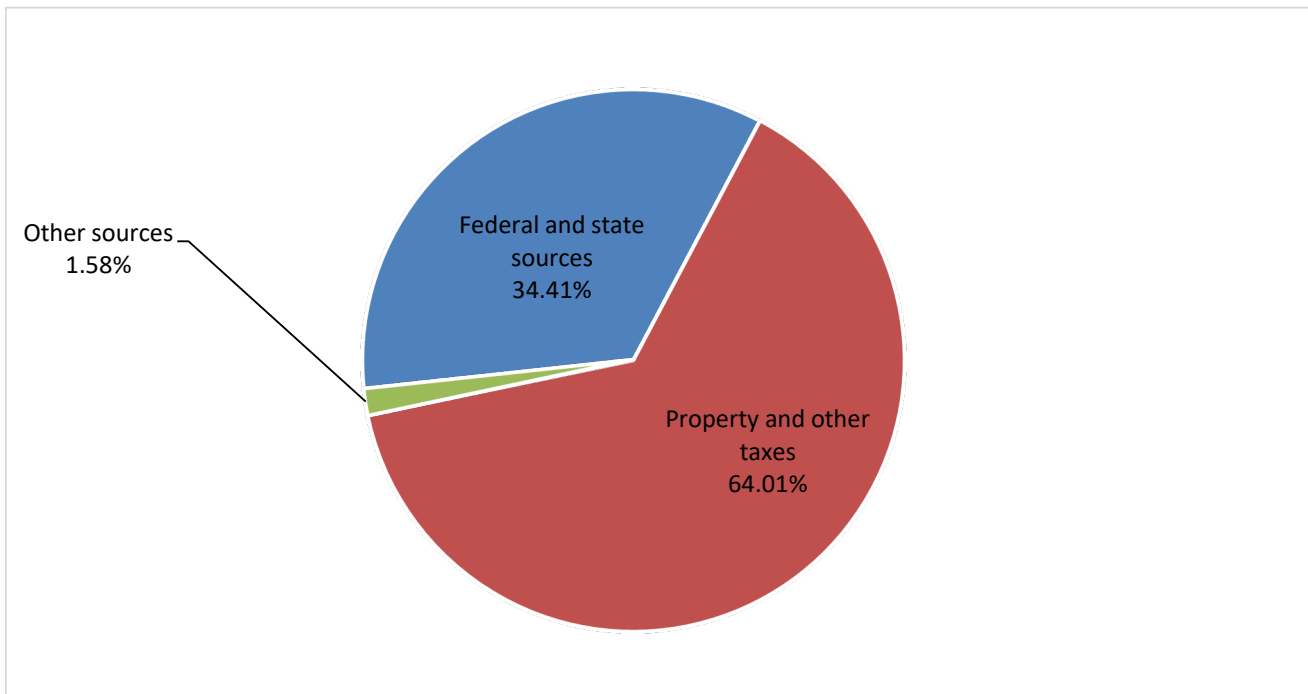
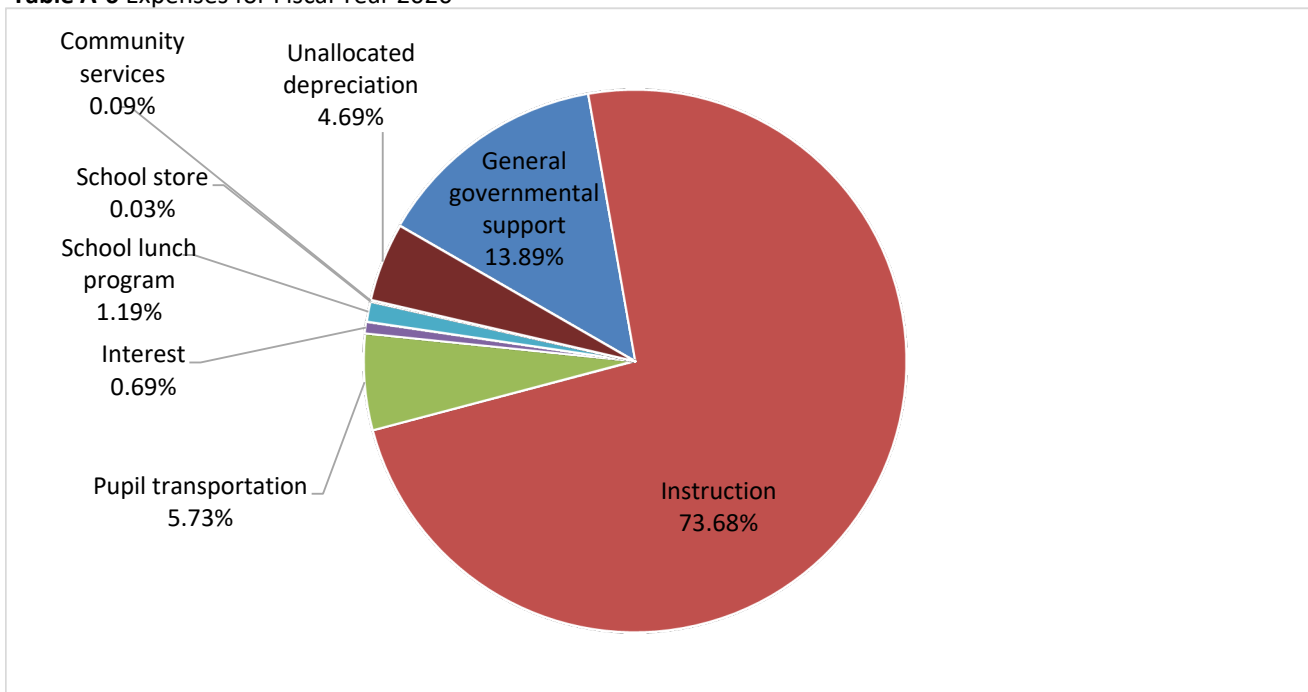


Table A-6 Expenses for Fiscal Year 2020



IROQUOIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2020

Financial Analysis of the District's Funds

Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt, liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

At June 30, 2020, the District, in its governmental funds, reported combined fund balances of \$13.5 million, a decrease of approximately \$630,000 from the prior year. The District's debt service and capital projects funds operated at a deficit in 2019-2020.

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the General fund.

Table A-7 Results vs. Budget

	Original Budget	Final Budget	Actual	Positive/ (Negative)
Revenue:				
Local sources	\$ 33,615,951	\$ 33,615,951	\$ 33,824,092	\$ 208,141
State sources	16,185,481	16,185,481	15,592,734	(592,747)
Medicaid reimbursement	110,000	110,000	93,170	(16,830)
Total	<u>49,911,432</u>	<u>49,911,432</u>	<u>49,509,996</u>	<u>(401,436)</u>
Expenditures:				
General support	5,844,797	6,261,672	5,663,553	598,119
Instruction	27,965,199	28,482,869	26,081,359	2,401,510
Employee benefits	12,878,691	12,661,232	12,183,487	477,745
Transportation	2,649,516	2,384,111	2,044,228	339,883
School store	30,000	30,105	16,997	13,108
Community services	7,776	8,878	6,744	2,134
Other financing (sources) uses	<u>2,856,065</u>	<u>3,073,524</u>	<u>2,575,087</u>	<u>498,437</u>
Total	<u>52,232,044</u>	<u>52,902,391</u>	<u>48,571,455</u>	<u>4,330,936</u>
Revenue over (under) expense	<u>\$ (2,320,612)</u>	<u>\$ (2,990,959)</u>	<u>\$ 938,541</u>	<u>\$ 3,929,500</u>

The General fund is the only fund for which a budget is legally adopted. For the purposes of the above analysis the budget columns do not include appropriated fund balance.

IROQUOIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2020

The following significant variances between budget and actual occurred during fiscal 2020:

- State sources revenue was lower than budget by approximately \$593,000 due to Excess Cost Aid and BOCES Aid for the year being withheld by the State and not received within the time frame to be considered available at the fund level.
- General support expenditures came in approximately \$598,000 under budget as a result of expense reductions in utilities and maintenance expenses due to reduced instructional and athletic hours (COVID-19).
- Expenditures related to instruction were approximately \$2.4 million dollars under budget. The district incurred significant cost reductions related to the COVID-19 closure. Additional hours were not required by teaching staff, substitute teachers were not required, and supply expenses were reduced. Special education expenses were also significantly reduced while alternative programs were being developed.
- Employee benefits came in approximately \$478,000 under budget. Contributions to State retirement systems was less than expected as a direct result of reduced salary expenses due to COVID-19.
- Transportation expenditures were approximately \$340,000 lower than budget. With over 3 months of schools being closed to students, the District had a significant reduction in driver salaries.

All other revenues and all expenditures were closely in line with that budgeted for the year.

Capital Assets

As of June 30, 2020, the District had an investment of \$45 million in a broad range of capital assets including land, buildings, site improvements, vehicles and other educational equipment.

Table A-8 Capital Assets (net of depreciation)

	Fiscal Year 2020	Fiscal Year 2019	Percent Change
Category:			
Land	\$ 872,363	\$ 872,363	0.0%
Construction in progress	-	1,125,119	-100.0%
Buildings and improvements	40,500,555	39,431,795	2.7%
Land improvements	611,338	566,661	7.9%
Furniture, fixtures, and equipment	1,012,633	1,072,311	-5.6%
Vehicles	1,981,608	2,007,974	-1.3%
Total	<u>\$ 44,978,497</u>	<u>\$ 45,076,223</u>	-0.2%

IROQUOIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2020

Long-Term Liabilities

At year-end, the District had \$14 million in general obligation bonds outstanding and \$10 million in other long term liabilities. More detailed information about the District's total long-term liabilities is presented in the notes to the financial statements.

Table A-9 Outstanding Long-Term Liabilities

	Fiscal Year 2020	Fiscal Year 2019	Percent Change
Category:			
Serial bonds	\$ 13,860,000	\$ 16,065,000	-13.7%
Unamortized premium	751,016	155,041	384.4%
Compensated absences	3,126,057	3,222,686	-3.0%
Net pension liability	4,323,533	1,201,559	259.8%
Total other postemployment benefit liability	2,176,017	2,040,583	6.6%
	<u>\$ 24,236,623</u>	<u>\$ 22,684,869</u>	6.8%

FACTORS BEARING ON THE FUTURE OF THE DISTRICT

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The long-term impact of COVID-19 on students, staff and residents is not fully known at this time. Significant contributions from local, State and Federal sources, in response to COVID-19, will play a major role in the long-term finances of public school districts.
- The District is confident in its abilities to adapt to future disruptions by having a plans in place to continue instruction to students (whether fully remote or in-school) without significant additional investments in technology.
- The District is striving to achieve financial stability in the face of many financial challenges. These challenges arise from several factors, including State budget issues, the Property Tax Cap legislation and the COVID-19 Pandemic. 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the District and to demonstrate the District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact: Iroquois Central School District, Elma, New York 14059.

IROQUOIS CENTRAL SCHOOL DISTRICT**Statement of Net Position****June 30, 2020****ASSETS****CURRENT ASSETS:**

Cash and cash equivalents	\$ 5,855,047
Cash and cash equivalents - restricted	8,048,385
Due from Federal and State governments	751,310
Due from other governments	1,468,262
Due from fiduciary funds	5,107
Inventory	48,078
Total current assets	<u>16,176,189</u>

NON-CURRENT ASSETS:

Net pension asset	2,835,964
Capital assets, net	44,978,497
Total non-current assets	<u>47,814,461</u>
Total assets	<u>63,990,650</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related-TRS	9,011,338
Pension related-ERS	3,205,400
Other postemployment benefits	794,676
Total deferred outflows of resources	<u>13,011,414</u>

LIABILITIES**CURRENT LIABILITIES:**

Accounts payable and accrued liabilities	530,119
Accrued interest	29,241
Unearned revenue	39,086
Due to other governments	1,977
Due to Teachers' Retirement System	1,715,204
Due to Employees' Retirement System	214,790
Total current liabilities	<u>2,530,417</u>

LONG-TERM LIABILITIES:

Due and payable within one year -	
Bonds payable	1,705,000
Compensated Absences	19,112
Total long-term liabilities due and payable within one year	<u>1,724,112</u>
Due and payable after one year -	
Net pension liability	4,323,533
Total other postemployment benefit liability	2,176,017
Compensated absences	3,106,945
Bonds payable, net of premium	12,906,016
Total long-term liabilities due and payable after one year	<u>22,512,511</u>
Total long-term liabilities	<u>24,236,623</u>
Total liabilities	<u>26,767,040</u>

DEFERRED INFLOWS OF RESOURCES

Pension related-TRS	4,009,203
Pension related-ERS	129,895
Other postemployment benefits	121,110
Total deferred inflows of resources	<u>4,260,208</u>

NET POSITION

Net investment in capital assets	30,367,481
Restricted	7,885,981
Unrestricted	7,721,354
Total net position	<u>\$ 45,974,816</u>

The accompanying notes are an integral part of these statements.

IROQUOIS CENTRAL SCHOOL DISTRICT

Statement of Activities

For the year ended June 30, 2020

	Program Revenue				Net (Expense)
	Expenses	Charges for	Operating	Capital Grants	Revenue and
		Services	Grants		Changes in Net
					Position
FUNCTIONS/PROGRAMS:					
General governmental support	\$ 7,477,782	\$ 127,693	\$ -	\$ -	\$ (7,350,089)
Instruction	39,660,813	40,460	842,887	771,734	(38,005,732)
Pupil transportation	3,084,894	-	-	-	(3,084,894)
Community services	46,423	-	-	-	(46,423)
Interest	371,936	-	-	-	(371,936)
School lunch program	641,829	180,868	472,413	-	11,452
School store	16,997	14,572	-	-	(2,425)
Unallocated depreciation	<u>2,525,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,525,970)</u>
Total functions/programs	<u>\$ 53,826,644</u>	<u>\$ 363,593</u>	<u>\$ 1,315,300</u>	<u>\$ 771,734</u>	<u>(51,376,017)</u>
GENERAL REVENUE:					
Real property taxes					27,482,210
Real property tax items					3,094,791
Non-property taxes					2,704,295
Use of money and property					192,944
Sale of property and compensation for loss					23,651
Miscellaneous					148,811
State sources					15,805,204
Medicaid reimbursement					<u>93,170</u>
Total general revenue					<u>49,545,076</u>
CHANGE IN NET POSITION					(1,830,941)
NET POSITION - beginning of year					<u>47,805,757</u>
NET POSITION - end of year					<u>\$ 45,974,816</u>

The accompanying notes are an integral part of these statements.

IROQUOIS CENTRAL SCHOOL DISTRICT
**Balance Sheet - Governmental Funds
June 30, 2020**

	General	Special Aid	Debt Service	Capital Projects	School Lunch	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,740,781	\$ -	\$ -	\$ -	\$ 114,266	\$ 5,855,047
Cash and cash equivalents - restricted	7,802,171	241,985	2,659	1,570	-	8,048,385
Due from other funds	441,808	-	9	66,464	3,852	512,133
Due from Federal and State Governments	353,966	159,840	-	64,062	173,442	751,310
Due from other governments	1,468,262	-	-	-	-	1,468,262
Inventory	<u>36,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,637</u>	<u>48,078</u>
Total assets	<u>\$ 15,843,429</u>	<u>\$ 401,825</u>	<u>\$ 2,668</u>	<u>\$ 132,096</u>	<u>\$ 303,197</u>	<u>\$ 16,683,215</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
LIABILITIES:						
Accounts payable	\$ 315,926	\$ -	\$ -	\$ 50,944	\$ 67,665	\$ 434,535
Due to other funds	70,319	361,689	-	10	75,008	507,026
Due to other governments	1,890	-	-	-	87	1,977
Due to Teachers' Retirement System	1,715,204	-	-	-	-	1,715,204
Due to Employees' Retirement System	214,790	-	-	-	-	214,790
Accrued liabilities	73,169	1,050	-	-	21,365	95,584
Unearned revenue	<u>-</u>	<u>39,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,086</u>
Total liabilities	<u>2,391,298</u>	<u>401,825</u>	<u>-</u>	<u>50,954</u>	<u>164,125</u>	<u>3,008,202</u>
DEFERRED INFLOW OF RESOURCES						
Deferred inflow - state grants	<u>212,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,470</u>
Total liabilities and deferred inflow of resources	<u>2,603,768</u>	<u>401,825</u>	<u>-</u>	<u>50,954</u>	<u>164,125</u>	<u>3,220,672</u>
FUND BALANCES:						
Nonspendable						
Inventory	<u>36,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,637</u>	<u>48,078</u>
Restricted for -						
Capital reserve	4,363,805	-	-	-	-	4,363,805
Retirement contribution	554,676	-	-	-	-	554,676
Unemployment insurance reserve	310,279	-	-	-	-	310,279
Repair reserve	619,141	-	-	-	-	619,141
Insurance reserve	213,890	-	-	-	-	213,890
Employee benefit accrued liability	1,350,080	-	-	-	-	1,350,080
Workers compensation	211,165	-	-	-	-	211,165
Tax Certiorari	179,135	-	-	-	-	179,135
Debt service	-	-	2,668	-	-	2,668
Capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,142</u>	<u>-</u>	<u>81,142</u>
Total restricted fund balance	<u>7,802,171</u>	<u>-</u>	<u>2,668</u>	<u>81,142</u>	<u>-</u>	<u>7,885,981</u>
Assigned to -						
Appropriated for future budgets	1,773,612	-	-	-	-	1,773,612
Other	<u>327,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,435</u>	<u>454,786</u>
Total assigned fund balance	<u>2,100,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,435</u>	<u>2,228,398</u>
Unassigned	<u>3,300,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,300,086</u>
Total fund balances	<u>13,239,661</u>	<u>-</u>	<u>2,668</u>	<u>81,142</u>	<u>139,072</u>	<u>13,462,543</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 15,843,429</u>	<u>\$ 401,825</u>	<u>\$ 2,668</u>	<u>\$ 132,096</u>	<u>\$ 303,197</u>	<u>\$ 16,683,215</u>

The accompanying notes are an integral part of these statements.

IROQUOIS CENTRAL SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Fund balance - total governmental funds	\$ 13,462,543
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	44,978,497
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Certain revenues are deferred in the governmental funds due to applying the "availability criterion" to receivables for the modified accrual basis of accounting. However, these deferred inflows of resources are considered revenue in the Statement of Activities and, therefore, are not reported in the Statement of Net Position.	212,470
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Deferred outflows/inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows - ERS/TRS	12,216,738
Deferred inflows - ERS/TRS	(4,139,098)
Deferred outflow - OPEB	794,676
Deferred inflow - OPEB	(121,110)

Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension asset - TRS	2,835,964
Net pension liability - ERS	(4,323,533)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Bonds payable	(13,860,000)
Unamortized bond premium	(751,016)
Total other postemployment benefits	(2,176,017)
Compensated absences	(3,126,057)
Accrued interest	(29,241)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 45,974,816</u>
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The accompanying notes are an integral part of these statements.

IROQUOIS CENTRAL SCHOOL DISTRICT
Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2020

	General	Special Aid	Debt Service	Capital Projects	School Lunch	Total Governmental Funds
REVENUE:						
Real property taxes	\$ 27,482,210	\$ -	\$ -	\$ -	\$ -	\$ 27,482,210
Real property tax items	3,094,791	-	-	-	-	3,094,791
Non-property taxes	2,704,295	-	-	-	-	2,704,295
Charges for services	168,153	-	-	-	-	168,153
Use of money and property	190,276	-	2,668	-	-	192,944
Sale of property and compensation for loss	23,651	-	-	-	-	23,651
Miscellaneous	146,144	2,667	-	-	-	148,811
State sources	15,592,734	(12,750)	-	771,734	14,511	16,366,229
Federal sources	-	855,637	-	-	457,902	1,313,539
School store	14,572	-	-	-	-	14,572
Medicaid reimbursement	93,170	-	-	-	-	93,170
Sales	-	-	-	-	180,868	180,868
Total revenue	<u>49,509,996</u>	<u>845,554</u>	<u>2,668</u>	<u>771,734</u>	<u>653,281</u>	<u>51,783,233</u>
EXPENDITURES:						
General support	5,663,553	-	88,030	-	-	5,751,583
Instruction	26,081,359	1,040,026	-	-	-	27,121,385
Pupil transportation	2,044,228	92,988	-	-	-	2,137,216
Community services	6,744	-	-	-	-	6,744
Employee benefits	12,183,487	-	-	-	-	12,183,487
Cost of school lunch sales	-	-	-	-	641,829	641,829
School store	16,997	-	-	-	-	16,997
Capital outlays	-	-	-	2,559,553	-	2,559,553
Debt service -						
Principal	-	-	2,215,000	-	-	2,215,000
Interest	-	-	384,246	-	-	384,246
Total expenditures	<u>45,996,368</u>	<u>1,133,014</u>	<u>2,687,276</u>	<u>2,559,553</u>	<u>641,829</u>	<u>53,018,040</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>3,513,628</u>	<u>(287,460)</u>	<u>(2,684,608)</u>	<u>(1,787,819)</u>	<u>11,452</u>	<u>(1,234,807)</u>
OTHER FINANCING SOURCES AND (USES):						
Proceeds of debt issuance	-	-	4,635,000	465,000	-	5,100,000
Premium on obligation	-	-	607,049	-	-	607,049
Payments to Escrow Agent	-	-	(5,154,019)	-	-	(5,154,019)
Transfers in	481,935	287,460	2,599,246	166,464	3,852	3,538,957
Transfers out	(3,057,022)	-	(481,935)	-	-	(3,538,957)
Total other financing sources	<u>(2,575,087)</u>	<u>287,460</u>	<u>2,205,341</u>	<u>631,464</u>	<u>3,852</u>	<u>553,030</u>
CHANGE IN FUND BALANCE	938,541	-	(479,267)	(1,156,355)	15,304	(681,777)
FUND BALANCES - beginning of year	<u>12,301,120</u>	<u>-</u>	<u>481,935</u>	<u>1,237,497</u>	<u>123,768</u>	<u>14,144,320</u>
FUND BALANCES - end of year	<u>\$ 13,239,661</u>	<u>\$ -</u>	<u>\$ 2,668</u>	<u>\$ 81,142</u>	<u>\$ 139,072</u>	<u>\$ 13,462,543</u>

The accompanying notes are an integral part of these statements.

IROQUOIS CENTRAL SCHOOL DISTRICT

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities For the year ended June 30, 2020

Net changes in fund balance - total governmental funds	\$ (681,777)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	2,465,200
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities.	(2,525,970)
Loss on disposal of capital assets is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(36,956)
Certain revenues that are earned during the fiscal year are not received when considered available on the modified accrual basis of accounting. Therefore, in the funds, this amount will be recognized as revenue when it is received in the subsequent year.	212,470
Proceeds of long-term debt are recorded as other financing sources for governmental funds, but are not recorded in the Statement of Activities. This is the amount of proceeds from long-term debt received in the current year.	(5,100,000)
Premiums on the issuance of long-term debt are recorded as other financing sources for governmental funds, but are not recorded in the Statement of Activities.	(607,049)
Payments to escrow agent and fiscal agent fees associated with a bond refunding are expensed in the governmental funds, but are not recorded on the Statement of Activities as they reduce bonds payable on the Statement of Net Position.	5,090,000
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as reductions of liabilities in the statement of net position.	2,215,000
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employer contributions is reported as pension expense.	(2,695,074)
Governmental funds report other postemployment benefit contributions as expenditures. However, in the statement of activities, the cost of other postemployment benefits earned, net of employer contributions is reported as other postemployment benefits.	(140,290)
Certain expenses in the statement of activities do not require the use of current resources and are therefore not reported as expenditures in the governmental funds:	
Amortization of bond premium	11,074
Change in accrued interest	1,236
Change in compensated absences	96,629
Change in other postemployment benefits liability	<u>(135,434)</u>
Change in net position - governmental activities	<u><u>\$ (1,830,941)</u></u>

The accompanying notes are an integral part of these statements.

IROQUOIS CENTRAL SCHOOL DISTRICT

Statement of Fiduciary Net Position

June 30, 2020

	Private Purpose Trusts	Agency
ASSETS:		
Cash	\$ -	\$ 2,093,596
Cash - restricted	<u>59,487</u>	<u>148,398</u>
Total assets	<u>\$ 59,487</u>	<u>\$ 2,241,994</u>
LIABILITIES:		
Extraclassroom activity balances	\$ -	\$ 148,398
Due to other funds	-	5,107
Other liabilities	<u>-</u>	<u>2,088,489</u>
Total liabilities	<u>-</u>	<u>\$ 2,241,994</u>
NET POSITION:		
Restricted for scholarships	<u>59,487</u>	
Total net position	<u>59,487</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$ 59,487</u>	

The accompanying notes are an integral part of these statements.

IROQUOIS CENTRAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position For the year ended June 30, 2020

	Private Purpose Trusts
ADDITIONS:	
Gifts and contributions	\$ 25,525
Investment earnings	384
Total additions	25,909
DEDUCTIONS:	
Contractual	14,840
CHANGE IN NET POSITION	11,069
NET POSITION - beginning of year	48,418
NET POSITION - end of year	\$ 59,487

The accompanying notes are an integral part of these statements

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

1. NATURE OF OPERATIONS

Iroquois Central School District (the District) provides free K-12 public education to students living within its geographic borders.

Reporting Entity

The District is governed by the Laws of New York State. The District is an independent entity governed by an elected Board of Education (BOE) consisting of seven members. The President of the Board serves as 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 primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 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 an entity included in the District's reporting entity:

- **Extraclassroom Activity Funds**

The extraclassroom activity funds of the District represent funds of the students of the District. The BOE exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

Joint Venture

The District is a component school district in the Erie #2-Chautauqua-Cattaraugus Board of Cooperative Education Services (BOCES). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$3,942,288 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,353,674.

Financial statements for the BOCES are available from the BOCES administrative office.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Presentation

The District's financial statements consist of district-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund level financial statements which provide more detailed information.

District-Wide Statements

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 government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenue 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 revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Fund Financial Statements

The fund 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.

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 Revenue Funds - These funds accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

- **Special Aid Fund:** Used to account for proceeds from State and Federal grants that are restricted for specific educational programs.
- **School Lunch Fund:** Used to account for child nutrition activities whose funds are restricted as to use.

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

Debt Service Fund - This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

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 belong to others. These activities are not included in the District-wide financial statements because their resources do not belong to 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 are used to fund 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.
- **Agency funds** - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District solely as an agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place.

Non-exchange transactions in which the District gives or receives value without directly receiving or giving equal value in exchange includes property taxes, grants, and donations.

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The district considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year.

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

Cash

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 the date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and are obligations of the State and its municipalities and districts.

Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets include amounts required by statute to be reserved for various purposes.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Accounts Receivable

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

Property Taxes

Real property taxes are levied annually by the BOE no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1 to October 31. Taxes not collected by October 31 are turned over to the Counties of Erie and Wyoming (the Counties) who assume all responsibility for collection.

Uncollected real property taxes are subsequently enforced by the Counties. The Counties pay an amount representing uncollected real property taxes transmitted to the Counties for enforcement to the District no later than the following April 1.

Inventory

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

Interfund Transactions

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

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

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

Refer to Note 7 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Capital Assets

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 progress are not depreciated. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 5,000	SL	40 years
Land improvements	\$ 5,000	SL	15 years
Furniture, fixtures, and equipment	\$ 5,000	SL	8 years
Vehicles	\$ 5,000	SL	15 years

Vested Employee Benefits

Compensated absences consist of unpaid accumulated annual sick leave and vacation time. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated leave.

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.

The liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

Other Benefits

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

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

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.

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

Unearned Revenue

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

Accrued Liabilities and Long-Term Obligations

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

Long-term obligations represent the 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.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

District-wide Statements - Equity Classifications

In the District-wide statements there are three classes of net position:

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

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

Unrestricted net position - reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Governmental Fund Financial Statements - Equity Classifications

In the fund basis statements there are five classifications of fund balance:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the school lunch fund.

Restricted fund balance - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Capital reserve

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

Reserve for Debt Service

According to General Municipal Law §6-l, the Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of the sale. Also, earnings on project monies invested together with unused proceeds are reported here. The reserve is accounted for in the Debt Service Fund.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Repair

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

Employee Benefit Accrued Liability Reserve

According to General Municipal Law §6-p, expenditures made from the employee benefit accrued liability reserve fund must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

Insurance Reserve

According to General Municipal Law §6-n, all expenditures made from the insurance reserve fund must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

Tax Certiorari

According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the funds without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgements and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Retirement Contributions Reserve Fund

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

Workers' Compensation

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

Unemployment Insurance Reserve

According to General Municipal Law §6-m, all expenditures made from the unemployment insurance payment reserve fund must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Restricted fund balance includes the following:

General Fund:

Capital reserve	\$ 4,363,805
Retirement contribution	554,676
Unemployment insurance	310,279
Repair reserve	619,141
Insurance reserve	213,890
Employee benefit accrued	1,350,080
Workers compensation	211,165
Tax Certiorari	179,135

Debt Service Fund	2,668
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Capital Projects Fund	81,142
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	<u>\$ 7,885,981</u>
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Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the BOE. The District has no committed fund balances as of June 30, 2020.

Assigned fund balance - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as assigned fund balance in the General fund. Encumbrances represent purchase commitments made by the District's purchasing agent through their authorization of a purchase order prior to year-end. The District assignment is based on the functional level of expenditures.

Unassigned fund balance - Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserve for tax reduction, a school district can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year, encumbrances and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Use of Estimates

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

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

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

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the statement of net position. This difference results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

- **Long Term Revenue and Expense Differences**
Long-term revenue differences arise because governmental funds report revenue only when it is considered "available," whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.
- **Capital Related Differences**
Capital related differences include the difference between proceeds from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.
- **Long Term Debt Transaction Differences**
Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

- **Pension Differences**

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

- **OPEB Differences**

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

Budgets

The District administration prepares a proposed budget for approval by the Board Of Education for the General Fund.

The voters of the District approved the proposed appropriation budget.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the BOE 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 restriction, if the board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations during the year.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the 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, 2020.

Budgets are established and used for individual capital project funds 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.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Encumbrances

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

Fund Balance

The District's unrestricted fund balance in its General fund was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District exceeded the 4% fund balance restriction in light of the COVID-19 pandemic and New York State's warning that they will hold back 20% of State Aid payments. This is a short-term, proactive measure to give the District flexibility in dealing with increased expenses and decreased revenues in 2020-21, while mitigating the local tax impact.

Portions of the fund balances are restricted and are not available for current expenditures or expenses, as reported in the governmental funds balance sheet.

5. CASH

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

At June 30, 2020, the reported amount of the District's deposits was \$16,204,913 and the bank balance was \$16,562,735. Of the bank balance, \$750,000 was covered by federal depository insurance and \$15,812,735 was covered by collateral held in the pledging bank's trust department in the District's name.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes \$8,048,385 within the governmental funds and \$207,885 in the fiduciary funds.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	Balance <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2020</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 872,363	\$ -	\$ -	\$ 872,363
Construction in progress	<u>1,125,119</u>	<u>-</u>	<u>(1,125,119)</u>	<u>-</u>
Total nondepreciable cost	<u>1,997,482</u>	<u>-</u>	<u>(1,125,119)</u>	<u>872,363</u>
Capital assets that are depreciated:				
Buildings and improvements	63,715,028	2,873,519	-	66,588,547
Land improvements	3,878,181	135,421	-	4,013,602
Furniture, fixtures, and equipment	3,286,836	89,055	(102,093)	3,273,798
Vehicles	<u>5,561,936</u>	<u>492,324</u>	<u>(394,983)</u>	<u>5,659,277</u>
Total depreciable historical cost	<u>76,441,981</u>	<u>3,590,319</u>	<u>(497,076)</u>	<u>79,535,224</u>
Less accumulated depreciation:				
Buildings and improvements	(24,283,233)	(1,804,759)	-	(26,087,992)
Land improvements	(3,311,520)	(90,744)	-	(3,402,264)
Furniture, fixtures, and equipment	(2,214,525)	(111,777)	65,137	(2,261,165)
Vehicles	<u>(3,553,962)</u>	<u>(518,690)</u>	<u>394,983</u>	<u>(3,677,669)</u>
Total accumulated depreciation	<u>(33,363,240)</u>	<u>(2,525,970)</u>	<u>460,120</u>	<u>(35,429,090)</u>
Total depreciable cost, net	<u>43,078,741</u>	<u>1,064,349</u>	<u>(36,956)</u>	<u>44,106,134</u>
Total capital assets, net	<u>\$ 45,076,223</u>	<u>\$ 1,064,349</u>	<u>\$ (1,162,075)</u>	<u>\$ 44,978,497</u>

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

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

7. INTERFUND BALANCES AND ACTIVITY

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General	\$ 441,808	\$ 70,319	\$ 481,935	\$ 3,057,022
Special Aid	-	361,689	287,460	-
School Lunch	3,852	75,008	3,852	-
Capital Projects	66,464	10	166,464	-
Agency	-	5,107	-	-
Debt Service	<u>9</u>	<u>-</u>	<u>2,599,246</u>	<u>481,935</u>
Total	<u>\$ 512,133</u>	<u>\$ 512,133</u>	<u>\$ 3,538,957</u>	<u>\$ 3,538,957</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

Interfund receivables and payables were incurred primarily due to salaries paid by the General Fund on behalf of the Special Aid Fund, as well as the General Fund paying the Capital Projects Fund for capital projects. The majority of the interfund revenues and expenses were transfers from the General Fund to the Capital Projects Fund to fund current project expenditures, budgeted transfers to the Debt Service Fund to fund debt obligations and transfers to the Special Aid Fund to write off uncollectible receivables in the Summer School Handicap Program.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

8. LONG-TERM OBLIGATIONS

On September 4, 2019, the District issued \$465,000 in serial bonds for the purchase of school buses. These bonds have an interest rate of 1.640% and mature in fiscal 2025.

On June 15, 2020, the District issued \$4,635,000 in refunding serial bonds. This issuance refunded the principal balance maturing in the years 2021 - 2027 of the \$10,800,000 serial bonds that were issued May 10, 2012. This total principal defeased amounted to \$5,090,000. The new serial bonds have an interest rate ranging from 4.0% - 5.0% and mature in 2027.

Long-term liability balances and activity for the year are summarized as follows:

	Balance 06/30/2019	Additions	Deletions {a}	Balance 06/30/2020	Due Within One Year
Bonds:					
Serial bonds payable	\$ 16,065,000	\$ 5,100,000	\$ (7,305,000)	\$ 13,860,000	\$ 1,705,000
Unamortized Premium	155,041	607,049	(11,074)	751,016	-
Total bonds payable	<u>\$ 16,220,041</u>	<u>\$ 5,707,049</u>	<u>\$ (7,316,074)</u>	<u>\$ 14,611,016</u>	<u>\$ 1,705,000</u>
Other liabilities:					
Compensated absences	<u>\$ 3,222,686</u>	<u>\$ -</u>	<u>\$ (96,629)</u>	<u>\$ 3,126,057</u>	<u>\$ 19,112</u>

{a} Additions and deletions to compensated absences are shown net because it is impractical to determine these amounts separately

Interest on all debt for the year was composed of:

Interest paid	\$ 384,246
Less: Interest accrued in the prior year	(30,477)
Plus: Interest accrued in the current year	29,241
Less: Amortization of bond premium	(11,074)
Total interest expense	<u>\$ 371,936</u>

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>6/30/20 Balance</u>
Serial bond - Buses	8/19/2015	536,000	8/1/2020	1.380%	\$ 115,000
Serial bond - Buses	8/25/2016	564,000	8/1/2021	1.250-1.500%	240,000
Serial bond - Buses	8/25/2017	565,000	8/1/2022	1.890%	360,000
Serial bond - Construction	4/18/2018	8,600,000	6/15/2033	3.000%	7,520,000
Serial bond - Buses	8/24/2018	675,000	8/1/2023	2.375%	575,000
Serial bond - Buses	8/14/2018	465,000	8/1/2024	1.640%	465,000
Refunding Serial Bond	6/15/2020	4,635,000	6/15/2027	4-5%	<u>4,585,000</u>
Total bond issues					<u><u>\$ 13,860,000</u></u>

The following is a summary of the maturity of long-term indebtedness as of June 30, 2020:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,705,000	\$ 361,834	\$ 2,066,834
2022	1,635,000	321,541	1,956,541
2023	1,570,000	285,156	1,855,156
2024	1,485,000	249,586	1,734,586
2025	1,395,000	212,463	1,607,463
2026-2030	4,125,000	601,775	4,726,775
2031-2033	<u>1,945,000</u>	<u>116,850</u>	<u>2,061,850</u>
Totals	<u><u>\$ 13,860,000</u></u>	<u><u>\$ 2,149,205</u></u>	<u><u>\$ 16,009,205</u></u>

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

9. PENSION PLANS

New York State Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of 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, and the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer 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.

The system is noncontributory except for employees who joined the System after July 27th, 1976, who contribute 3.0% 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 6 vary based on a sliding salary scale. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	ERS
2020	\$ 842,674
2019	\$ 849,174
2018	\$ 840,490

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

At June 30, 2020, the District reported a net pension liability of \$4,323,533 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020, the District's proportionate share was .0163272% percent, which was a decrease of .0006318% from its proportionate share at June 30, 2019.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$1,678,524. At June 30, 2020, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 254,457	\$ -
Changes of assumptions	87,055	75,171
Net difference between projected and actual earnings on pension plan investments	2,216,453	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	432,645	54,724
Contributions subsequent to the measurement date	214,790	-
Total	<u>\$ 3,205,400</u>	<u>\$ 129,895</u>

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

Plan's Year Ended March 31:

2021	\$ 569,824
2022	733,278
2023	880,309
2024	677,304
Thereafter	-
	<u>\$ 2,860,715</u>

The District recognized \$214,790 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2020 which will be recognized on a reduction of the net pension liability in the year ended June 30, 2021.

Actuarial Assumptions

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

The actuarial valuation used the following actuarial assumptions:

Inflation	2.50%
Salary scale	4.2% indexed by service
Cost-of-living adjustments	1.3%
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	36.0	4.05
International Equity	14.0	6.15
Private Equity	10.0	6.75
Real Estate	10.0	4.95
Absolute Return Strategies	2.0	3.25
Opportunistic Portfolio	3.0	4.65
Real Asset	3.0	5.95
Bonds and Mortgages	17.0	0.75
Cash	1.0	0.00
Inflation Indexed Bonds	<u>4.0</u>	0.50
	<u>100%</u>	

Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 5.8%	Current Discount 6.8%	1% Increase 7.8%
Proportionate Share of Net Pension liability (asset)	<u>\$ 7,934,904</u>	<u>\$ 4,323,533</u>	<u>\$ 997,445</u>

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability (in 000's) of the employers as of March 31, 2020, were as follows:

Total pension liability	\$194,596,261
Net position	<u>168,115,682</u>
Net pension liability (asset)	<u>\$ 26,480,579</u>
ERS net position as a percentage of total pension liability	86.39%

New York State Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. 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 and/or the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer, which can be found on the System's website at www.nystrs.org.

The New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions

NYSTRS is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the NYSTRS after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

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

	<u>TRS</u>
2020	\$ 1,935,012
2019	\$ 1,690,863
2018	\$ 1,994,100

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

At June 30, 2020, the District reported net pension asset of \$2,835,964 for its proportionate share of the NYSTRS net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2018. The District's proportion of the net pension asset was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020 the District's proportionate share was 0.109159%, which was an increase of 0.003236% from its proportionate share at June 30, 2019.

For the year ended June 30, 2020, the District recognized pension expense of \$3,482,964. At June 30, 2020 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,921,861	\$ 210,888
Changes of assumptions	5,357,516	1,306,314
Net difference between projected and actual earnings on pension plan investments	-	2,274,297
Changes in proportion and differences between the District's contributions and proportionate share of contributions	84,758	217,704
Contributions subsequent to the measurement date	<u>1,647,203</u>	<u>-</u>
Total	<u>\$ 9,011,338</u>	<u>\$ 4,009,203</u>

The District recognized \$1,647,203 as a deferred outflow of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2019 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

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Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2020	\$ 1,258,836
2021	57,217
2022	1,254,186
2023	830,193
2024	82,565
Thereafter	<u>(128,065)</u>
	<u>\$ 3,354,932</u>

Actuarial Assumptions

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

Actuarial cost method	Entry age normal
Inflation	2.20%
Projected Salary Increases	Rates of increase differ based on service They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.3% compounded annually
Investment Rate of Return	7.10% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2009 to June 30, 2014.

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

The Long Term Expected Real Rates of Return are presented by asset allocation classification, which differs from the financial statement presentation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the measurement date of June 30, 2019 are summarized in the following table:

Asset Type	Target Allocations in %	Long-term expected real rate
		of return in %
Domestic Equities	33.0	6.30
International Equities	16.0	7.80
Global Equities	4.0	7.20
Real Estate Equities	11.0	4.60
Private Equities	8.0	9.90
Domestic Fixed Income Securities	16.0	1.30
Global Fixed Income Securities	2.0	0.90
High-yield Fixed Income Securities	1.0	3.60
Private Debt	1.0	6.50
Real Estate Debt	7.0	2.90
Cash equivalents	<u>1.0</u>	0.30
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' 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.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

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

The following presents the net pension liability (asset) of the school districts calculated using the discount rate of 7.10 percent, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 6.10%	Current Discount 7.10%	1% Increase 8.10%
Proportionate Share of Net Pension Liability (asset)	<u>\$ 12,801,246</u>	<u>\$ (2,835,964)</u>	<u>\$(15,953,819)</u>

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of June 30, 2019, were as follows:

Total pension liability	\$ 119,879,473,882
Net position	<u>(122,477,480,654)</u>
Net pension liability (asset)	<u>\$ (2,598,006,772)</u>
NYSTRS net position as a percentage of total pension liability	102.20%

Payables to the Pension Plans

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System.

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, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Employee contributions are remitted monthly.

	<u>June 30, 2020</u>
ERS Liability	214,790
TRS Liability	1,715,204

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

10. TOTAL OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

The Plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. As such, the Plan does not issue a standalone financial report.

Benefits Provided

The District provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	112
Active employees	<u>466</u>
Total participants	<u>578</u>

Total OPEB Liability

The District's total OPEB liability of \$2,176,017 was measured as of March 31, 2020, and was determined by an actuarial valuation as of February 1, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2020 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.22%
Salary scale	3.22% effective June 30, 2020
Discount Rate	2.48% effective June 30, 2020
Healthcare Cost Trend Rate	5.2% for 2020, decreasing to an ultimate rate of 4.18% after
Share of Benefit-Related Costs	The District will pay a percentage of the premium based on employee's years of service and hire date until the retiree
Cost Method	Entry Age Normal Level % of Salary method

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

IROQUOIS CENTRAL SCHOOL DISTRICT

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June 30, 2020

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, without separate Contingent Survivor mortality, fully generational using scale MP-2019.

The actuarial assumptions used in the March 1, 2019 valuation were consistent with requirements of GASB 75 and Actuarial Standards of Practice (ASOPs). Retirement and termination assumptions reflect general published tables based on large scale retirement plan population data. The plan's estimated termination and retirement experience is then analyzed and the base table is adjusted accordingly, as necessary. No formal experience study is prepared for this plan.

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 2,040,583
Changes for the Year-	
Service cost	73,735
Interest	69,950
Changes of benefit terms	-
Changes in assumptions or other inputs	188,678
Differences between expected and actual experience	(116,029)
Benefit payments	<u>(80,900)</u>
Net changes	<u>135,434</u>
Balance at June 30, 2020	<u>\$ 2,176,017</u>

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

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 a discount rate that is 1 percentage point lower (1.48%) or 1 percentage point higher (3.48%) than the current discount rate:

	1% Decrease 1.48%	Current Discount 2.48%	1% Increase 3.48%
Total OPEB Liability	<u>\$ 2,363,311</u>	<u>\$ 2,176,017</u>	<u>\$ 2,002,374</u>

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

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 (4.20% to 3.18%) or 1 percentage point higher (6.20% to 5.18%) than the current healthcare cost trend rate:

	Healthcare		
	Current		
	1% Decrease	Discount	1% Increase
	4.20% to 3.18%	5.20% to 4.18%	6.20% to 5.18%
Total OPEB Liability	<u>\$ 1,915,864</u>	<u>\$ 2,176,017</u>	<u>\$ 2,482,696</u>

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$366,274. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 614,336	\$ 99,177
Changes of assumptions	160,170	21,933
Benefit payments subsequent to measurement date	<u>20,170</u>	<u>-</u>
Total	<u>\$ 794,676</u>	<u>\$ 121,110</u>

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

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2021	\$ 222,589
2022	222,589
2023	163,023
2024	18,135
2025	7,314
Thereafter	<u>19,746</u>
	<u>\$ 653,396</u>

The District recognized \$20,170 as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of March 31, 2020 which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

11. RISK MANAGEMENT

General

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Judgement claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Self-Funded Health Insurance Plan

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

At the end of the year, the District computes the liability for claims paid subsequent to year end to excess premiums held in the District's Trust and Agency Fund and records any deficit as a current liability in the governmental financial statements. As of June 30, 2020, excess premiums in the District's Trust and Agency Fund exceeded the liability for claims paid subsequent to year end, thus no liability has been recorded.

Estimated claims as of June 30, 2019	\$ -
Premium equivalent deposited in the Agency Fund	9,314,411
Payments made during the year, net	<u>(7,716,398)</u>
Excess premiums held in Agency fund as of June 30, 2020	<u>\$ 1,598,013</u>

Workers' Compensation

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

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

No refund 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.

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

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.

12. CONTINGENCIES AND COMMITMENTS

Litigation

The District has also been named as a defendant in certain other actions. The District intends to defend itself vigorously in each of these cases. Accordingly, no loss contingency has been accrued.

Grants

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

13. 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, 2020, the District's total tax revenues were reduced by \$179,807.

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

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

June 30, 2020

14. SUBSEQUENT EVENTS

The District issued \$555,000 in serial bonds on September 10, 2020 for the purchase of school buses. These bonds have an interest rate of 1.070% and mature on August 1, 2025.

As of the date of this report, the United States is in the midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). In August 2020, the New York State Department of Education notified all school districts that effective immediately various state aid payments will be reduced by a 20% withholding. As a result, the School District has recorded a deferred inflow to reflect certain payments that have been delayed. At this time, it is uncertain as to when these payments will be received. As a result, at June 30, 2020, the School District has recorded a deferred inflow of resources in the amount of \$212,470 in the General Fund.

**REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)**

IROQUOIS CENTRAL SCHOOL DISTRICT

Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)
For the year ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	Final Budget Variance with <u>Budgetary Actual</u>
REVENUE					
Real property taxes	\$ 30,447,629	\$ 27,482,210	\$ 27,482,210	\$ -	\$ -
Real property tax items	101,025	3,066,444	3,094,791	-	28,347
Non-property taxes	2,556,197	2,556,197	2,704,295	-	148,098
Charges for services	172,700	172,700	168,153	-	(4,547)
Use of money and property	155,000	155,000	190,276	-	35,276
Sale of property and compensation for loss	5,400	5,400	23,651	-	18,251
Miscellaneous	148,000	148,000	146,144	-	(1,856)
State sources	16,185,481	16,185,481	15,592,734	-	(592,747)
School store	30,000	30,000	14,572	-	(15,428)
Medicaid reimbursement	110,000	110,000	93,170	-	(16,830)
Total revenue	<u>49,911,432</u>	<u>49,911,432</u>	<u>49,509,996</u>	<u>-</u>	<u>(401,436)</u>
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	21,158	21,218	16,245	-	4,973
Central administration	264,257	274,260	271,193	-	3,067
Finance	560,682	572,431	551,014	-	21,417
Staff	215,988	300,752	283,416	-	17,336
Central services	4,201,685	4,183,772	3,728,444	83,228	372,100
Special items	<u>581,027</u>	<u>909,239</u>	<u>813,241</u>	<u>-</u>	<u>95,998</u>
Total general support	<u>5,844,797</u>	<u>6,261,672</u>	<u>5,663,553</u>	<u>83,228</u>	<u>514,891</u>
INSTRUCTION:					
Instruction, administration, and improvement	2,020,205	1,967,770	1,828,792	66	138,912
Teaching - regular school	13,760,572	14,034,460	13,144,587	18,194	871,679
Programs for children with handicapping conditions	6,779,516	6,802,365	6,110,075	1,158	691,132
Occupational education	1,284,240	1,287,014	1,176,298	-	110,716
Teaching - special school	85,650	56,650	37,772	-	18,878
Instructional media	1,696,712	1,976,537	1,657,114	212,836	106,587
Pupil services	<u>2,338,304</u>	<u>2,358,073</u>	<u>2,126,721</u>	<u>10,134</u>	<u>221,218</u>
Total instruction	<u>27,965,199</u>	<u>28,482,869</u>	<u>26,081,359</u>	<u>242,388</u>	<u>2,159,122</u>
Community services	7,776	8,878	6,744	-	2,134
Pupil transportation	2,649,516	2,384,111	2,044,228	1,735	338,148
School store	30,000	30,105	16,997	-	13,108
Employee benefits	<u>12,878,691</u>	<u>12,661,232</u>	<u>12,183,487</u>	<u>-</u>	<u>477,745</u>
Total expenditures	<u>49,375,979</u>	<u>49,828,867</u>	<u>45,996,368</u>	<u>327,351</u>	<u>3,505,148</u>
Excess (deficiency) of revenue over expenditures	<u>535,453</u>	<u>82,565</u>	<u>3,513,628</u>	<u>(327,351)</u>	<u>3,103,712</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	481,935	-	481,935
Transfers out	<u>(2,856,065)</u>	<u>(3,073,524)</u>	<u>(3,057,022)</u>	<u>-</u>	<u>16,502</u>
Total other financing sources	<u>(2,856,065)</u>	<u>(3,073,524)</u>	<u>(2,575,087)</u>	<u>-</u>	<u>498,437</u>
NET CHANGE IN FUND BALANCES	<u>\$ (2,320,612)</u>	<u>\$ (2,990,959)</u>	<u>938,541</u>	<u>\$ (327,351)</u>	<u>\$ 3,602,149</u>
FUND BALANCE - beginning of year			<u>12,301,120</u>		
FUND BALANCE - end of year			<u>\$ 13,239,661</u>		

IROQUOIS CENTRAL SCHOOL DISTRICT

**Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)
For the year ended June 30, 2020**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of the net pension liability (asset)	0.0163272%	0.0169590%	0.0160350%	0.0170485%	0.0171830%	0.0166850%				
Proportionate share of the net pension liability (asset)	\$ 4,324	\$ 1,202	\$ (518)	\$ (1,602)	\$ (2,758)	\$ (564)				
Covered-employee payroll	\$ 5,908	\$ 5,822	\$ 5,615	\$ 5,612	\$ 5,380	\$ 5,127				
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.19%	20.64%	-9.22%	-28.5%	-51.3%	-10.99%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.39%	96.30%	98.20%	94.70%	90.70%	97.90%				

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of the net pension liability (asset)	0.1091590%	0.105923%	0.107369%	0.1075210%	0.1070370%	0.1073730%				
Proportionate share of the net pension liability (asset)	\$ (2,836)	\$ (1,915)	\$ (816)	\$ 1,152	\$ 11,118	\$ 11,961				
Covered-employee payroll	\$ 18,520	\$ 18,497	\$ 17,195	\$ 17,187	\$ 16,797	\$ 16,264				
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-15.31%	-10.4%	-4.7%	6.7%	66.2%	73.5%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.20%	-101.50%	-100.70%	99.10%	-110.50%	-111.50%				

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

IROQUOIS CENTRAL SCHOOL DISTRICT

Schedule of Contributions - Pension Plans (Unaudited)

For the year ended June 30, 2020

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 843	\$ 849	\$ 840	\$ 883	\$ 990	981	1,092	959	749	541
Contributions in relation to the contractually required contribution	<u>843</u>	<u>849</u>	<u>840</u>	<u>883</u>	<u>990</u>	<u>981</u>	<u>1,092</u>	<u>959</u>	<u>749</u>	<u>541</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,908	\$ 6,011	\$ 5,907	\$ 5,707	\$ 5,690	5,505	5,263	5,262	5,073	4,931
Contributions as a percentage of covered- employee payroll	14.27%	14.13%	14.23%	15.47%	17.40%	17.82%	20.75%	18.23%	14.77%	10.97%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,935	\$ 1,967	\$ 1,685	\$ 2,015	\$ 2,200	\$ 2,819	\$ 2,577	\$ 1,848	\$ 1,715	\$ 1,301
Contributions in relation to the contractually required contribution	<u>1,935</u>	<u>1,967</u>	<u>1,685</u>	<u>2,015</u>	<u>2,200</u>	<u>2,819</u>	<u>2,577</u>	<u>1,848</u>	<u>1,715</u>	<u>1,301</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 18,520	\$ 18,497	\$ 17,195	\$ 17,195	\$ 17,187	\$ 16,797	16,264	15,775	15,622	15,443
Contributions as a percentage of covered- employee payroll	10.45%	10.63%	10%	12%	13%	17%	16%	12%	11%	8%

IROQUOIS CENTRAL SCHOOL DISTRICT

Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited) **For the Year Ended June 30, 2020**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total OPEB Liability										
Service cost	\$ 74	\$ 35	\$ 36	\$ 33						
Interest	70	36	36	28						
Changes of benefit terms	-	78	-	-						
Differences between expected and actual experience	(116)	933	(20)	119						
Changes in assumptions	188	9	17	(33)						
Benefit payments	(81)	(42)	(39)	(34)						
Total change in total OPEB liability	135	1,049	30	113						
Total OPEB liability - beginning	2,041	992	962	849						
Total OPEB liability - ending	\$ 2,176	\$ 2,041	\$ 992	\$ 962						
 Covered-employee payroll	 \$ 23,131	 \$ 22,409	 \$ 21,691	 21,691						
 Total OPEB liability as a percentage of covered-employee payroll	 9.41%	 9.11%	 4.57%	 4.44%						

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Notes to schedule:

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

Discount rate	<u>2.48%</u>	<u>3.44%</u>	<u>3.61%</u>	<u>3.80%</u>
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Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Changes of assumptions and other inputs reflect the following:

- The single discount rate changed from 3.44 % to 2.48% effective June 30, 2020.
- The salary scale changed from 3.36% to 3.22% effective June 30, 2020.
- Mortality improvement scale updated to MP-2019.
- Updated healthcare cost trend rates to rates effective June 30, 2020.

There are no significant changes to the actuarial methods and assumptions since the last GASB valuation.

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

OTHER INFORMATION (UNAUDITED)

IROQUOIS CENTRAL SCHOOL DISTRICT

Schedule of Change From Original Budget to Revised Budget And Schedule of Section 1318 of Real Property Tax Law Limit Calculation - General Fund (Unaudited) For the Year Ended June 30, 2020

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 52,232,044
Add: Prior year's encumbrances	<u>440,156</u>
Original budget	52,672,200
Budget revisions	<u>230,191</u>
Final budget	<u><u>\$ 52,902,391</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter-approved expenditure budget	<u>\$ 52,583,668</u>	
Maximum allowed (4% of 2020-21 budget)		<u><u>\$ 2,103,347</u></u>

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

Unrestricted fund balance	
Assigned fund balance	\$ 2,100,963
Unassigned fund balance - General Fund	3,300,672
Unassigned fund balance - Bookstore	<u>(586)</u>

Total unrestricted fund balance	<u>5,401,049</u>
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Less:

Appropriated fund balance	1,773,612
Encumbrances included in assigned fund balance	327,351
Unassigned fund balance - Bookstore	<u>(586)</u>
Total adjustments	<u>2,100,377</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 3,300,672</u></u>
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Actual percentage	<u><u>6.28%</u></u>
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IROQUOIS CENTRAL SCHOOL DISTRICT

Schedule of Project Expenditures - Capital Projects Fund (Unaudited)
For the Year Ended June 30, 2020

Project Title	Original Appropriation	Revised Appropriation	Prior Years' Expenditures	Current Year Expenditures	Total Expenditures	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total Financing	Fund Balance as of 6/30/2020
Bus Purchase 19-20	\$ 465,000	\$ 465,000	\$ -	\$ 465,000	\$ 465,000	\$ -	\$ 465,000	\$ -	\$ -	\$ 465,000	\$ -
\$100,000 Project 18-19	100,000	100,000	11,736	88,264	100,000	-	-	-	100,000	100,000	-
\$100,000 Project 19-20	100,000	100,000	-	59,285	59,285	40,715	-	-	100,000	100,000	40,715
Smart Schools Project	1,305,424	1,305,424	538,330	233,404	771,734	533,690	-	771,734	-	771,734	-
Capital Project \$17M	17,000,000	17,000,000	15,262,839	1,713,600	16,976,439	23,561	8,600,000	-	8,416,866	17,016,866	40,427
	<u>\$ 18,970,424</u>	<u>\$ 18,970,424</u>	<u>\$ 15,812,905</u>	<u>\$ 2,559,553</u>	<u>\$ 18,372,458</u>	<u>\$ 597,966</u>	<u>\$ 9,065,000</u>	<u>\$ 771,734</u>	<u>\$ 8,616,866</u>	<u>\$ 18,453,600</u>	<u>\$ 81,142</u>

IROQUOIS CENTRAL SCHOOL DISTRICT

Schedule of Net Investment in Capital Assets (Unaudited)

June 30, 2020

Capital assets, net	\$ 44,978,497
Deduct:	
Short-term portion of bonds payable	(1,705,000)
Long-term portion of bonds payable	<u>(12,906,016)</u>
Net investment in capital assets	<u>\$ 30,367,481</u>

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

October 21, 2020

To the Board of Education of the
Iroquois Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iroquois Central School District (District), as of and for the year ended June 30, 2020, 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 21, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

100 Corporate Parkway
Suite 200
Amherst, New York 14226
p (716) 250-6600
f (716) 250-6605

www.bonadio.com

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Bonadio & Co., LLP

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

October 21, 2020

To the Board of Education of the
Iroquois Central School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Major Federal Program

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

100 Corporate Parkway
Suite 200
Amherst, New York 14226
p (716) 250-6600
f (716) 250-6605

www.bonadio.com

Report on Internal Control Over Compliance

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

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

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

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

Bonadio & Co., LLP

IROQUOIS CENTRAL SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
June 30, 2020**

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Subrecipients</u>
U.S. Department of Education:				
Passed through New York State Education Department -				
Title I Grants to Local Educational Agencies	84.010	0021-20-0785	\$ 191,929	\$ -
Supporting Effective Instruction State Grants	84.367	0147-19-0785	55,069	-
Student Support and Academic Enrichment Program	84.424	0204-20-0785	14,540	-
Special Education Cluster -				
Special Education Grants to States	84.027	0032-20-0225	463,492	-
Special Education Preschool Grants	84.173	0033-20-0225	14,216	-
<i>Subtotal Special Education Cluster</i>			<u>477,708</u>	<u>-</u>
<i>Total Passed through New York State Education Department</i>			<u>739,246</u>	<u>-</u>
Total U.S. Department of Education			<u>739,246</u>	<u>-</u>
U.S. Department of Health and Human Services:				
Passed through New York State Health and Human Services Department -				
Drug-Free Communities Support Program Grants	93.276	N/A	116,391	-
Total U.S. Department of Health and Human Services			<u>116,391</u>	<u>-</u>
U.S. Department of Agriculture:				
Child Nutrition Cluster				
National School Lunch Program	10.555	N/A	50,652	-
Passed through New York State Education Department -				
National School Lunch Program	10.555	N/A	274,963	-
School Breakfast Program	10.553	N/A	132,287	-
<i>Total Passed through New York State Education Department</i>			<u>407,250</u>	<u>-</u>
<i>Subtotal Child Nutrition</i>			<u>457,902</u>	
Total U.S. Department of Agriculture			<u>457,902</u>	
Total Expenditures of Federal Awards			<u>\$ 1,313,539</u>	
<u>Total Program Expenditures by CFDA Number</u>				
National School Lunch Program	10.555	N/A	<u>\$ 325,615</u>	

The accompanying notes are an integral part of these statements

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

June 30, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Iroquois Central School District (the District), under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or the respective changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented in conformity with accounting principles generally accepted in the United States and the amounts presented are derived from the District's general ledger.

3. PASS-THROUGH PROGRAMS

Where the District receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than the CFDA numbers, which may be assigned by pass-through grantors are not maintained in the District's financial management system. The District has identified certain pass-through identifying numbers and included them in the schedule of expenditures of federal awards, as available.

4. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the financial reports used as the source for the expenditures presented.

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

5. MATCHING COSTS

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

IROQUOIS CENTRAL SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

June 30, 2020

6. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed a “non-monetary” program. During the year ended June 30, 2020, the District received food commodities, the fair value of which amounted to \$50,652, is presented in the Schedule as National School Lunch Program (Division of Donated Foods, CFDA #10.555) and was considered in the District’s Single Audit.

IROQUOIS CENTRAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of independent auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(ies) identified not considered to be material weaknesses?

☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(ies) identified not considered to be material weaknesses?

☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR Section 200.516(a)?

☐ yes ☒ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553, 10.555

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

IROQUOIS CENTRAL SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None