

PERU CENTRAL SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2018 AND 2017

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BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Peru Central School District
Peru, New York 12972

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 Peru Central School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the District's 2017 financial statements, and in our report dated November 8, 2018, we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Peru Central School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 15), budgetary comparison information (pages 54 & 55) and Schedule of Funding Progress Other Post-Employment Benefits Plan (page 58) and Schedules of District's Proportionate Share of the Net Pension Liability – ERS and TRS, and Schedules of the District's Contributions – ERS and TRS (pages 59-62) 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Peru Central School District's basic financial statements as a whole. The Schedule of Change from Original Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures, and Net Investment in Capital Assets are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of Peru Central School District. The Schedule of Change from Original Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures, Net Investment in Capital Assets, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2018, on our consideration of the Peru Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Peru Central School District's internal control over financial reporting and compliance.

Boulrice & Wood CPAs, PC

Boulrice & Wood CPAs, PC
November 8, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Peru School District's annual financial report presents its discussion and analysis of financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the financial statements which immediately follow this section.

FINANCIAL HIGHLIGHTS

- State Aid increased by 4.51% over fiscal year 2017.
- The District ended the year with a surplus for the fifth straight year.
- The impact of mandatory GASB 45 & 75 reporting of Post-employment benefits and GASB 68 reporting of Pension benefits remains visible throughout the District's financial statements.

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 entity-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the operations in more detail than the entity-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 funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

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 of the District's budget for the year.

Table A-1 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 of management's discussion and analysis highlights the structure and contents of each of the statements.

Table A-1: Major Features of the Entity-Wide and Fund Financial Statements

	Entity-Wide	Fund Financial Statements	
	Statements	Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	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 and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of Asset and Liability Information	All asset liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term; funds do not contain capital assets although they can
Type of Inflow and Outflow Information	All revenues and expenses during year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; 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

Entity-wide Statements

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

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

- Over time, increases and decreases in net position is an indicator of whether the financial position is improving or deteriorating, respectively.

For assessment of the overall health of the District additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - Net position invested in capital assets, net of related debt;
 - Restricted net position are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation; and
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

Governmental funds: Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the entity-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often have a budgetary orientation. Included are the general fund, special revenue funds, debt service funds, capital project funds and permanent funds. Required statements are the balance sheet and the statement of revenues, expenditures, and changes in fund balances.

Fiduciary funds: The District is the trustee or fiduciary for assets that belong to others, such as scholarship funds and 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 entity-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. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position was significantly less on June 30, 2018 than it was the year before, decreasing to -\$108 million as detailed in Tables A-2 and A-3. This drop of net position is predominantly the result of the mandatory GASB 75 reporting of post-employment benefits.

Table A- 2: Condensed Statement of Net position - Governmental Activities

	Fiscal Year 2018	Restated Fiscal Year 2017	Percent Change
Current and Other Assets	\$ 14,541,684	\$ 12,349,760	17.7%
Capital Assets	43,458,701	44,113,859	-1.5%
Total Assets	\$ 58,000,385	\$ 56,463,619	2.7%
Defeasance Loss	33,750	60,750	0.0%
Pensions	10,038,169	9,725,859	3.2%
	\$ 68,072,304	\$ 66,250,228	2.8%
Current Liabilities	\$ 6,338,123	\$ 6,155,404	3.0%
Long-Term Liabilities	155,144,730	173,832,290	-10.8%
Total Liabilities	161,482,853	179,987,694	-10.3%
Defeasance Gain	30,000	60,000	-50.0%
Pensions	3,546,522	693,213	0.0%
Total Deferred Inflows	3,576,522	753,213	-50.0%
Net Position			
Net Investment in			
Capital Assets	32,202,451	29,529,609	9.1%
Restricted	2,952,101	4,690,694	-37.1%
Unrestricted	(143,269,970)	(144,174,299)	-0.6%
Total Net Position	\$ (108,115,418)	\$ (109,953,996)	-1.7%

Changes in Net Position

The District's fiscal year 2018 revenues totaled \$46.9 million. (See Table A-3) Property taxes and state formula aid accounted for most of the District's revenue by contributing 31.5 percent and 55.3 percent, respectively, of every dollar raised. (See Table A-4) The remainder came from fees charged for services, operating grants, and other miscellaneous sources.

The total cost of all programs and services totaled \$45.1 million for fiscal year 2018. These expenses are predominantly support to general instruction and caring for (pupil services) and transporting students. (See Table A-5) Net position increased by \$1.8 million.

Table A-3: Changes in Net position from Operating Results Governmental Activities Only

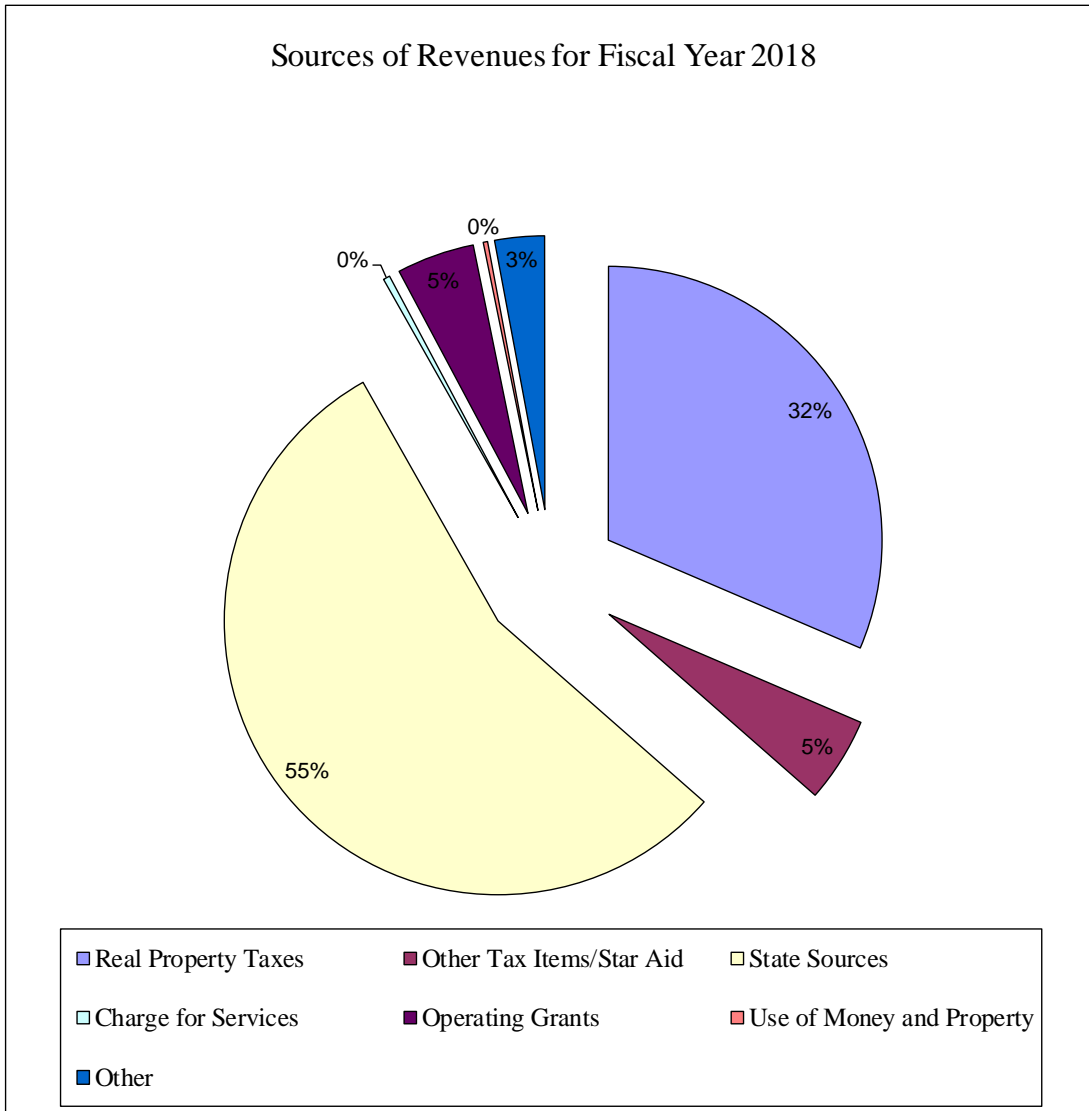
	Fiscal Year 2018	Fiscal Year 2017	Total % Change
Revenues			
Programs Revenues			
Charge for Services	\$ 185,372	\$ 198,583	-6.65%
Operating Grants	2,149,745	2,011,764	6.86%
General Revenues			
Property Taxes	14,754,365	14,369,136	2.68%
Other Tax Items/STAR Aid	2,353,409	2,376,916	-0.99%
State Formula Aid	25,964,798	24,843,067	4.52%
Use of Money and Property	121,291	39,736	205.24%
Other	1,384,108	1,246,688	11.02%
Total Revenues	46,913,088	45,085,890	4.05%
Expenses			
Instruction	20,872,004	20,950,840	-0.38%
General Support	5,954,566	5,554,710	7.20%
Pupil Transportation	2,196,036	2,414,527	-9.05%
Employee Benefits	15,019,132	19,522,953	-23.07%
Capital Outlay	445,119	-	N/A
Other	587,653	661,968	-11.23%
Total Expenses	45,074,510	49,104,998	-8.21%
Increase (Decrease) in Net Assets	\$ 1,838,578	\$ (4,019,108)	-145.75%

Governmental Activities

Revenues for the District's governmental activities totaled \$46.9 million while total expenses equaled \$45.1 million. Therefore, the increase in net position for governmental activities was \$1,838,578 in 2018. The majority of the increase resulted from the application of GASB 75 "Accounting for other Post-Employment Benefits" which decreased \$4.5 million. The continuation of the District's good financial condition, absent Post-employment Benefit amounts, can be credited to:

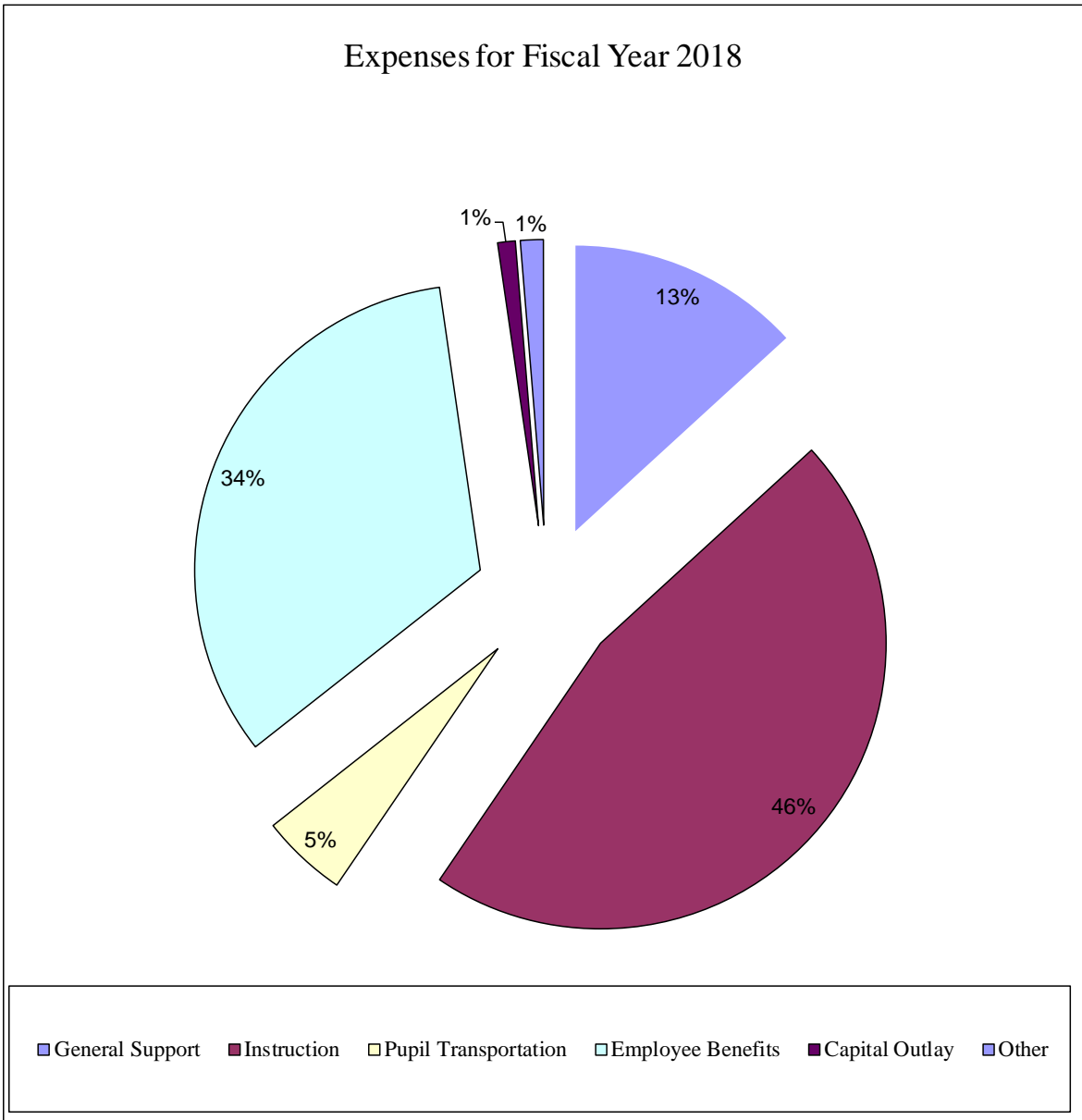
- Continued stability of the District's governing team;
- Approval of the District's proposed annual budget;
- Continued state and federal aid;
- Capital Project Financial Plan;
- Multi-Year Financial Planning;
- Investment of idle funds and
- Conservative budgeting

Table A-4 Sources of Revenues for Fiscal Year 2018



Revenue Source	Amount
Real Property Taxes	\$ 14,754,365
Other Tax Items/Star Aid	2,353,409
State Sources	25,964,798
Charge for Services	185,372
Operating Grants	2,149,745
Use of Money and Property	121,291
Other	1,384,108
Total	\$ 46,913,088

Table A-5 Expenses for Fiscal Year 2018



Expenditures	Amount
General Support	\$ 5,954,566
Instruction	20,872,004
Pupil Transportation	2,196,036
Employee Benefits	15,019,132
Capital Outlay	445,119
Other	587,653
Total	\$ 45,074,510

Table A-6 presents the cost of the District's activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Table A-6: Net Cost of Governmental Activities

	2018		2017	
	Total Cost	Net Cost	Total Cost	Net Cost
Instruction	\$ 20,872,004	\$ 19,216,866	\$ 20,950,840	\$ 19,400,626
General Support	5,954,566	5,954,566	5,554,710	5,554,710
Employee Benefits	15,019,132	15,019,132	19,522,953	19,522,953
Cost of Sales (School Lunch)	210,836	(469,143)	217,657	(442,476)
Pupil Transportation	2,196,036	2,196,036	2,414,527	2,414,527
Capital Outlay	445,119	445,119	-	-
Other Costs	376,817	376,817	444,311	444,311
Total	\$ 45,074,510	\$ 42,739,393	\$ 49,104,998	\$ 46,894,651

- The cost of all governmental activities this year was \$45.0 million.
- The users of the District's programs financed some of the cost.
- The federal and state governments subsidized certain programs with grants and contributions (\$2.1 million)
- Most of the District's net costs (\$43.1 million) were financed by taxpayers and state aid.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variations between years for the governmental fund financial statements are not the same as variations 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. See Table A-7 for an analysis of the District's governmental funds.

**Table A-7: Schedule of General Fund Revenues and Expenditure – Budget and Actual
Year End June 30, 2018**

PERU CENTRAL SCHOOL DISTRICT

**SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2018**

	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual	
Revenues:					
Local Sources:					
Real Property Taxes	\$ 14,693,407	\$ 14,693,407	\$ 14,754,365	\$ 60,958	
Other Tax Items/STAR Aid	2,402,500	2,402,500	2,353,409	(49,091)	
Charges for Services	7,000	7,000	5,075	(1,925)	
Other Districts and Governments	851,009	851,009	362,544	(488,465)	
Use of Money and Property	25,000	25,000	116,783	91,783	
Sale of Property and Compensation for Loss	8,000	8,000	21,541	13,541	
Miscellaneous	406,000	474,776	844,237	369,461	
Interfund Revenues	18,000	18,000	24,229	6,229	
State Sources	26,226,667	26,226,667	25,964,798	(261,869)	
Federal Sources	50,000	50,000	98,324	48,324	
Total Revenues	44,687,583	44,756,359	44,545,305	(211,054)	
Other Financing Sources					
Interfund Transfers	300,000	300,000	50,000	(250,000)	
Appropriated Reserves	-	111,560	-		
	<u>300,000</u>	<u>411,560</u>	<u>50,000</u>	<u>(250,000)</u>	
Total revenues and appropriated fund balance	\$ 44,987,583	\$ 45,167,919	\$ 44,595,305	\$ (461,054)	
	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
Expenditures:					
General Support:					
Board of Education	\$ 21,776	\$ 21,783	\$ 12,129	\$ 1,574	\$ 8,080
Central Administration	230,479	233,760	209,886	-	23,874
Finance	469,656	505,603	486,847	-	18,756
Staff	224,678	208,620	145,619	-	63,001
Central Services	2,717,819	2,779,594	2,549,593	50,290	179,711
Special Items	1,021,721	1,003,203	908,680	-	94,523
Instructional:					
Instruction, Administration, and Improvement	1,641,000	1,664,471	1,535,319	1,481	127,671
Teaching - Regular School	10,924,928	9,842,011	9,600,786	4,613	236,612
Programs for Children with Handicapping Conditions	6,021,082	5,067,177	4,986,942	-	80,235
Occupational Education	1,340,302	1,275,302	1,195,986	-	79,316
Teaching - Special School	39,003	34,003	13,780	-	20,223
Instructional Media	909,628	968,555	926,199	19,241	23,115
Pupil Service	1,596,793	1,633,708	1,563,539	8,419	61,750
Pupil Transportation	2,283,654	2,330,499	2,226,176	270	104,053
Community Services	1,800	1,800	-	-	1,800
Employee Benefits	13,296,146	12,522,677	12,342,923	-	179,754
Debt Service	4,081,678	4,081,678	4,063,817	-	17,861
Total Expenditures	46,822,143	44,174,444	42,768,221	85,888	1,320,335
Other Uses:					
Interfund Transfer	223,000	3,051,035	2,943,639	-	107,396
Total Expenditures and Other Uses	47,045,143	47,225,479	45,711,860	\$ 85,888	\$ 1,427,731
Net change in fund balance	(2,057,560)	(2,057,560)	(1,116,555)		
Fund balance - beginning	9,335,389	9,335,389	9,335,389		
Fund balance - ending	\$ 7,277,829	\$ 7,277,829	\$ 8,218,834		

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018, the District had invested \$43.5 million (net of accumulated depreciation) in a broad range of capital assets, including major renovations to the District's school buildings, athletic facilities, computer and audio-visual equipment.

Table A-8: Capital Assets (net of depreciation)

	2018	2017	% Change
Land & Land Improvement	\$ 49,250	\$ 49,250	0.00%
Construction in Progress	206,388	171,377	20.43%
Buildings	40,820,387	41,933,845	-2.66%
Equipment & Furniture	2,382,676	1,959,387	21.60%
Total	\$ 43,458,701	\$ 44,113,859	-1.49%

Long-Term Debt

At year-end, the District had \$160.1 million in long-term debt outstanding. This represents an decrease of 9.68% from 2017 resulting predominantly from the reduction in due to retirement systems and the change in post-employment benefits liability.

Table A-9: Outstanding Long-Term Debt

	2018	2017	Change
Due to Retirement Systems	\$ 1,613,689	\$ 1,862,770	-13.37%
Compensated Absences	1,459,079	1,461,615	-0.17%
Bonds Payable	11,260,000	14,585,000	-22.80%
Post Employment Benefits	145,774,745	159,349,548	-8.52%
Total	\$ 160,107,513	\$ 177,258,933	-9.68%

FACTORS BEARING ON THE FUTURE OF 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:

- Federal Budget's impact on the State's financial health and the impact this condition will have on state aid.
- Fluctuating fuel and utility cost.
- Fluctuations associated with employer contributions to health insurance and retirement plans.
- Labor negotiations are underway with several bargaining units regarding salary and benefits.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Peru Central School District Offices
Attn: Randolph B. Sapp
17 School Street, P.O. Box 68
Peru, NY 12972-0068
(518) 643-6004

PERU CENTRAL SCHOOL DISTRICT

EXHIBIT 1

STATEMENTS OF NET POSITION
June 30, 2018 and 2017

ASSETS	<u>2018</u>	<u>Restated 2017</u>
Cash:		
Unrestricted	\$ 5,863,901	\$ 4,984,180
Restricted	5,365,135	4,782,818
Receivables:		
State and Federal Aid Receivable	1,508,190	1,543,900
Due from Other Governments	1,003,306	745,605
Other Receivables	110,052	257,102
Inventories	28,869	36,155
Capital Assets, Net	43,458,701	44,113,859
Net pension asset-proportionate share	662,231	-
Total Assets	<u>\$ 58,000,385</u>	<u>\$ 56,463,619</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Defeasance loss	33,750	60,750
Pensions	10,038,169	9,725,859
OPEB (GASB 75)	4,605,903	4,536,683
Total Assets and Deferred Outflows of Resources	<u>\$ 72,678,207</u>	<u>\$ 70,786,911</u>
 LIABILITIES		
Payables:		
Accounts Payable	\$ 786,984	\$ 422,874
Due to other Governments	121	118
Unearned Revenues	8,415	44,749
Due to Teacher's Retirement System	1,469,872	1,721,613
Due to Employees' Retirement System	143,817	141,157
Long-Term Liabilities		
Due and payable within one year:		
Bonds Payable - Current	3,780,000	3,625,000
Compensated Absences Payable	148,914	199,893
Due and payable after one year:		
Bonds Payable - Non-Current	7,480,000	10,960,000
Compensated Absences Payable	1,459,079	1,461,615
Other post employment benefits	145,774,745	159,349,548
Net pension liability-proportionate share	430,906	2,061,127
Total Liabilities	<u>161,482,853</u>	<u>179,987,694</u>
 DEFERRED INFLOWS OF RESOURCES		
Defeasance gain	30,000	60,000
Pensions	3,546,522	693,213
OPEB (GASB 75)	15,734,250	-
Total Deferred Inflows of Resources	<u>19,310,772</u>	<u>753,213</u>
 Net Position		
Net Investment in Capital Assets	32,202,451	29,529,609
Restricted	2,952,101	4,690,694
Unrestricted	<u>(143,269,970)</u>	<u>(144,174,299)</u>
Total Net Position	<u>(108,115,418)</u>	<u>(109,953,996)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 72,678,207</u>	<u>\$ 70,786,911</u>

See Notes to the Financial Statements.

PERU CENTRAL SCHOOL DISTRICT

EXHIBIT 2

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2018 and 2017

Functions/ Programs	2018			Restated 2017	
	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN Net Position	
		CHARGES FOR SERVICES	OPERATING GRANTS		NET (EXPENSE) REVENUE AND CHANGES IN Net Position
General Support	\$ (5,954,566)	\$ -	\$ -	\$ (5,954,566)	\$ (5,554,710)
Instruction	(20,872,004)	-	1,655,138	(19,216,866)	(19,400,626)
Pupil Transportation	(2,196,036)	-	-	(2,196,036)	(2,414,527)
Employee Benefits	(15,019,132)	-	-	(15,019,132)	(19,522,953)
Capital Outlay	(445,119)	-	-	(445,119.00)	-
Debt Services	(376,817)	-	-	(376,817)	(444,311)
Cost of Sales	(210,836)	185,372	494,607	469,143	442,476
Total Functions and Programs	\$ (45,074,510)	\$ 185,372	\$ 2,149,745	(42,739,393)	(46,894,651)
General Revenues					
Real Property Taxes				14,754,365	14,369,136
Other Tax Items/STAR Aid				2,353,409	2,376,916
Charges for services				5,075	8,368
Other Districts and Governments				362,544	429,816
Use of Money and Property				121,291	39,736
Sale of Property and Compensation for Loss				21,541	135,539
Miscellaneous				872,395	556,040
Interfund Revenues				24,229	23,435
State Sources				25,964,798	24,843,067
Federal Sources				98,324	93,490
Total General Revenues				44,577,971	42,875,543
Change in Net Position				1,838,578	(4,019,108)
Total Net Position - Beginning of Year				(109,953,996)	(18,967,816)
Prior period adjustment (Note 16)				-	(86,967,072)
Total Net Position - End of Year				\$ (108,115,418)	\$ (109,953,996)

See Notes to the Financial Statements.

PERU CENTRAL SCHOOL DISTRICT

EXHIBIT 3

BALANCE SHEETS - GOVERNMENTAL FUNDS
June 30, 2018 and 2017

	GENERAL FUND	SPECIAL AID	CAPITAL PROJECTS	Debt Service	2018 TOTAL	2017 TOTAL
ASSETS						
Cash	\$ 5,830,812	\$ 33,089	\$ -	\$ -	\$ 5,863,901	\$ 4,984,180
Cash - Restricted	2,469,296	-	2,413,034	482,805	5,365,135	4,782,818
Due from Other Funds	895,951	71,001	374,250	-	1,341,202	1,228,332
Inventories	-	28,869	-	-	28,869	36,155
Due From State and Federal	779,746	728,444	-	-	1,508,190	1,543,900
Due From Other Governments	1,003,306	-	-	-	1,003,306	745,605
Accounts Receivable	108,631	1,421	-	-	110,052	257,102
Total Assets	\$ 11,087,742	\$ 862,824	\$ 2,787,284	\$ 482,805	\$ 15,220,655	\$ 13,578,092
LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 660,972	\$ 83,841	\$ 42,171	\$ -	\$ 786,984	\$ 422,874
Due to Other Funds	445,251	770,529	125,422	-	1,341,202	1,228,332
Due To Other Governments	-	121	-	-	121	118
Due to Teachers' Retirement System	1,469,872	-	-	-	1,469,872	1,721,613
Due to Employees' Retirement System	143,817	-	-	-	143,817	141,157
Compensated Absences	148,914	-	-	-	148,914	199,893
Unearned Revenue	82	8,333	-	-	8,415	44,749
Total Liabilities	2,868,908	862,824	167,593	-	3,899,325	3,758,736
FUND BALANCES						
Nonspendable						
Inventory	-	28,869	-	-	28,869	36,155
Restricted						
Employee benefit accrued liability	1,458,843	-	-	-	1,458,843	1,426,557
Debt service	-	-	-	482,805	482,805	506,498
Retirement Reserve	1,010,453	-	-	-	1,010,453	1,002,444
Capital project	-	-	2,619,691	-	2,619,691	1,755,195
Assigned						
Encumbrances (Note 11)	85,888	-	-	-	85,888	112,459
Appropriated Fund Balance	2,696,520	-	-	-	2,696,520	2,511,320
Unassigned	2,967,130	(28,869)	-	-	2,938,261	2,468,728
Total Fund Balances	8,218,834	-	2,619,691	482,805	11,321,330	9,819,356
Total Liabilities and Fund Balances	\$ 11,087,742	\$ 862,824	\$ 2,787,284	\$ 482,805	\$ 15,220,655	\$ 13,578,092

See Notes to the Financial Statements.

PERU CENTRAL SCHOOL DISTRICT

EXHIBIT 4

COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Years Ended June 30, 2018 and 2017

				2018	2017	
	General	Special Revenue	Capital Projects	Debt Service	TOTAL	TOTAL
REVENUES						
Real Property Taxes	\$ 14,754,365	\$ -	\$ -	\$ -	\$ 14,754,365	\$ 14,369,136
Other Tax Items/STAR Aid	2,353,409	-	-	-	2,353,409	2,376,916
Charges for Services	5,075	-	-	-	5,075	8,368
Other Districts and Governments	362,544	-	-	-	362,544	429,816
Use of Money and Property	116,783	442	-	4,066	121,291	39,736
Sale of Property and Compensation for Loss	21,541	-	-	-	21,541	135,539
Miscellaneous	844,237	28,158	-	-	872,395	556,040
Interfund Revenues	24,229	-	-	-	24,229	23,435
State Sources	25,964,798	242,533	-	-	26,207,331	24,936,903
Federal Sources	98,324	1,856,272	-	-	1,954,596	1,966,282
Surplus Food	-	50,940	-	-	50,940	45,136
Sales	-	185,372	-	-	185,372	198,583
Total Revenues	44,545,305	2,363,717	-	4,066	46,913,088	45,085,890
EXPENDITURES						
General Support	4,312,754	416,389	-	-	4,729,143	4,319,351
Instruction	19,822,551	1,460,164	-	-	21,282,715	21,076,302
Pupil Transportation	2,226,176	-	-	-	2,226,176	2,622,743
Employee Benefits	12,342,923	339,971	-	-	12,682,894	12,229,825
Debt Service	4,063,817	-	-	-	4,063,817	4,038,771
Cost of Sales	-	210,836	-	-	210,836	217,657
Capital Outlay	-	-	574,533	-	574,533	409,510
Total Expenditures	42,768,221	2,427,360	574,533	-	45,770,114	44,914,159
Excess (Deficit) of Revenues over Expenditures	1,777,084	(63,643)	(574,533)	4,066	1,142,974	171,731

See Notes to the Financial Statements.

OTHER SOURCES AND USES

Proceeds From Bonds	-	-	359,000	-	359,000	-
Operating Transfers In	50,000	63,643	2,857,755	22,241	2,993,639	223,782
Operating Transfers (Out)	<u>(2,943,639)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(2,993,639)</u>	<u>(223,782)</u>
Total Other Sources and Uses	<u>(2,893,639)</u>	<u>63,643</u>	<u>3,216,755</u>	<u>(27,759)</u>	<u>359,000</u>	<u>-</u>
Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses	(1,116,555)	-	2,642,222	(23,693)	1,501,974	171,731
Fund Balances, Beginning of Year	<u>9,335,389</u>	<u>-</u>	<u>(22,531)</u>	<u>506,498</u>	<u>9,819,356</u>	<u>9,647,625</u>
Fund Balances, End of Year	<u><u>\$ 8,218,834</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,619,691</u></u>	<u><u>\$ 482,805</u></u>	<u><u>\$ 11,321,330</u></u>	<u><u>\$ 9,819,356</u></u>

See Notes to the Financial Statements.

PERU CENTRAL SCHOOL DISTRICT

EXHIBIT 5

STATEMENTS OF FIDUCIARY NET POSITION
June 30, 2018 and 2017

	Private Purpose Trusts	Agency	<u>2018</u> Total	<u>2017</u> Total
ASSETS				
Cash	\$ 215,872	\$ 139,821	\$ 355,693	\$ 323,132
Cash, restricted	26,498	-	26,498	26,326
Total Assets	<u>\$ 242,370</u>	<u>\$ 139,821</u>	<u>\$ 382,191</u>	<u>\$ 349,458</u>
LIABILITIES				
Other Liabilities	\$ -	\$ 45,323	\$ 45,323	\$ 35,606
Extraclassroom Activities	-	94,498	94,498	68,649
Total Liabilities	<u>-</u>	<u>139,821</u>	<u>139,821</u>	<u>104,255</u>
Net Position				
Reserved for Scholarships	242,370	-	242,370	245,203
Total Net Position	<u>242,370</u>	<u>-</u>	<u>242,370</u>	<u>245,203</u>
Total Liabilities and Net Position	<u>\$ 242,370</u>	<u>\$ 139,821</u>	<u>\$ 382,191</u>	<u>\$ 349,458</u>

See Notes to the Financial Statements.

PERU CENTRAL SCHOOL DISTRICT

EXHIBIT 6

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
	<u>Expendable Trust</u>	<u>Expendable Trust</u>
ADDITIONS		
Gifts and contributions	\$ 14,413	\$ 18,280
Investment Earnings	1,214	578
Total Additions	<u>15,627</u>	<u>18,858</u>
DEDUCTIONS		
Scholarships and awards	<u>18,460</u>	<u>12,480</u>
Total Deductions	<u>18,460</u>	<u>12,480</u>
Changes in Net Position	(2,833)	6,378
Net Position, Beginning of Year	<u>245,203</u>	<u>238,825</u>
Net Position, End of Year	<u><u>\$ 242,370</u></u>	<u><u>\$ 245,203</u></u>

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

	TOTAL GOVERNMENT FUNDS	LONG-TERM ASSETS, LIABILITIES	RECLASSIFICATION AND ELIMINATIONS	STATEMENT OF NET POSITION TOTALS
ASSETS				
Cash	\$ 5,863,901	\$ -	\$ -	\$ 5,863,901
Cash - Restricted	5,365,135	-	-	5,365,135
Due From Other Funds	1,341,202	-	(1,341,202)	-
Inventories	28,869	-	-	28,869
Due From State and Federal	1,508,190	-	-	1,508,190
Due From Other Governments	1,003,306	-	-	1,003,306
Accounts Receivables	110,052	-	-	110,052
Capital Assets, Net	-	43,458,701	-	43,458,701
Net pension asset-proportionate share	-	662,231	-	662,231
Total Assets	\$ 15,220,655	\$ 44,120,932	\$ (1,341,202)	\$ 58,000,385
DEFERRED OUTFLOWS OF RESOURCES				
Defeasance	-	33,750	-	33,750
Pensions	-	10,038,169	-	10,038,169
OPEB (GASB 75)	-	4,605,903	-	4,605,903
Total Assets and Deferred Outflows of Resources	\$ 15,220,655	\$ 58,798,754	\$ (1,341,202)	\$ 72,678,207
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 786,984	\$ -	\$ -	\$ 786,984
Due to Other Funds	1,341,202	-	(1,341,202)	-
Due To Other Governments	121	-	-	121
Due to Teachers' Retirement System	1,469,872	-	-	1,469,872
Due to Employees' Retirement System	143,817	-	-	143,817
Compensated Absences	148,914	-	-	148,914
Unearned Revenue	8,415	-	-	8,415
Long-Term Debt, other than Compensated Absences	-	11,260,000	-	11,260,000
Compensated Absences-Long Term	-	1,459,079	-	1,459,079
Other post employment benefits	-	145,774,745	-	145,774,745
Net pension liability-proportionate share	-	430,906	-	430,906
Total Liabilities	3,899,325	158,924,730	(1,341,202)	161,482,853
DEFERRED INFLOWS OF RESOURCES				
Defeasance gain	-	30,000	-	30,000
Pensions	-	3,546,522	-	3,546,522
OPEB (GASB 75)	-	15,734,250	-	15,734,250
Total Deferred Inflows of Resources	-	19,310,772	-	19,310,772
FUND BALANCE/Net Position				
Total Fund Balance/ Net Position	11,321,330	(119,436,748)	-	(108,115,418)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ 15,220,655	\$ 58,798,754	\$ (1,341,202)	\$ 72,678,207

**RECONCILIATION OF GOVERNMENTAL FUNDS - REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES**
Year Ended June 30, 2018

	TOTAL GOVERNMENT FUNDS	LONG-TERM REVENUE EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTION	RECLASSIFICATION AND ELIMINATIONS	STATEMENT OF ACTIVITIES TOTALS
REVENUES						
Real Property Taxes	\$ 14,754,365	\$ -	\$ -	\$ -	\$ -	\$ 14,754,365
Other Tax Items/STAR Aid	2,353,409	-	-	-	-	2,353,409
Charges for Services	5,075	-	-	-	-	5,075
Other Districts and Governments	362,544	-	-	-	-	362,544
Use of Money and Property	121,291	-	-	-	-	121,291
Sale of Property and Compensation for Loss	21,541	-	-	-	-	21,541
Miscellaneous	872,395	-	-	-	-	872,395
Interfund Revenues	24,229	-	-	-	-	24,229
State Sources	26,207,331	-	-	-	-	26,207,331
Federal Sources	1,954,596	-	-	-	-	1,954,596
Surplus Food	50,940	-	-	-	-	50,940
Sales	185,372	-	-	-	-	185,372
Total Revenues	46,913,088	-	-	-	-	46,913,088
EXPENDITURES						
General Support	4,729,143	-	1,225,423	-	-	5,954,566
Instruction	21,282,715	-	(410,711)	-	-	20,872,004
Pupil Transportation	2,226,176	-	(30,140)	-	-	2,196,036
Employee Benefits	12,682,894	2,336,238	-	-	-	15,019,132
Debt Service	4,063,817	(3,000)	-	(3,684,000)	-	376,817
Cost of Sales	210,836	-	-	-	-	210,836
Capital Outlay	574,533	-	(129,414)	-	-	445,119
Total Expenditures	45,770,114	2,333,238	655,158	(3,684,000)	-	45,074,510
Excess (Deficit) of Revenues over Expenditures	1,142,974	(2,333,238)	(655,158)	3,684,000	-	1,838,578
OTHER SOURCES AND USES						
Proceeds From Bonds	359,000	-	-	(359,000)	-	-
Operating Transfers In	2,993,639	-	-	-	(2,993,639)	-
Operating Transfers Out	(2,993,639)	-	-	-	2,993,639	-
Total Other Sources and Uses	359,000	-	-	(359,000)	-	-
Net Change for the Year	\$ 1,501,974	\$ (2,333,238)	\$ (655,158)	\$ 3,325,000	\$ -	\$ 1,838,578

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies

- A. Reporting entity: The Peru Central School District (the "District") is governed by the Education Law and other general laws of the State of New York. The governing body is the Board of Education of Peru Central School (Board). The Board is the basic level of government, which has oversight responsibilities and control over all activities related to the public school education in the region of Peru Central School District. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since Board members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Extraclassroom Activity Funds: The Extraclassroom activity funds of the Peru Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. The cash and investment balances are reported in the Trust and Agency Funds of the School District.

B. Basis of presentation

1. 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 revenues, and other exchange and nonexchange transactions.

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

2. Fund Functional Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Nonmajor funds are aggregated and presented in a single column. The District elects to report all governmental funds as major funds.

The District reports the following major governmental funds:

General Fund - the general fund is the principal operating fund of the District and is used to account for all financial resources, except those accounted for in another fund.

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes. Special revenue funds include the following funds:

- School Lunch Fund - used to account for transactions for the School District food service programs.
- Special Aid Fund - used to account for special operating projects or programs supported in whole, or in part, with federal funds or state grants.

Capital Projects Fund - the capital projects funds are to account for and report financial resources to be used for the acquisition, or construction or renovation of major capital facilities, or equipment.

Debt Service - the debt service funds are to account for the accumulation of resources and the payment of general long-term debt principal and interest.

Fiduciary Fund - the fiduciary funds consist of expendable trust and non-expendable trust that are used to account for and report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or funds. Expendable trust includes scholarship funds and Extraclassroom activity funds. Non-expendable trust are agency funds that are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. 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.

C. Measurement Focus and Basis of Accounting

The District-wide and fiduciary fund financial statements are reported using economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

value in exchange, include property taxes, grants and donations. On a modified accrual basis, revenue from property taxes is recognized by estimating how much will be collected during the ensuing fiscal year. Revenue from grants and donations is 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. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred except for:

- a. Prepays and inventory-type items are recognized at the time of purchase.
 - b. Principal and interest on indebtedness are not recognized as an expenditure until due.
 - c. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.
 - d. Pension costs are recognized as an expenditure when billed by the state.
 - e. The School District recognizes the cost of providing post-retirement health insurance coverage and survivor benefits by recording its share of insurance premiums as an expenditure in the year paid.
- D. Inventories: Inventories of food and supplies in the School Lunch Fund 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 supplies in other funds are recorded as expenditures at the time of purchase, and year-end inventory balances are not maintained.
- E. Capital assets: Acquisitions of equipment and capital facilities are treated as expenditures in the various funds of the School District, and are also reflected in the general fixed asset group of accounts. The assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 750	Straight Line	50 years
Land Improvements	\$ 750	Straight Line	20 years
Machinery and Equipment	\$ 750	Straight Line	5-20 years

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

- F. Unearned revenue: Unearned revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability of unearned revenues is removed and revenues are recognized.
- G. Deferred Compensation: Employees of the District may elect to participate in an Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 403(b). The plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement.
- H. Post-Employment Benefits: In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. The cost of providing post-retirement benefits is paid by the District or is shared between the District and the retired employee, depending on length of service and/or classification of employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums for retirees and their dependents as an expenditure or operating transfer to other funds in the General Fund in the year paid.
- I. Property Taxes: Real property taxes are levied annually by the Board of Education no later than September 1st. Uncollected real property taxes are subsequently enforced by the County of Clinton. An amount representing uncollected real property taxes is transmitted to the county for enforcement and is paid by the county to the District no later than the forthcoming April 1st.
- J. Retirement plan: The School District provides retirement benefits for substantially all of its regular full-time employees through contributions to the New York State Teachers' Retirement System and the New York State Employees' Retirement System. These systems provide various plans and options, some of which require employee contributions.
- K. Budgetary Procedures and Budgetary Accounting

a. General

The School District's policy relating to budgetary information as shown in the accompanying financial statements is as follows:

A public hearing is held upon completion and filing of the tentative budget. Subsequent to such public hearing, the budget is adopted by the Board of Education. The budget is then approved by the voters within the School District.

Note 1. Summary of Significant Accounting Policies (continued)

Appropriations established by adoption of the budget constitute limitations on expenditures (and encumbrances) which may be incurred.

The New York Uniform System of Accounts requires that fixed budgetary control be used for all governmental fund types.

Budget appropriations lapse at year-end.

b. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as part of assigned fund balance and such commitments will be honored through budget appropriations in the subsequent year. Encumbrances do not constitute expenditures or liabilities.

L. Equity Classifications:

District- wide statements:

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

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

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

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

When an expense is incurred for purposes for which both restricted and unrestricted net position are 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.

Note 1. Summary of Significant Accounting Policies (continued)

Fund statements:

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

Non-spendable 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. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$28,869.

Restricted – 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. All encumbrances of funds other than the General fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

Employee Benefits Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due to 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.

Capital

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. 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.

Committed – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2018.

Assigned – Includes amounts that are constrained by the school 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 reported in the General Fund amounted to \$85,888.

Unassigned – Includes all other General Fund amounts that does not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

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

Order of Use of Fund Balance:

The District's policy is to apply expenditures against nonspendable 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, nonspendable 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.

- M. Reclassifications: Certain amounts in the 2017 financial statements may have been reclassified to conform to the 2018 presentation.

Note 1. Summary of Significant Accounting Policies (continued)

- N. Events Occurring After Reporting Date: The District has evaluated events and transactions that occurred between June 30, 2018 and November 8, 2018, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.
- O. Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.
- P. Deferred Outflows and Inflows of Resources: In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension system not included in pension expense. The third item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date. The fourth item relates to OPEB reporting in the district-wide State of New Position. This amount represents contributions subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in the pension expense. The second item relates to debt refinanced where the new bond proceeds were less than the debt retired. The difference is amortized over the life of the refunded debt. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effects of the changes in assumptions or other inputs.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

Q. New Accounting Standards:

The District has adopted and implemented all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2018.

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Note 2. 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 differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources of the governmental funds.

A. 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 primarily results from the additional long-term economic focus of the Statement of Net position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

Because the governmental funds focus on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenue in the governmental funds, and thus are not included in the fund balance. They are, however, included in the net position of the governmental activities. As of June 30, 2018, the District did not have any assets unavailable to pay for current-period expenditures.

Long-term liabilities are reported in the Statements of Net position, but not in the governmental funds, because they are not due and payable in the current period.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements (continued)

Explanation of Differences Between Governmental Fund Balances and District Wide Net Assets

Ending fund balance reported on Balance Sheet - Governmental Funds (Exhibit 3)	\$ 11,321,330
Capital assets net of related depreciation	43,458,701
Net pension asset	662,231
Deferred outflows:	
Pensions - TRS	8,693,187
Pensions - ERS	1,344,982
OPEB (GASB 75)	4,605,903
Defeasance loss	33,750
Liabilities, long term:	
Bonds payable	(11,260,000)
Other post employment benefits	(145,774,745)
Compensated absences	(1,459,079)
Net pension liability	(430,906)
Deferred inflows:	
Pensions - TRS	(2,169,353)
Pensions - ERS	(1,377,169)
OPEB (GASB 75)	(15,734,250)
Defeasance gain	<u>(30,000)</u>
Ending net position reported on Statement of Net Position (Exhibit 1)	<u>\$ (108,115,418)</u>

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

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

1. Long-Term Revenue Differences

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

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements (continued)

2. Capital Related Differences

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

3. Long-Term Debt Transaction Differences

Long-term debt transaction differences occur as a result of proceeds from serial bonds reflected as revenue in governmental funds whereas they are a liability on the statement of net position. Also, 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.

4. Other Post-Employment Benefits

Other post-employment benefits occur because retiree health insurance premiums are paid and recorded as expenditures in the governmental fund statements as incurred. GASB 75 requires an actuarial calculation of the future liability and to record the Net OPEB Obligation in the Statement of Net Position.

5. 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.

Explanation of Differences Between Governmental Funds Operating Statement and the Statement of Activities

Total Revenues and other Funding Sources

Revenues:

Total Revenue reported in Governmental Funds (Exhibit 4)	\$ 46,913,088
No current year adjustments	<u>-</u>
Total Revenues Statement of Activities (Exhibit 8)	<u>\$ 46,913,088</u>

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements (continued)

Expenditures:

Total expenditures reported in governmental funds (Exhibit 4) \$ 45,770,114

In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Compensated absences used exceeded the amount earned during the year. (Exhibit 8) (2,536)

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital expenditures in the current year. (Exhibit 8) 655,158

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. 2,090,227

Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position, and does not effect the Statement of Activities, (Exhibit 8) (3,684,000)

During the year ended June 30, 2012, the District refunded some of its existing debt. The difference between the amount of the new bond proceeds of \$11,630,000 and the outstanding bonds retired of \$11,840,000 is \$210,000 and will be amortized as an adjustment of interest expense in the statement of activities over the average remaining life of the refunded debt (7 years), beginning in the fiscal year ended 6/30/13. (Exhibit 8) (30,000)

During the year ended June 30, 2015, the District refunded some of its existing debt. The difference between the amount of the new bond proceeds of \$4,415,000 and the outstanding bonds retired of \$4,280,000 is \$135,000 and will be amortized as an adjustment of interest expense in the statement of activities over the average remaining life of the refunded debt (6 years), beginning in the fiscal year ended 6/30/15. (Exhibit 8) 27,000

(Increases) decreases in proportionate share of net pensions asset/liability
 Teachers' Retirement System 234,868
 Employees' Retirement System 13,679

Total expenses of governmental activities in the Statement of Activities (Exhibit 2) \$ 45,074,510

Other Sources and Uses:

Total other sources and uses in government funds (Exhibit 4) \$ 359,000

Proceeds from long-term debt are other sources of income in the Capital Projects Fund, but are not shown on the Statement of Activities (359,000)

Total other sources and uses in Statement of Activities (Exhibit 8) \$ -

PERU CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 3. Cash and Investments

The District's investment policies are governed by State statutes and the District's own written policy. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposits. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposits not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and Districts.

At June 30, 2018, the District's bank balances totaled \$11,884,739, of which, \$500,000 was covered by Federal depository insurance and \$11,384,739 was covered by collateral held by the pledging banks 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 at June 30, 2018 was \$5,365,135.

Note 4. Interfund Balances and Activity

Interfund balances and activity at June 30, 2018 and for the fiscal year then ended, were as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 895,951	\$ 445,251	\$ 50,000	\$ 2,943,639
School Lunch Fund	41,334	107,297	37,690	-
Special Aid Fund	29,667	663,232	25,953	-
Debt Service	-	-	22,241	50,000
Capital Fund	374,250	125,422	2,857,755	-
	<u>\$ 1,341,202</u>	<u>\$ 1,341,202</u>	<u>\$ 2,993,639</u>	<u>\$ 2,993,639</u>

PERU CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 5. Capital Assets

The following is a summary of changes in capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets that are not Depreciated:				
Land	\$ 49,250	\$ -	\$ -	\$ 49,250
Construction in Progress	171,377	129,414	94,403	206,388
	<u>220,627</u>	<u>129,414</u>	<u>94,403</u>	<u>255,638</u>
Capital assets that are Depreciated				
Buildings	67,522,223	157,317	-	67,679,540
Machinery and Equipment	7,099,786	853,649	234,924	7,718,511
Total Depreciable Historical Cost	<u>74,622,009</u>	<u>1,010,966</u>	<u>234,924</u>	<u>75,398,051</u>
Less Accumulated Depreciation:				
Buildings	25,588,378	1,270,775	-	26,859,153
Machinery and Equipment	5,140,399	430,360	234,924	5,335,835
Total Accumulated Depreciation	<u>30,728,777</u>	<u>1,701,135</u>	<u>234,924</u>	<u>32,194,988</u>
Total Depreciable Historical Cost, Net	<u>43,893,232</u>	<u>(690,169)</u>	<u>-</u>	<u>43,203,063</u>
Total Capital Assets	<u>\$ 44,113,859</u>	<u>(560,755)</u>	<u>\$ 94,403</u>	<u>\$ 43,458,701</u>

Depreciation was charged to governmental functions as follows:

	<u>6/30/2018</u>
General support	\$ 1,288,337
Instruction	85,447
Pupil Transportation	327,351
	<u>\$ 1,701,135</u>

Note 6. Compensated Absences

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 sick leave.

District employees are granted vacation in varying amounts, based primarily on length of service and service position.

PERU CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 6. Compensated Absences (continued)

Consistent with GASB Statement 16, Accounting for Compensated Absences, 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 expensed on a pay-as-you go basis.

Note 7. Indebtedness

Long-Term Debt:

1. Long-Term Debt Interest

Interest expense paid was \$379,817 for the year ended June 30, 2018. Amortization of unamortized bond premium was a \$30,000 reduction to interest expense and amortization of defeasance gain was a \$27,000 increase to interest expense resulting in net interest expense of \$376,817.

2. The Changes in the District's indebtedness during the year ended June 30, 2018 are summarized as follows:

	Restated Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Serial Bonds	\$ 14,585,000	\$ 359,000	\$ 3,684,000	\$ 11,260,000
Compensated Absences	1,461,615	-	2,536	1,459,079
Other Post Employment Benefits	159,349,548	-	13,574,803	145,774,745
Total	\$ 175,396,163	\$ 359,000	\$ 17,261,339	\$ 158,493,824

3. Maturity

a) The following is a summary of maturity of indebtedness:

Description of Issue	Year Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/18
Serial Bond	6/15/2003	6/15/2019	4.00%	\$ 75,000
Serial Bond	3/21/2012	6/15/2019	1.50-5.00%	1,805,000
Serial Bond	5/1/2012	6/15/2026	2.125-3.00%	5,435,000
Serial Bond	9/15/2015	6/15/1931	2.00-3.00%	1,210,000
Serial Bond	6/17/2013	6/15/2029	2.99%	495,000
Serial Bond	10/15/2015	10/15/2019	1.50-1.625%	195,000
Serial Bond	6/15/2015	6/15/2020	1.50-3.00%	1,745,000
Serial Bond	10/12/2017	6/15/2022	.5%-2.77%	300,000
		Total Long-Term Debt		11,260,000
		Less Current Portion		3,780,000
		Long-Term Portion		<u>\$ 7,480,000</u>

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7. Indebtedness (Continued)

b) The following is a summary of maturing debt service requirements:

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,780,000	\$ 267,908	\$ 4,047,908
2020	1,815,000	185,370	2,000,370
2021	915,000	148,056	1,063,056
2022	930,000	126,650	1,056,650
2023	880,000	104,290	984,290
2024-2028	2,610,000	206,061	2,816,061
2029-2033	330,000	19,649	349,649
	<u>\$ 11,260,000</u>	<u>\$ 1,057,984</u>	<u>\$ 12,317,984</u>

In prior years, the District defeased certain general obligations bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

Note 8. Pensions

Pension Obligations

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems.)

Plan Descriptions and Benefits Provided:

Teachers' Retirement System (TRS)

The District participates in the New York 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 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 NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8. Pensions (continued)

Employees' Retirement System (ERS)

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 State statute. The District also participated in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

CONTRIBUTIONS

	ERS	TRS
2018	\$ 555,599	\$ 1,618,100
2017	\$ 543,097	\$ 1,722,159
2016	\$ 593,265	\$ 2,199,408

ERS has provided additional disclosures for entities that elected to participate in Chapter 260, 57, and 105.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8. Pensions (continued)

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

At June 30, 2018 the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Actuarial Valuation Date	3/31/2018	6/30/2017
Net Pension asset/(liability)	\$ (430,906)	\$ 662,231
District's portion of the Plan's total net pension asset/(liability)	-0.0133513%	0.087124%

For the year ended June 30, 2018, the District's recognized pension expense of \$571,936 for ERS and the Actuarial value \$1,611,577 for TRS. At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 153,691	\$ 544,853	\$ 127,004	\$ 258,196
Changes of assumptions	285,726	6,738,324	-	-
Net difference between projected and actual earnings on pension plan investments	625,856	-	1,235,378	1,559,744
Changes in proportion and differences between the Districts' contributions and proportionate share of contributions	135,892	33,411	14,787	351,413
District's contributions subsequent to the measurement date	143,817	1,376,599	-	-
Total	<u>\$ 1,344,982</u>	<u>\$ 8,693,187</u>	<u>\$ 1,377,169</u>	<u>\$ 2,169,353</u>

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8. Pensions (continued)

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pension will be recognized in pension expense as follow:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2018	\$ -	\$ 99,899
2019	143,238	1,729,405
2020	98,590	1,222,418
2021	(289,592)	263,360
2022	(128,238)	1,218,707
Thereafter	-	613,447
Total	<u>\$ (176,002)</u>	<u>\$ 5,147,236</u>

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	3/31/2018	6/30/2017
Actuarial valuation date	4/1/2017	6/30/2016
Interest rate	7.0%	7.25%
Salary scale	3.8%	1.90%-4.72%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2009- June 30, 2014 System Experience
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 20, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

Note 8. Pensions (continued)

For ERS, the Actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The Long-term 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 expected future real rate 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. Best estimates of the arithmetic real rates of return for each major asset class included in the System's target asset allocation are summarized below:

Measurement Date	<u>ERS</u>	<u>TRS</u>
	3/31/2018	6/30/2017
Asset Type:	%	%
Domestic equity	4.55	5.90
International equity	6.35	7.40
Private equity	7.50	9.00
Real estate	5.55	4.30
Absolute return strategies	3.75	-
Domestic fixed income securities	-	1.60
Global fixed income securities	-	1.30
High-yield fixed income securities	-	3.90
Mortgages and bonds	1.31	2.80
Opportunistic portfolio	5.68	-
Real assets	5.29	-
Cash	-0.25	-
Inflation-indexed bonds	1.25	-
Short-term	-	0.60

Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8. Pensions (continued)

Sensitivity of the Proportionate Share for 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 7% for ERS and 7.25% for TRS, as well as what the Districts' proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1% lower (6% for ERS and 6.25% for TRS) or 1% higher (8% for ERS and 8.25% for TRS) than the current rate:

ERS	1% Decrease 6.0%	Current Assumption 7.0%	1% Increase 8.0%
Employer's proportionate share of the net pension asset (liability)	\$ (3,260,348)	\$ (430,906)	\$ 1,962,690

TRS	1% Decrease 6.25%	Current Decrease 7.25%	1% Assumption 8.25%
Employer's proportionate share of the net pension asset (liability)	\$ (11,408,270)	\$ 662,231	\$ 10,770,676

Pension Plan Fiduciary Net Position

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

	ERS	TRS	Total
Valuation date	3/31/2018	6/30/2017	
Employers' total pension asset/(liability)	\$ (183,400,590)	\$ (114,708,261,032)	\$ (114,891,661,622)
Plan Net Position	180,173,145	115,468,360,316	115,648,533,461
Employers' net pension asset/(liability)	<u>\$ (3,227,445)</u>	<u>\$ 760,099,284</u>	<u>\$ 756,871,839</u>
Ratio of plan net position to the Employers' total pension asset/ (liability)	-98.24%	100.66%	100.66%

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9. Post-Employment (Health Insurance) Benefits

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$143,817.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contribution for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$1,469,872.

The District provides Post-employment (health insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. Post-employment benefits aggregating \$5,114,134 for 510 employees were charged to expenses/expenditures in the Governmental Funds in the current year.

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. 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.

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

Inactive employees or beneficiaries currently receiving benefit payments	362
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>350</u>
	<u><u>712</u></u>

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9. Post-Employment (Health Insurance) Benefits (continued)

B. Total OPEB Liability

The District's total OPEB liability of \$145,774,745 was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2 percent
Salary Increases	3.25 percent
Discount Rate	3.6 percent
Healthcare Cost Trend Rates	6.85 percent for 2018, decreasing to a rate of 3.84 percent for 2087 and later years

The discount rate was based on Bond Buyer GO-20 Municipal Bond Index.

Mortality rates were based on the RP-2014 Mortality Table, as appropriate, with generational mortality adjusted to 2006 using scale MP-2015.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$ 159,349,548</u>
<u>Changes for the Year-</u>	
Service Cost	5,572,606
Interest	4,635,633
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(19,246,359)
Benefit payments	<u>(4,536,683)</u>
Net Changes	<u>(13,574,803)</u>
Balance at June 30, 2018	<u><u>\$ 145,774,745</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% in 2017 to 3.6% in 2018.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9. Post-Employment (Health Insurance) Benefits (continued)

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 (2.60 percent) or 1 percentage point higher (4.60 percent) than the current discount rate:

	1% Decrease 2.60%	Discount Rate 3.60%	1% Increase 4.60%
Total OPEB Liability	<u>\$ 172,252,136</u>	<u>\$ 145,774,745</u>	<u>\$ 124,844,456</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	<u>\$ 121,841,531</u>	<u>\$ 145,774,745</u>	<u>\$ 177,046,380</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$6,696,130. At June 30, 2018, 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	\$ -	\$ -
Changes of assumptions or other inputs	-	(15,734,250)
Contributions subsequent to the measurement period	<u>4,605,903</u>	<u>-</u>
Total	<u>\$ 4,605,903</u>	<u>\$ (15,734,250)</u>

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 9. Post-Employment (Health Insurance) Benefits (continued)

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ (3,512,109)
2020	(3,512,109)
2021	(3,512,109)
2022	(3,512,109)
2023 and Thereafter	<u>(1,685,814)</u>
	<u>\$ (15,734,250)</u>

Note 10. Commitments and Contingencies

Risk Financing and Related Insurance - The Peru Central School District is exposed to the risk of various types of loss which includes torts; theft of, damage to, and destruction of assets; and injuries to employees and students. These risks, and settled claims, are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Operating Leases - The District Leases property and equipment under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2018 were approximately \$54,841.

Estimated future rents to be paid under this lease are as follows:

<u>Year Ending Date</u>	<u>Amount</u>
2019	32,360
2020	10,906
2021	10,906
	<u>\$ 54,172</u>

PERU CENTRAL SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 11. Assigned Fund Balance – Encumbrances

Assigned Fund Balance – Other includes year end encumbrances as follows:

<u>General Fund</u>	<u>2017</u>	<u>2018</u>
Board of Education	\$ -	\$ 1,574
Central services	25,914	50,290
Instruction, administration, and improvement	-	1,481
Teaching - regular school	36,400	4,613
Instruction media	123	19,241
Pupil service	8,861	8,419
Pupil transportation	40,262	270
	<u>\$ 111,560</u>	<u>\$ 85,888</u>

Note 12. Joint Venture

The Peru Central School is one of 17 component school districts in the Clinton-Essex-Warren-Washington Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards are also considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

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

During the year ended June 30, 2018, the Peru Central School District was billed \$4,861,737 for BOCES administrative and program costs. Participating school districts issue debt on behalf of BOCES. During the year ended June 30, 2018, the Peru Central School District issued no serial bonds on behalf of BOCES. General-purpose financial statements for the Clinton-Essex-Warren-Washington BOCES are available from BOCES administrative office at P.O. Box 485, Plattsburgh, New York. The District's share of BOCES aid amounted to \$1,817,003. BOCES also refunded the District \$258,855 for excess expenses billed in prior years.

PERU CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 13. Prior Period Information

Comparative prior period information has been presented in summary form. This information was derived from the District's June 30, 2017 financial statements, and in our report dated October 5, 2017, we expressed an unmodified opinion.

Note 14. Stewardship, Compliance and Accountability

The District's unassigned general fund balance was in excess of the New York State Real Property Tax Law Section 1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The unassigned fund balance at June 30, 2018 was \$2,967,130, which represents 6.05% of next year's budget. The excess amounted to \$1,003,971.

The Board of Education appropriated a transfer from the General Fund to the school lunch fund for the 2018 year in the amount of \$37,690 to bring the fund balance to zero.

Note 15. Tax Abatements

Clinton County enters into various property tax abatements programs for the purpose of economic development. The District property tax revenue was reduced \$110,636. The District received payment in lieu of tax (PILOT) totaling \$100,172.

Note 16. Change in Accounting Principles

For the year ended June 30, 2018 the District implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of Statement No. 75 requires Districts to report Other Postemployment Benefits (OPEB), liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. The District's net position has been restated as follows:

Net position beginning of year, as previously stated		\$ (22,986,924)
GASB Statement no. 75 implementation:		
OPEB Liability 6/30/17, as previously stated	67,845,793	
OPEB Liability 6/30/17, restated	<u>159,349,548</u>	
Increase in liability		(91,503,755)
Deferred outflow of resources for contributions subsequent to measurement date, 6/30/17, as previously stated	-	
6/30/17, restated	<u>4,536,683</u>	
Increase in deferred outflow		<u>4,536,683</u>
Net position beginning of year, as restated		<u><u>\$ (109,953,996)</u></u>

PERU CENTRAL SCHOOL DISTRICT

Combining Balance Sheets - Special Revenue Funds
June 30, 2018 and 2017

	Special Aid	School Lunch	2018 Total	2017 Total
ASSETS				
Cash	\$ -	\$ 33,089	\$ 33,089	\$ 17,764
Accounts Receivable	-	1,421	1,421	1,127
Due From Other Funds	29,667	41,334	71,001	98,476
Due From State and Federal	699,181	29,263	728,444	917,630
Inventories	-	28,869	28,869	36,155
Total Assets	\$ 728,848	\$ 133,976	\$ 862,824	\$ 1,071,152
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 57,283	\$ 26,558	\$ 83,841	\$ 14,325
Unearned Revenue	8,333	-	8,333	44,549
Due to Other Funds	663,232	107,297	770,529	1,012,160
Due to Other Governments	-	121	121	118
Total Liabilities	728,848	133,976	862,824	1,071,152
Fund Balance:				
Nonspendable				
Inventory	-	28,869	28,869	36,155
Unassigned	-	(28,869)	(28,869)	(36,155)
Total Fund Balance	-	-	-	-
Total Liabilities and Fund Balance	\$ 728,848	\$ 133,976	\$ 862,824	\$ 1,071,152

PERU CENTRAL SCHOOL DISTRICT

COMBINING STATEMENTS OF REVENUES AND EXPENDITURES -
SPECIAL REVENUE FUND

Years Ended June 30, 2018 and 2017

	Special Aid	School Lunch	2018 Total	2017 Total
REVENUES				
Use of Money and Property	\$ -	\$ 442	\$ 442	\$ 436
Miscellaneous	-	28,158	28,158	15,181
State Sources	228,209	14,324	242,533	93,836
Federal Sources	1,426,929	429,343	1,856,272	1,872,792
Surplus Foods	-	50,940	50,940	45,136
Sales	-	185,372	185,372	198,583
Total Revenues	1,655,138	708,579	2,363,717	2,225,964
EXPENDITURES				
General Support	60,734	355,655	416,389	340,512
Instruction	1,460,164	-	1,460,164	1,339,456
Pupil Transportation	-	-	-	2,362
Employee Benefits	160,193	179,778	339,971	399,759
Cost of Sales	-	210,836	210,836	217,657
Total Expenditures	1,681,091	746,269	2,427,360	2,299,746
Excess (Deficit) of Revenues over Expenditures	(25,953)	(37,690)	(63,643)	(73,782)
OTHER SOURCES				
Operating Transfers	25,953	37,690	63,643	73,782
Excess (Deficit) of Revenues and Other Sources over Expenditures	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

PERU CENTRAL SCHOOL DISTRICT

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT
Year Ended June 30, 2018**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget		\$ 47,045,143
Additions:		
Encumbrances - fiscal year 2017	111,560	
Budget revisions - gifts and donations	68,776	
Total additions		<u>180,336</u>
Final budget		<u><u>\$ 47,225,479</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 expenditure budget		\$ 49,078,985
Maximum allowed (4% of 2018-19 budget)		
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Committed fund balance	-	
Assigned fund balance	2,782,408	
Unassigned fund balance	2,967,130	
Total unrestricted fund balance	<u>\$ 5,749,538</u>	
Less:		
Appropriated fund balance	2,696,520	
Encumbrances included in committed and assigned fund balance	85,888	
Total adjustments	<u>2,782,408</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$ 2,967,130</u></u>
Actual percentage		6.05%

PERU CENTRAL SCHOOL DISTRICT

SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2018

	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
Revenues:				
Local Sources:				
Real Property Taxes	\$ 14,693,407	\$ 14,693,407	\$ 14,754,365	\$ 60,958
Other Tax Items/STAR Aid	2,402,500	2,402,500	2,353,409	(49,091)
Charges for Services	7,000	7,000	5,075	(1,925)
Other Districts and Governments	851,009	851,009	362,544	(488,465)
Use of Money and Property	25,000	25,000	116,783	91,783
Sale of Property and Compensation for Loss	8,000	8,000	21,541	13,541
Miscellaneous	406,000	474,776	844,237	369,461
Interfund Revenues	18,000	18,000	24,229	6,229
State Sources	26,226,667	26,226,667	25,964,798	(261,869)
Federal Sources	50,000	50,000	98,324	48,324
Total Revenues	44,687,583	44,756,359	44,545,305	(211,054)
Other Financing Sources				
Interfund Transfers	300,000	300,000	50,000	(250,000)
Appropriated Reserves	-	111,560	-	
	300,000	411,560	50,000	(250,000)
Total revenues and appropriated fund balance	\$ 44,987,583	\$ 45,167,919	\$ 44,595,305	\$ (461,054)

	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
Expenditures:					
General Support:					
Board of Education	\$ 21,776	\$ 21,783	\$ 12,129	\$ 1,574	\$ 8,080
Central Administration	230,479	233,760	209,886	-	23,874
Finance	469,656	505,603	486,847	-	18,756
Staff	224,678	208,620	145,619	-	63,001
Central Services	2,717,819	2,779,594	2,549,593	50,290	179,711
Special Items	1,021,721	1,003,203	908,680	-	94,523
Instructional:					
Instruction, Administration, and Improvement	1,641,000	1,664,471	1,535,319	1,481	127,671
Teaching - Regular School	10,924,928	9,842,011	9,600,786	4,613	236,612
Programs for Children with Handicapping Conditions	6,021,082	5,067,177	4,986,942	-	80,235
Occupational Education	1,340,302	1,275,302	1,195,986	-	79,316
Teaching - Special School	39,003	34,003	13,780	-	20,223
Instructional Media	909,628	968,555	926,199	19,241	23,115
Pupil Service	1,596,793	1,633,708	1,563,539	8,419	61,750
Pupil Transportation	2,283,654	2,330,499	2,226,176	270	104,053
Community Services	1,800	1,800	-	-	1,800
Employee Benefits	13,296,146	12,522,677	12,342,923	-	179,754
Debt Service	4,081,678	4,081,678	4,063,817	-	17,861
Total Expenditures	46,822,143	44,174,444	42,768,221	85,888	1,320,335
Other Uses:					
Interfund Transfer	223,000	3,051,035	2,943,639	-	107,396
Total Expenditures and Other Uses	47,045,143	47,225,479	45,711,860	\$ 85,888	\$ 1,427,731
Net change in fund balance	(2,057,560)	(2,057,560)	(1,116,555)		
Fund balance - beginning	9,335,389	9,335,389	9,335,389		
Fund balance - ending	\$ 7,277,829	\$ 7,277,829	\$ 8,218,834		

See Independent Auditor's Report.

PERU CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES-CAPITAL PROJECTS FUND

Year Ended June 30, 2018

Project Title	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	(Overexpended) Unexpended Balance	Methods of Financing				Fund Balance June 30, 2017
							Proceeds of Obligations	State Aid	Local Sources	Total	
District-Wide Renovation (app 5/14)	\$ 1,805,000	\$ 1,805,000	\$ 1,818,981	\$ (13,981)	\$ 1,805,000	\$ -	\$ 1,460,206	\$ -	\$ 344,794	\$ 1,805,000	\$ -
Smart School Bond Act	2,129,269	2,129,269	100,897	57,938	158,835	\$ 1,970,434	-	-	-	-	(158,835)
Capital Outlay voter approved 5/16 (Lift install)	100,000	100,000	7,653	90,519	98,172	1,828	-	-	100,000	100,000	1,828
Capital Outlay voter approved 5/16 (Lift removal)	100,000	100,000	-	33,089	33,089	66,911	-	-	33,089	33,089	-
Buses 2016-2017	359,000	359,417	-	359,417	359,417	-	359,000	-	417	359,417	-
Buses 2017-2018	374,250	374,250	-	-	-	374,250	-	-	374,250	374,250	374,250
District-wide renovation approved 5/18	18,485,000	18,485,000	-	47,552	47,552	18,437,448	-	-	2,450,000	2,450,000	2,402,448
Totals	\$ 23,352,519	\$ 23,352,936	\$ 1,927,531	\$ 574,534	\$ 2,502,065	\$ 20,850,871	\$ 1,819,206	\$ -	\$ 3,302,550	\$ 5,121,756	\$ 2,619,691

See Independent Auditor's Report.

PERU CENTRAL SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS

Year Ended June 30, 2018

Capital Assets, Net	\$ 43,458,701
Add:	
Defeasance loss	33,750
Deduct:	
Defeasance gain	30,000
Short-term portion of bonds payable and other long-term debt	3,780,000
Long-term portion of bonds payable and other long-term debt	7,480,000
Net investment in capital assets	<u>\$ 32,202,451</u>

PERU CENTRAL SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
Year Ended June 30, 2018**

	<u>2018</u>
Measurement Date	July 1, 2017
Total OPEB Liability	
Service Cost	\$ 5,572,606
Interest	4,635,633
Changes in benefit terms	-
Differences between expected and actual experience in the Measurement of the total OPEB liability	-
Changes of assumption or other inputs	(19,246,359)
Benefit payments	<u>(4,536,683)</u>
Net change in total OPEB liability	(13,574,803)
Total OPEB liability - beginning	<u>159,349,548</u>
Total OPEB liability - Ending	<u>\$ 145,774,745</u>
Covered payroll	<u>\$ 18,812,845</u>
Total OPEB liability as a percentage of covered payroll	775%

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

PERU CENTRAL SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year Ended June 30, 2018**

NYSERS Pension Plan
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0133513%	0.0123419%	0.0128376%	0.0130876%						
District's proportionate share of the net pension liability (asset)	\$ 430,906	\$ 1,159,676	2,060,474	442,131						
District's covered- employee payroll	\$ 4,025,899	\$ 4,474,864	4,168,916	3,995,350						
Districts proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.70%	25.92%	49.42%	11.07%						
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%						

* The amounts presented for each fiscal year were determined as of 06/30

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District is presenting information for those years for which information is available.

PERU CENTRAL SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Year Ended June 30, 2018**

NYSERS Pension Plan
Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 555,599	543,097	593,266	747,624	658,672	696,516	507,305	466,322	291,487	326,987
Contributions in relation to the contractually required contribution	\$ 555,599	543,097	593,266	747,625	658,672	696,516	507,305	466,322	291,487	326,987
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Districts covered-employee payroll	\$ 4,025,899	4,474,864	4,168,916	3995350						
Contributions as a percentage of covered-employee payroll	13.8%	12.1%	14.2%	18.7%						

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District is presenting information for those years for which information is available.

PERU CENTRAL SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year Ended June 30, 2018

NYSTRS Pension Plan
 Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	-0.087124%	0.084166%	-0.080688%	-0.081284%	-0.086290%					
District's proportionate share of the net pension liability (asset)	\$ (662,231)	901,451	(8,380,920)	(9,054,578)	(568,006)					
District's covered- employee payroll	\$ 14,249,589	14,337,981	13,502,814	12,751,318						
Districts proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.65%	6.29%	-62.07%	-71.01%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	-100.66%	99.01%	-110.46%	-111.50%						

* The amounts presented for each fiscal year were determined as of 06/30

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District is presenting information for those years for which information is available.

PERU CENTRAL SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Year Ended June 30, 2018**

NYSTRS Pension Plan
Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,618,100	1,722,159	2,124,714	1,951,134	-	-	-	-	-	-
Contributions in relation to the contractually required contribution	\$ 1,618,100	1,722,159	2,124,714	1,951,134	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Districts covered-employee payroll	\$ 14,249,589	14,337,981	13,502,814	12,751,318						
Contributions as a percentage of covered-employee payroll	11.36%	12.01%	15.74%	15.30%						

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District is presenting information for those years for which information is available.

PERU CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Pass-Through New York State Department of Education:			
Special Education Cluster:			
IDEA - Part B Sec 611	84.027A	0032-18-0138	\$ 477,222
IDEA - Part B Sec 611	84.027A	0032-17-0138	212
IDEA - Part B Sec 619	84.173A	0033-18-0138	17,877
IDEA - Part B Sec 619	84.173A	0033-17-0138	(222)
Total Special Education Cluster			495,089
Title I	84.010A	0021-18-0505	438,721
Title I	84.010A	0021-17-0505	19,651
Title IIA - Teacher and Principal Training	84.367A	0147-18-0505	43,667
Title IIA - Teacher and Principal Training	84.367A	0147-17-0505	4,942
Pathways in Tech Early College HS F	84.048A	8039-18-0011	423,960
Pathways in Tech Early College HS F	84.048A	8039-17-0011	899
Total Department of Education			1,426,929
U.S. Department of Agriculture			
National School Lunch Program - Cash	10.555		337,273
National School Lunch Program - Commodities	10.555		50,940
National School Breakfast Program	10.553		92,070
Total Child Nutrition Cluster			480,283
Total Department of Agriculture			480,283
Total Federal Assistance Expended			\$ 1,907,212

PERU CENTRAL SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented.

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

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

To the Board of Education
Peru Central School District
Peru, New York 12972

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, the business-type activities, each major fund and the aggregate remaining fund information of Peru Central School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Peru Central School District's basic financial statements and have issued our report thereon dated November 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Peru Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Peru Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Peru Central School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Peru Central School District'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 the internal control exists 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. The finding is referenced as 18-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Peru Central School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government *Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 18-1.

District's Response to Findings

Peru Central School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Peru Central School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Boulrice & Wood CPAs, PC

Boulrice & Wood CPAs, PC
November 8, 2018

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

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

To the Board of Education
Peru Central School District
Peru, New York 12972

Report on Compliance for Each Major Federal Program

We have audited Peru Central School District's compliance with the types of compliance requirements described in the Uniform Guidance Compliance Supplement that could have a direct and material effect on Peru Central School District's major federal programs for the year ended June 30, 2018. Peru Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Peru Central School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement 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 Peru Central School District's compliance with those requirements and performing such other procedures as we consider 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 Peru Central School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Peru Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of the 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 consider the following deficiency in internal control to be a material weakness and significant:

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.

Boulrice & Wood CPAs, PC

Boulrice & Wood CPAs, PC
November 8, 2018

**PERU CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
· Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
· Significant Deficiency(ies) identified that are not considered to be material weaknesses?	_____ <u>X</u> yes	_____ none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Federal Awards

Internal control over major programs:		
· Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
· Significant Deficiency(ies) identified not considered to be a material weakness?	_____ yes	_____ <u>X</u> 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 2CFR Section 200.516(a)	_____ yes	_____ <u>X</u> no

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program - cash
10.555	National School Lunch Program - commodities
10.553	School Breakfast Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as low-risk Auditee?	_____ <u>X</u> yes	_____ no

**PERU CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT

18-1 Excess Fund Balance

Condition: The District's unassigned general fund balance was 6.05% of next year's budget.

Effect: The District's unassigned general fund balance was 2.05% or \$1,003,971 over the amount allowable by law.

Criteria: According to New York State Real Property Tax Law Section 1318, a district's unappropriated fund balance may not exceed an amount equal to 4% of next year's budget.

Recommendation: We recommend the District keep in mind this law when preparing the next year's budget.

Corrective Action: Peru Central School District has taken a conservative approach to spending as State Aid funding remains uncertain. The Board of Education plans to use its fund balance in future budgets to provide stability to taxpayers in a fiscally responsible manner.

SECTION III – MAJOR FEDERAL AWARDS

There were no current period findings or questioned costs.

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board
Peru Central School District
Peru, New York 12972

We have audited the accompanying statement of assets, liabilities and fund balance – cash basis and the related statement of receipts, disbursements and ending balances – cash basis of the Extraclassroom Activity Funds of the Peru Central School District as of and for the year June 30, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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 minimum program procedures established by the New York State Department of Education. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance – cash basis of the Extraclassroom Activity Funds of the Peru Central School District as of June 30, 2018, and its receipts, disbursements and ending balances – cash basis thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

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

Boulrice & Wood CPAs, PC

Boulrice & Wood CPAs, PC
November 8, 2018

PERU CENTRAL SCHOOL DISTRICT

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 94,498</u>	<u>\$ 68,649</u>
Total Assets	<u><u>\$ 94,498</u></u>	<u><u>\$ 68,649</u></u>
 FUND BALANCE		
Extraclassroom Activity	<u>\$ 94,498</u>	<u>\$ 68,649</u>
Total Fund Balance	<u><u>\$ 94,498</u></u>	<u><u>\$ 68,649</u></u>

PERU CENTRAL SCHOOL DISTRICT

**EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND ENDING FUND BALANCE - CASH BASIS**

Year Ended June 30, 2018 and 2017

Activity	Balance 6/30/2017	Receipts	Disbursements	Balance 6/30/2018
Class of 2018	\$ 9,511	\$ 4,627	\$ 12,630	\$ 1,508
Class of 2019	3,476	20,832	14,232	10,076
Class of 2020	1,341	2,352	3,154	539
Class of 2021	-	2,915	2,266	649
Senior High SC	4,462	4,550	2,233	6,779
Middle School SC	4,400	3,075	3,685	3,790
Varsity Club	18,634	5,714	2,444	21,904
Adventures Club	298	4,456	2,266	2,488
National Art Honor Society	1,425	394	356	1,463
National Honor Society	558	1,197	1,191	564
Drama Club	6,270	25,407	7,637	24,040
S.A.V.E	3,768	-	-	3,768
Entrepreneurs Club	2,485	8,836	9,257	2,064
Yearbook Club	4,219	13,922	11,724	6,417
Science NHS	4,283	800	568	4,515
Key Club	117	-	-	117
L.O.T.E.	206	120	69	257
Sales Tax	848	2,277	2,133	992
Model United Nations	1,611	1,418	2,949	80
Student Activities Admin	737	584	333	988
Robotics Club	-	1,500	-	1,500
Total	\$ 68,649	\$ 104,976	\$ 79,127	\$ 94,498

See Notes to the Financial Statements – Extraclassroom Activity Funds.

PERU CENTRAL SCHOOL DISTRICT

**EXTRACLASROOM ACTIVITY FUNDS
NOTES TO FINANCIAL STATEMENTS**

Note 1. Summary of Significant Accounting Policies

Basis of Accounting: The books and records of the Peru Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

Basis of Presentation: The Extraclassroom Activity Funds of the Peru Central School District represent funds of the students of the District. The Board of Education 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. The cash and investment balances are reported in the Trust and Agency Funds of the District.

Cash Equivalents: For financial statement purposes all highly liquid investments having maturities of three months or less are considered as cash equivalents.