

IRVINGTON UNION FREE SCHOOL DISTRICT

**Financial Statements
as of
June 30, 2018
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

October 9, 2018

The Board of Education of
Irvington Union Free School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Irvington Union Free School District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Change in Accounting Principle

As discussed in Note 13 to the financial statements, in 2018, the District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net pension liability (asset), schedule of contributions – pension plans, and the schedule of changes in total OPEB liability and related ratios on pages 3 through 13 and 50 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information on pages 55 through 57, as required by the New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other information included on pages 55 through 57 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

IRVINGTON UNION FREE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2018

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2018. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed, as well as a comparative analysis to prior year information. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- New York State Law limits the unassigned fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. As of June 30, 2018, the total fund balance of the General Fund is \$5,629,696. Of this amount, \$422,500 has been assigned (designated) for subsequent year's expenditures and \$18,684 for carryover encumbrances into the next year budget. The unassigned fund balance is \$2,453,927, which represents 4% of the subsequent year's budget and therefore, falls within the 4% statutory limit. This amount is available for spending at the discretion of the School District. Although the fund balance decreased slightly by \$5,563 from the prior year, the School District was able to increase funds in the restricted component of fund balance for Workers Compensation and Capital Projects. The remainder of the restricted fund balance has been restricted for Tax Certiorari and Employee Benefits Accrued Liabilities.
- General Fund (on a non-governmental, non-full accrual basis) revenues exceeded Budget by \$524,702 (.9% of budget) and expenditures were lower than budget by \$691,718 or 1.2% of budget. The resulting surplus is used to offset the future levy and replenish the tax certiorari reserve, add to the Worker's Comp and Capital reserves as stated above.
- The district-wide financial statements must report certain items in accordance with the pronouncements of the Governmental Accounting Standards Board ("GASB"). One of the most significant of these standards requires the School District to recognize the full financial impact associated with other postemployment benefit ("OPEB") obligations under the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits other than Pensions*. The statement identifies projected benefits payments, discounts projected benefits payment to their actuarial present value and over the periods that approximate employees' years of service. These obligations include any benefits provided to retirees, other than a pension, including health insurance. Accordingly, the beginning Net Position and other post-employment benefits on the Statement of Net Position were adjusted to reflect the change in accounting principle. This change also includes a change in the discount rate from 4% to 3%. The impact of these changes result in a negative net position for the district, which increased by approximately \$4.9 million as retirees are living longer. While the full liability of \$127,169,403 is now shown in the net position, the cost for 2017-18 was actually \$2,482,130.
- The School Lunch Fund's revenues totaled \$711,055 for the current year compared to \$645,451 in the prior year, with the increase due to higher food sales. This resulted in a change in fund balance of \$63,218. Fund balance will be used toward cafeteria kitchen equipment upgrades for the next school years.
- During the 2017-18 fiscal year, the School District received \$184,562 from NYS Department of Education for the Smart Schools Bond Act. The Smart Schools Bond Act supports educational technology and infrastructure to improve learning and opportunity for students throughout the State and funds received and utilized must be recorded in the Capital Fund.

2. 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 School District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in more detail than the entity-wide statements.
- The *governmental fund statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others, including the employees of the School 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 School District's budget for the year.

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

Table A-1 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The day-to-day operating activities of the School District, such as instruction and special education.	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balance. 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of asset/deferred inflows-outflows of resources/ liability information	All assets, deferred inflows/outflows of resources, and liabilities, both financial and capital, short-term and long-term debt	Assets, deferred inflows/outflows of deferred resources, and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

A. District-Wide Statements

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

The two district-wide statements report the School District's *net position* and how they have changed. Net position – the difference between the School District's assets, deferred inflows/outflows of resources, and liabilities – are one way to measure the School District's financial health or *position*.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

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

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

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare 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 function.
- Calculate revenue and expense using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets.
 - Restricted net position has constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

B. Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The School District has two kinds of funds:

- *Governmental Funds*: Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General Fund, Special Aid Fund, School Lunch Fund, and Capital Projects Fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- *Fiduciary Funds*: The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School 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 School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

3. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

A. Net Position

Table A-2 Condensed Statement of Net Position

	Fiscal Year 2018	Fiscal Year 2017 (as restated)	Dollar Change	Percent Change
Current and other assets	\$ 9,803,280	\$ 11,355,295	\$ (1,552,015)	-13.7%
Non-current assets	41,608,169	42,334,486	(726,317)	-1.7%
Total assets	51,411,449	53,689,781	(2,278,332)	-4.2%
Deferred outflows of resources	16,623,314	16,627,671	(4,357)	0.0%
Current liabilities	7,451,320	9,126,329	(1,675,009)	-18.4%
Long-term liabilities	159,490,014	159,382,223	107,791	0.1%
Total liabilities	166,941,334	168,508,552	(1,567,218)	-0.9%
Deferred inflows of resources	5,387,110	1,203,442	4,183,668	347.6%
Net position:				
Net investment in capital assets	9,023,686	8,121,902	901,784	11.1%
Restricted	2,734,585	2,687,315	47,270	1.8%
Unrestricted	(116,051,952)	(110,203,759)	(5,848,193)	-5.3%
Total net position	<u>\$(104,293,681)</u>	<u>\$(99,394,542)</u>	<u>\$ (4,899,139)</u>	<u>-4.9%</u>

The largest component of the School District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending.

Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. There is a negative balance of unrestricted net position, which is \$5,848,193 higher than the previous year and is primarily a result of the recognition of the change in the School District's OPEB liability from the restated 2017 amount of \$120,284,891 to \$127,169,402. Overall, net position decreased by \$4,899,139 from the prior year, primarily from the recording of the OPEB expense, depreciation of capital assets of \$2,165,982, offset by reduced debt of \$3,718,069.

3. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities and Changes in Net Position. The School District's net position decreased by \$4,899,139 during the fiscal year primarily due to the recognition of OPEB and pension expense which totaled \$7,382,573. A summary for the years ended June 30, 2018 and 2017 is as follows:

Table A-3 Changes in Net Position

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
<u>Revenues</u>				
Program Revenue:				
Charges for services	\$ 1,470,514	\$ 1,441,759	\$ 28,755	2.0%
Operating grants	1,819,987	1,702,588	117,399	6.9%
General revenues:				
Real property taxes	48,704,858	46,854,825	1,850,033	3.9%
Other tax items	4,191,610	5,219,138	(1,027,528)	-19.7%
Use of money and property	476,410	426,674	49,736	11.7%
Sale of property/compensation for loss	-	10,161	(10,161)	-100.0%
Unrestricted State aid	3,380,783	2,912,176	468,607	16.1%
Other	782,475	444,027	338,448	76.2%
Total revenues	60,826,637	59,011,348	1,815,289	3.1%
<u>Expenses</u>				
General support	8,372,218	8,447,992	(75,774)	-0.9%
Instruction	53,602,871	51,590,804	2,012,067	3.9%
Pupil transportation	2,245,577	2,250,649	(5,072)	-0.2%
Debt service - Interest	857,242	975,464	(118,222)	-12.1%
School lunch program	647,868	569,242	78,626	13.8%
Total expenses	65,725,776	63,834,151	1,891,625	3.0%
Increase (decrease) in net position	\$ (4,899,139)	\$ (4,822,803)	\$ (76,336)	-1.6%

The School District's fiscal year 2018 revenues totaled \$60,826,637. Real property taxes (including other tax items) and unrestricted state aid accounted for most of the School District's revenue. Other highlights are as follows:

- Real property taxes and other tax items increased overall by \$822,505 primarily reflecting the levy increase. The end of a PILOT agreement and return of the property back to the tax rolls can be seen in the increase/decrease of these lines.
- Also contained in Other Tax Items is sales tax revenue received by the School District from Westchester County which increased by \$32,475 from the prior year.
- The Use of Money and Property increased by \$49,736 which reflects a decrease in facility rental revenue offset by an increase of \$69,146 in unrestricted interest in 2017-18, as a result of an increase in interest rates and participation in an investment cooperative plan.
- Unrestricted State Aid allocated to the School District increased by \$468,607 from prior year amounts as a result of higher BOCES aid and an increase in basic formula aid.

3. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

B. Changes in Net Position (Continued)

The School District's fiscal year 2018 expenses totaled \$65,725,776 on a government fund, full accrual basis. Costs to support general instruction and transportation accounted for 85% of School District expenses. The School District's general support activities, including facility expenses, accounted for 13% of total costs. Other changes are as follows:

- General Support decreased \$75,774 from the prior year primarily due to a net capital asset adjustment decrease of \$303,000 (depreciation being less than the capitalized assets removed from the government-wide statements) offset by an increase in employee benefit expense primarily related to health insurance increases of approximately \$100,000.
- Instructional Support increased by \$2,012,067 or 3.9% from prior year due to an increase in employee benefit expenses primarily related to health insurance increases of approximately \$990,000 and a net capital asset adjustment increase of \$732,000 (depreciation being higher than the capitalized assets removed from the government-wide statements).
- The decrease in interest paid of \$118,222 on outstanding debt can primarily be attributed to an approximately \$84,000 decrease in interest paid on outstanding bonds due to the reduction in principal outstanding.

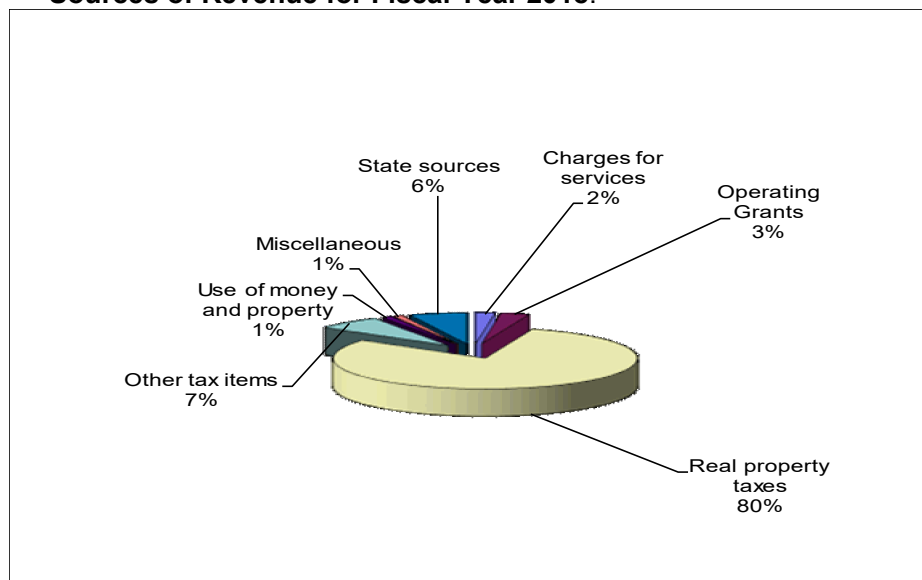
It should be noted that the preparation of the Statement of Activities necessitates the adjustment of capital expenditures recorded in the governmental fund. This entails the allocation and reduction of the capital expenditures in the general support, instruction and transportation functions in the Statement of Activities. In addition, depreciation expense is also allocated to the general support, instruction and transportation functions, which increases governmental fund expenditures when converted to the full accrual expenses in the Statement of Activities.

The School District's continued financial health, as a whole, can be credited to:

- Long-range financial planning in all programs;
- Consistent School District goals which are valued and fostered;
- Continued strong leadership of the School District's Board and administration;
- Constant evaluation of ways to contain costs through increased efficiencies.

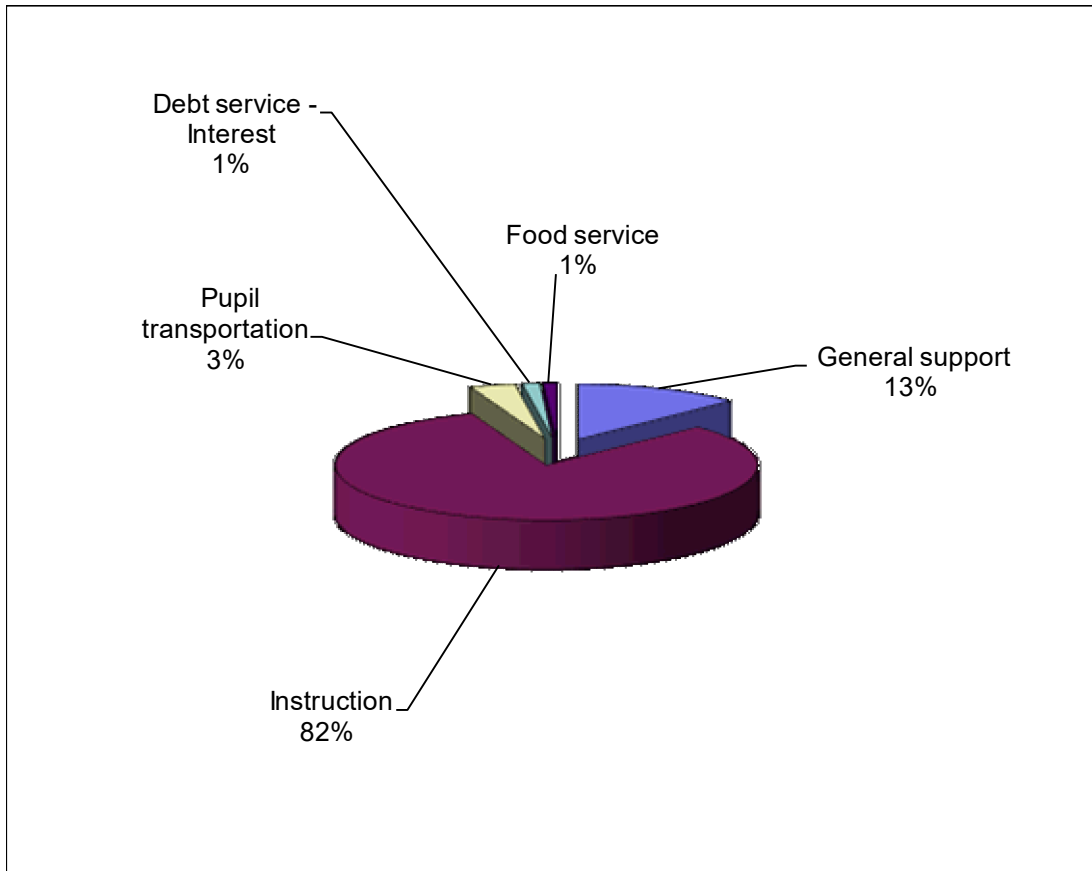
As indicated on the charts located below and on the following page, the School District relies upon real property taxes and other tax items (STAR) as its primarily revenue source. The School District's instruction costs account for 82% of its expenses.

Table A-4 Sources of Revenue for Fiscal Year 2018:



3. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-5 Expenses for Fiscal Year 2018:



4. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT FUNDS

As of June 30, 2018, the School District's combined governmental funds reported a total fund balance of \$5,995,011, a decrease of \$162,329 or 3% from the prior year. A decrease in the total fund balance of the Capital Fund of \$219,984 prior year is attributed to the payout of borrowed funds held in the Capital Fund related to the completion of the East Field Project. Despite the overall decrease, the unassigned fund balance of the General Fund was \$2,453,927 or 4.0% of the 2018-2019 School District's budget.

4. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT FUNDS (Continued)

Table A-6 Governmental Funds Highlights

	Fiscal Year 2018	Fiscal Year 2017	Increase (Decrease)	Total % Change
General Fund				
Restricted for Tax Certiorari	\$ 1,476,548	\$ 1,541,753	\$ (65,205)	-4.2%
Restricted for Employee Benefit Accrued Liabilities	460,619	502,949	(42,330)	-8.4%
Restricted for Workers' Compensation	393,825	341,273	52,552	15.4%
Restricted for Capital Projects	403,593	301,340	102,253	33.9%
Assigned	441,184	583,924	(142,740)	-24.4%
Unassigned	2,453,927	2,364,020	89,907	3.8%
Total Fund Balance - General	5,629,696	5,635,259	(5,563)	-0.1%
School Lunch Fund				
Nonspendable	4,847	3,323	1,524	45.9%
Assigned	245,756	184,062	61,694	33.5%
Total Fund Balance - School Lunch	250,603	187,385	63,218	33.7%
Capital Fund				
Assigned	114,712	334,696	(219,984)	-65.7%
Total Fund Balance - Capital	114,712	334,696	(219,984)	-65.7%
Total Fund Balance - All Funds	\$ 5,995,011	\$ 6,157,340	\$ (162,329)	-2.6%

The School District's voter approved General Fund adopted budget for the year ended June 30, 2018 was \$59,100,494. This amount was increased by encumbrances carried forward from the prior year in the amount of \$161,424 and budget revisions from reserves in the amount of \$656,899 from the Tax Certiorari and Employee Benefits Accrued Liability. This resulted in a final budget of \$59,918,817. The majority of the funding was real property taxes and STAR revenue totaling \$52,422,629.

On May 15, 2018 the School District's residents authorized the proposed 2018-19 budget in the amount of \$61,348,175.

5. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2018, the School District had Capital Assets of \$40,497,554, net of accumulated depreciation, invested in broad range of capital assets, including land, buildings and improvements and machinery and equipment. The change in capital assets, net of accumulated depreciation is outlined below.

5. CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

A. Capital Assets (Continued)

Table A-7 Capital Assets (Net of Accumulated Depreciation)

<u>Category</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Land	\$ 793,200	\$ 793,200	\$ -	0.0%
Construction in progress	-	2,823,105	(2,823,105)	-100.0%
Land improvements	1,514,641	1,777,315	(262,674)	-14.8%
Buildings and improvements	37,673,948	36,424,966	1,248,982	3.4%
Furniture & Equipment	515,765	515,900	(135)	0.0%
Total	<u>\$ 40,497,554</u>	<u>\$ 42,334,486</u>	<u>\$ (1,836,932)</u>	<u>-4.3%</u>

The total decrease of \$1,836,932 from 2017 to 2018 is due to annual depreciation expense of \$2,165,982 less capital asset additions of \$333,475. Construction in progress has now moved over to Buildings and Improvements as the prior capital project is complete. More detailed information about the School District's capital assets is presented in Note 4 in the notes to financial statements.

B. Debt Administration

The School District had general obligation and other long-term debt outstanding as follows:

Table A-8 Outstanding Long-Term Liabilities

<u>Category</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
General obligation bonds, including unamortized premium	\$ 34,103,868	\$ 37,277,582	\$ (3,173,714)	-8.5%
Bond anticipation note	-	700,000	(700,000)	-100.0%
Other post employment benefits (restated for 2017)	127,169,402	120,284,891	6,884,511	5.7%
Judgments and claims	284,115	634,234	(350,119)	-55.2%
Net pension liability	582,746	3,173,350	(2,590,604)	-81.6%
Other long-term liabilities	771,397	991,337	(219,940)	-22.2%
Total	<u>\$162,911,528</u>	<u>\$163,061,394</u>	<u>\$ (149,866)</u>	<u>-0.1%</u>

During the 2017-18 fiscal year, the School District did not issue any new construction bonds nor did it enter into any new installment purchase agreements to fund the purchase of equipment. The School District's Bond Anticipation Note (BAN) was fully redeemed during the year by making the final \$700,000 payment. Other post-employment benefits obligation increased \$6,884,511 due to actuarial assumptions of our obligation and retiree life expectancy.

5. CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

B. Debt Administration (Continued)

On June 30, 2018, the School District reported a liability of \$582,746 for its proportionate share of the net pension liability for ERS and an asset of \$1,110,615 for TRS for its proportionate share of the net pension asset. As mentioned previously, these shares of New York State pension liabilities and assets are now required by GASB 68 to be disclosed on the School District's statements; however, amounts due are payable by New York State to School District pensioners. The net pension liability for ERS was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The net pension asset for TRS was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The judgement and claims liability decreased by \$350,119 from prior year reflecting a lower accrual of known payments for tax certiorari claims in the 2017-18 fiscal year. However, there are many filings that are still pending.

The net impact of the above-mentioned factors decreased the School District's long term liabilities by \$149,866. More detailed information about the School District's long-term liabilities is presented in the notes to the financial statements (Note 5 Long Term Debts).

6. FACTORS BEARING ON THE FUTURE OF THE DISTRICT

The School District and Board monitor its fiscal health through monthly financial reports and analyses and utilize various audit methods. These analyses and audits assist in identifying areas of potential financial stress, developing realistic budgets that serve the academic and emotional needs of students, as well as, in making timely decisions when faced with important financial decisions. There are four types of auditors that assist in the School District setting: claims auditor, internal auditor, external auditor, and State auditors. Each has a very important role in ensuring that the School District is financially solvent and that the School Board upholds its fiduciary responsibilities to its community. They each inform that the School District's financial operations are performing in accordance with state laws and/or existing School Board policies and administrative regulations.

At the time the financial statements were prepared and audited, the School District is aware of several unsettled tax certiorari cases. While the School District has settled several significant tax certiorari cases in recent years, other cases continue to be brought forward. The results of these tax certiorari cases could impact the financial health of the future budgets, however, the continued funding of the tax certiorari reserves serves to mitigate this risk.

The recently settled agreement between the School District and the Irvington Faculty Association is a six-year contract which will end in June 2022. Currently, contracts have expired for the Administrator and Custodial Units and negotiations are ongoing.

7. CONTACTING THE SCHOOL 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 School District and to demonstrate the School District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact:

Carol Stein
Assistant Superintendent for Business
Irvington Union Free School District
40 North Broadway
Irvington, NY 10533
Email: Carol.Stein@Irvingtonschools.org

IRVINGTON UNION FREE SCHOOL DISTRICT**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2018****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

CURRENT ASSETS:

Cash and cash equivalents - Unrestricted	\$ 5,357,935
Cash and cash equivalents - Restricted	2,734,585
State and federal aid receivable	308,115
Accounts receivable	113,811
Inventories	4,847
Due from other governments	<u>1,283,987</u>
Total current assets	<u>9,803,280</u>

NON CURRENT ASSETS:

Net pension asset - TRS	1,110,615
Capital assets, net	<u>40,497,554</u>
Total non current assets	<u>41,608,169</u>
Total assets	<u>51,411,449</u>

DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources - pensions ERS	1,782,779
Deferred outflows of resources - pensions TRS	<u>14,840,535</u>
Total deferred outflows of resources	<u>16,623,314</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 906,410
Accrued interest	221,537
Due to Teachers' Retirement System	2,626,051
Due to Employees' Retirement System	239,805
Unearned revenue	36,003
Current portion of long term debt	<u>3,421,514</u>
Total current liabilities	<u>7,451,320</u>

LONG-TERM LIABILITIES:

Bonds payable, net of current portion and premium	31,183,868
Net pension liability - ERS	582,746
Total OPEB liability	127,169,402
Installment debt	116,528
Compensated absences payable	<u>437,470</u>
Total long-term liabilities	<u>159,490,014</u>
Total liabilities	<u>166,941,334</u>

DEFERRED INFLOWS OF RESOURCES:

Gain on debt refunding	37,467
Deferred inflows of resources - OPEB	49,466
Deferred inflows of resources - pensions ERS	1,864,855
Deferred inflows of resources - pensions TRS	<u>3,435,322</u>
Total deferred inflows of resources	<u>5,387,110</u>

NET POSITION

Net investment in capital assets	9,023,686
Restricted	2,734,585
Unrestricted	<u>(116,051,952)</u>
TOTAL NET POSITION	<u>\$ (104,293,681)</u>

IRVINGTON UNION FREE SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

		<u>Program Revenue</u>		Net (Expense)
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	Revenue and Changes in <u>Net Position</u>
FUNCTIONS/PROGRAMS:				
General support	\$ 8,372,218	\$ -	\$ -	\$ (8,372,218)
Instruction	53,602,871	886,522	1,356,052	(51,360,297)
Pupil transportation	2,245,577	-	336,872	(1,908,705)
Debt service - Interest	857,242	-	-	(857,242)
Food service	<u>647,868</u>	<u>583,992</u>	<u>127,063</u>	<u>63,187</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 65,725,776</u>	<u>\$ 1,470,514</u>	<u>\$ 1,819,987</u>	<u>(62,435,275)</u>
GENERAL REVENUE:				
Real property taxes				48,704,858
Other tax items				4,191,610
Use of money and property				476,410
Miscellaneous				782,475
Unrestricted State aid				<u>3,380,783</u>
TOTAL GENERAL REVENUE				<u>57,536,136</u>
CHANGE IN NET POSITION				<u>(4,899,139)</u>
TOTAL NET POSITION - beginning of year, as previously reported				(32,244,893)
PRIOR PERIOD ADJUSTMENT (Note 13)				<u>(67,149,649)</u>
NET POSITION - beginning of year, as restated				<u>(99,394,542)</u>
TOTAL NET POSITION - end of year				<u>\$ (104,293,681)</u>

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT
**BALANCE SHEETS - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION
JUNE 30, 2018**

	Governmental Fund Types				Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
ASSETS:					
Cash and cash equivalents - Unrestricted	\$ 5,136,741	\$ 21,171	\$ 181,105	\$ 18,918	\$ 5,357,935
Cash and cash equivalents - Restricted	2,734,585	-	-	-	2,734,585
Accounts receivable	38,898	60,360	12,656	-	111,914
Due from other funds	449,760	10,342	79,857	-	539,959
Due from other governments	780,670	318,755	-	184,562	1,283,987
State and federal aid receivable	302,574	-	5,541	-	308,115
Inventories	-	-	4,847	-	4,847
TOTAL ASSETS	\$ 9,443,228	\$ 410,628	\$ 284,006	\$ 203,480	\$ 10,341,342
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 867,819	38,028	\$ 563	\$ -	\$ 906,410
Due to other funds	79,857	369,437	-	88,768	538,062
Due to Teachers' Retirement System	2,626,051	-	-	-	2,626,051
Due to Employees' Retirement System	239,805	-	-	-	239,805
Unearned revenue	-	3,163	32,840	-	36,003
TOTAL LIABILITIES	3,813,532	410,628	33,403	88,768	4,346,331
FUND BALANCE:					
Nonspendable	-	-	4,847	-	4,847
Restricted:					
Tax certiorari	1,476,548	-	-	-	1,476,548
Employee benefit accrued liabilities	460,619	-	-	-	460,619
Workers compensation	393,825	-	-	-	393,825
Capital	403,593	-	-	-	403,593
Total restricted fund balance	2,734,585	-	-	-	2,734,585
Assigned					
Other	18,684	-	245,756	114,712	379,152
Appropriated for subsequent years expenditures	422,500	-	-	-	422,500
Total assigned fund balance	441,184	-	245,756	114,712	801,652
Unassigned	2,453,927	-	-	-	2,453,927
TOTAL FUND BALANCE	5,629,696	-	250,603	114,712	5,995,011
TOTAL LIABILITIES AND FUND BALANCE	\$ 9,443,228	\$ 410,628	\$ 284,006	\$ 203,480	\$ 10,341,342

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balance per above	\$ 5,995,011
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	40,497,554
Pension plans' activity required to be recorded in the government-wide statements:	
Deferred outflows or resources	16,623,314
Net pension asset	1,110,615
Net pension liability	(582,746)
Deferred inflows of resources	(5,300,177)
Gain on bond refunding recorded as a payment on the fund level	(37,467)
Long-term liabilities, including bonds payable, installment purchase debt and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	(35,159,380)
Other post employment benefit activity required to be recorded in the government-wide statements:	
Total OPEB liability	(127,169,402)
Deferred inflows of resources	(49,466)
Interest payable at June 30, 2018, in the government-wide statements under full accrual accounting	(221,537)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (104,293,681)

IRVINGTON UNION FREE SCHOOL DISTRICT

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Governmental Fund Types				Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
REVENUE:					
Real property taxes	\$ 48,704,858	\$ -	\$ -	\$ -	\$ 48,704,858
Other tax items	4,191,610	-	-	-	4,191,610
Charges for services	886,522	-	-	-	886,522
Use of money and property	476,410	-	-	-	476,410
Miscellaneous	531,909	159,483	-	184,826	876,218
State sources	4,411,387	171,340	6,619	-	4,589,346
Federal sources	-	397,237	120,444	-	517,681
Sales - School lunch	-	-	583,992	-	583,992
Total revenue	<u>59,202,696</u>	<u>728,060</u>	<u>711,055</u>	<u>184,826</u>	<u>60,826,637</u>
EXPENDITURES:					
General support	6,727,843	-	-	-	6,727,843
Instruction	32,448,200	733,702	-	-	33,181,902
Pupil transportation	2,162,780	46,702	-	-	2,209,482
Employee benefits	12,832,618	-	-	-	12,832,618
Debt service - Principal	3,718,069	-	-	-	3,718,069
Debt service - Interest	1,254,878	-	-	-	1,254,878
Cost of sales	-	-	647,837	-	647,837
Capital outlay	-	-	-	416,337	416,337
Total expenditures	<u>59,144,388</u>	<u>780,404</u>	<u>647,837</u>	<u>416,337</u>	<u>60,988,966</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>58,308</u>	<u>(52,344)</u>	<u>63,218</u>	<u>(231,511)</u>	<u>(162,329)</u>
OTHER SOURCES AND (USES):					
Operating transfers in	-	52,344	-	11,527	63,871
Operating transfers (out)	<u>(63,871)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,871)</u>
Total other sources (uses)	<u>(63,871)</u>	<u>52,344</u>	<u>-</u>	<u>11,527</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	<u>(5,563)</u>	<u>-</u>	<u>63,218</u>	<u>(219,984)</u>	<u>(162,329)</u>
FUND BALANCE - beginning of year	<u>5,635,259</u>	<u>-</u>	<u>187,385</u>	<u>334,696</u>	<u>6,157,340</u>
FUND BALANCE - end of year	<u>\$ 5,629,696</u>	<u>\$ -</u>	<u>\$ 250,603</u>	<u>\$ 114,712</u>	<u>\$ 5,995,011</u>

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Net changes in fund balance - Total governmental funds	\$ (162,329)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	333,475
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(2,165,982)
Loss on a disposal of capital assets is not recorded as an expenditures in the governmental funds but is recorded in the statement of activities	(4,425)
Pension (expense) income resulting from the GASB 68 related actuary reporting is not recorded as an (expenditure) income in the governmental funds but is recorded in the statement of activities	(448,595)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	3,718,069
Premiums from the issuance on bonds that are revenue sources in the governmental funds but are amortized on the statement of net position	358,714
Expenses related to long term tax certiorari claims in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	350,119
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds as follows:	
Accrued interest	27,666
Compensated absences	16,871
Amortization of deferred gain on refunding	11,256
Accrued post-employment benefits do not require the expenditure of current resources and are, therefore are not reported as expenditures in the governmental funds	<u>(6,933,978)</u>
Change in net position - Governmental activities	<u>\$ (4,899,139)</u>

IRVINGTON UNION FREE SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose <u>Trusts</u>	<u>Agency</u>
ASSETS:		
Cash and cash equivalents - Unrestricted	\$ -	\$ 110,914
Cash and cash equivalents - Restricted	120,486	35,181
Accounts receivable	<u>-</u>	<u>4,500</u>
 Total assets	 <u>\$ 120,486</u>	 <u>\$ 150,595</u>
 LIABILITIES:		
Extraclassroom activity balances	-	35,181
Due to other funds	-	1,897
Other liabilities	<u>-</u>	<u>113,517</u>
 Total liabilities	 <u>\$ -</u>	 <u>\$ 150,595</u>
 NET POSITION:		
Reserved for private purposes	<u>\$ 120,486</u>	

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose <u>Trusts</u>
ADDITIONS:	
Contributions	\$ <u>5,950</u>
Total Additions	<u>5,950</u>
DEDUCTIONS:	
Scholarships and other private purposes	<u>11,444</u>
NET DECREASE	(5,494)
NET POSITION - beginning of year	<u>125,980</u>
NET POSITION - end of year	<u><u>\$ 120,486</u></u>

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

Irvington Union Free School District provides free K-12 public education to students living within its geographic borders.

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

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

Reporting Entity

The Irvington Union Free School District is governed by the Laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The BOE has authority to make decisions, power to appoint management and accountability for all fiscal matters.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of a certain entity included in the School District's reporting entity.

Extraclassroom Activity Funds

The extraclassroom activity funds of the 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. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the School District's business office. The School District accounts for assets held as an agent for various student organizations in an agency fund.

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

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

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

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

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

Basis of Presentation

Government-Wide Statements

The statement of net position and the statement of activities present financial information about the School District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

The fund statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

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

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

- *Special Aid Fund* - This is a special revenue fund that accounts for the proceeds of specific revenue sources, such as federal, state, or local grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- *School Lunch Fund* – This is a special revenue fund that is used to record the operations of the breakfast and lunch programs of the School District.
- *Capital Project Fund* - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The School District reports the following fiduciary funds:

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

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

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

Use of Estimates

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

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The School District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the School District gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Cash and Cash Equivalents

The School District's cash consist of cash on hand, demand deposits, and shares of the New York Liquid Asset Fund (NYLAF). NYLAF is an external investment pool which reports its investments at amortized costs. Withdrawals from NYLAF will be processed by close of the day or the next business day when notification is not made before the request cut off time. The School district reports its shares in NYLAF at amortized cost which approximates a \$1 net asset value per share.

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

Restricted Cash and Cash Equivalents

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$2,734,585 within the governmental funds.

Property Taxes

Real property taxes are levied annually by the board of education no later than July 1 and are levied and payable in September and January. Taxes are billed and collected by the Town of Greenburgh. The Town guarantees the full payment of the School District warrant and assumes responsibility for uncollected taxes.

Accounts Receivable

Accounts receivable include amounts due from other governments and individuals for services provided by the School District. Receivable are recorded and revenue recognized as earned or as expenses are incurred. Allowances are recorded when appropriate.

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories in the School Lunch Fund consist of food and supplies and are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at a stated value which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased and presented as a prepaid expenditure/expense in the financial statements. The School District uses the consumption method to relieve inventory.

Interfund transactions

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

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

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

Capital Assets, Net

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 5,000	SL	20-30 years
Buildings and improvements	\$ 5,000	SL	20-50 years
Furniture and equipment	\$ 5,000	SL	7-20 years

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position sometimes reports 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 one item that qualifies for reporting in this category:

- Deferred charges resulting from pension contributions made subsequent to the measurement date of the plan. The amortization is expensed against pension expense in future periods.
- Deferred charges resulting from differences between projected and actual earnings on pension plan investments of the plan. The amortization is expensed against pension expense in future periods.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Outflows and Inflows of Resources (Continued)

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 and so will not be recognized as an inflow of resources (revenue) until then.

The government has the following items that qualify for reporting in this category:

- Deferred charge (gain) on a bond refunding. A deferred charge on refunding results from the difference in the carrying value of the refunding debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amortization is expensed against interest expense in future periods.
- The net amount of the School District's balances of deferred inflows of resources related to pensions and OPEB are reported in the government-wide statement of net position as deferred inflows of resources. This represents the effect of the net change in the School District's proportion of the collective net pension asset or liability and the difference during the measurement period between the School District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. A deferred inflow of resources is also recorded for the difference between expected and actual experience relates to its total OPEB liability which has not yet been included in OPEB expense.

Compensated Absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts.

Upon resignation or death, employees may receive a payment based on unused accumulated vacation leave. Upon retirement, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with accounting principles generally accepted in the United States of America, an accrual for accumulated sick leave and vacation benefits are included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

Total Other Post-Employment Benefits Liability

In addition to providing the pension benefits through the New York State Employees' Retirement System and the New York State Teachers' Retirement System, the School District provides post-employment health insurance coverage (OPEB) to its retired employees and their survivors. The School District has retained an actuary to determine the District's total OPEB liability in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The disclosures relating to the School District's total OPEB liability are reflected in Note 8.

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting is used for budgetary control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities.

Unearned Revenue

Unearned revenue is reported when potential revenue does meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them. The School District received prepaid lunch deposits in advance in the School Lunch Fund of \$32,840 and Special Aid Fund grant advances of \$3,163. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the School District's future obligations or future economic outflows. The liabilities are reported as due in one year or as long-term liabilities in the statement of net position.

Restricted Resources

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

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance/Net Position Classifications

Government-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) plus unspent bond proceeds 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 the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and 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 School District.

Fund Balance – Reservations and Designations

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.

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

Capital

Capital reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for 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.

Repair

Repair reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The board of education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance – Reservations and Designations (Continued)

Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated.

Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance

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

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of the School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of the School District property or capital improvement. The reserve is accounted for in the general fund under restricted fund balance.

Insurance

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

Liability Claims and Property Loss

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance – Reservations and Designations (Continued)

Tax Certiorari

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

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. 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.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's 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 fund balance – 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 \$18,684. As of June 30, 2018, the School District's encumbrances were classified as follows:

General support	\$ 17,030
Instruction	<u>1,654</u>
Total encumbrances	<u>\$ 18,684</u>

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance – Reservations and Designations (Continued)

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Fund Balance Spending Policy

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

Adoption of New Relevant Accounting Standards

As disclosed in Note 8 and 13, the School District has adopted and implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for its year ended June 30, 2018.

Explanation of Certain Differences Between Governmental Fund Statements and Government-Wide Statements

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

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

Total fund balances of the School 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.

1. NATURE OF OPERATIONS AND SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- **Long-Term Revenue and Expense Differences**

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

- **Capital Related Differences**

Capital related differences include the difference between proceeds 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.

- **Long-Term Debt Transaction Differences**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

2. CASH

Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District’s investment policies, as discussed previously in these Notes. The School District’s aggregate bank deposits of \$9,621,364 that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2018

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

Restricted cash consists of the following:

General fund:

Cash on deposit for reserves	
Tax certiorari	\$ 1,476,548
Employee benefit accrual liability	460,619
Workers compensation	393,825
Capital	<u>403,593</u>
Total general fund restricted cash	<u>\$ 2,734,585</u>

Trust and agency funds:

Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	<u>\$ 155,667</u>
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3. PARTICIPATION IN BOCES

During the year, the School District was billed \$2,592,707 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$537,519. Financial statements for BOCES are available from the BOCES administrative office.

4. CAPITAL ASSETS, NET

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

	July 1, 2017 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2018 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 793,200	\$ -	\$ -	\$ 793,200
Construction in progress	<u>2,823,105</u>	<u>231,774</u>	<u>3,054,879</u>	<u>-</u>
Total non-depreciable cost	<u>\$ 3,616,305</u>	<u>\$ 231,774</u>	<u>\$ 3,054,879</u>	<u>\$ 793,200</u>
Capital assets that are depreciated:				
Land improvements	\$ 5,334,698	\$ -	\$ -	\$ 5,334,698
Buildings and improvements	66,459,882	3,054,879	-	69,514,761
Furniture & Equipment	<u>1,330,618</u>	<u>101,701</u>	<u>165,749</u>	<u>1,266,570</u>
Total depreciable historical cost	<u>73,125,198</u>	<u>3,156,580</u>	<u>165,749</u>	<u>76,116,029</u>
Less accumulated depreciation:				
Land improvements	3,557,383	262,674	-	3,820,057
Buildings and improvements	30,034,916	1,805,897	-	31,840,813
Furniture & Equipment	<u>814,718</u>	<u>97,411</u>	<u>161,324</u>	<u>750,805</u>
Total accumulated depreciation	<u>34,407,017</u>	<u>2,165,982</u>	<u>161,324</u>	<u>36,411,675</u>
Total depreciable cost, net	<u>\$ 38,718,181</u>	<u>\$ 990,598</u>	<u>\$ 4,425</u>	<u>\$ 39,704,354</u>
Total investment in capital assets	<u>\$ 42,334,486</u>	<u>\$ 1,222,372</u>	<u>\$ 3,059,304</u>	<u>\$ 40,497,554</u>

Depreciation expense of \$2,165,982 for the year ended June 30, 2018, was allocated to specific functions as follows:

General support	\$ 22,995
Instruction	2,137,754
Food service	<u>5,233</u>
Total Depreciation	<u>\$ 2,165,982</u>

5. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid	\$ 1,254,878
Less: interest accrued in prior year	(249,203)
Less: premium amortization	(358,714)
Plus: amortization on loss on refunding	(11,256)
Plus: interest accrued in current year	<u>221,537</u>
Total expense	<u>\$ 857,242</u>

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

	Beginning Balance (as restated)	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Government activities:					
Bonds and notes payable:					
General obligation debt:					
Serial bonds payable	\$ 35,275,000	\$ -	\$ 2,815,000	\$ 32,460,000	\$ 2,920,000
Premium on bonds	2,002,582	-	358,714	1,643,868	-
Bond anticipation note	<u>700,000</u>	<u>-</u>	<u>700,000</u>	<u>-</u>	<u>-</u>
Total Bonds and BANS	37,977,582	-	3,873,714	34,103,868	2,920,000
Other liabilities:					
Net OPEB liability	\$120,284,891	\$ 9,366,641	\$ 2,482,130	\$127,169,402	\$ -
Installment purchase debt	488,388	-	203,069	285,319	168,791
Judgment and claims	634,234	284,115	634,234	284,115	284,115
Net pension liability	3,173,350	-	2,590,604	582,746	-
Compensated absences	<u>502,949</u>	<u>-</u>	<u>16,871</u>	<u>486,078</u>	<u>48,608</u>
Total other liabilities	<u>125,083,812</u>	<u>9,650,756</u>	<u>5,926,908</u>	<u>128,807,660</u>	<u>501,514</u>
Total long-term liabilities	<u>\$163,061,394</u>	<u>\$ 9,650,756</u>	<u>\$ 9,800,622</u>	<u>\$162,911,528</u>	<u>\$ 3,421,514</u>

5. LONG-TERM DEBT (Continued)

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

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	June 30, 2018 <u>Balance</u>
Refunding Bond 2014	2014	2023	2.00%-5.00%	\$ 4,590,000
Refunding Bond 2015	2015	2032	2.75%-5.00%	21,475,000
Serial Bond 2015	2016	2030	2.00%-3.00%	3,765,000
Tax Certiorari Refunds	2008	2022	3.50% - 4.00%	1,765,000
Tax Certiorari Refunds	2008	2023	4.50% - 5.00%	<u>865,000</u>
Total				<u>\$ 32,460,000</u>

The following is a summary of the maturities of bonds payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,920,000	\$ 1,125,150	\$ 4,045,150
2020	3,035,000	1,025,556	4,060,556
2021	3,220,000	918,731	4,138,731
2022	3,360,000	773,956	4,133,956
2023	2,235,000	648,406	2,883,406
2024-2028	9,730,000	2,080,456	11,810,456
2029-2032	<u>7,960,000</u>	<u>578,237</u>	<u>8,538,237</u>
Totals	<u>\$ 32,460,000</u>	<u>\$ 7,150,492</u>	<u>\$ 39,610,492</u>

6. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 449,760	\$ 79,857	\$ -	\$ 63,871
Special aid fund	10,342	369,437	52,344	-
School lunch fund	79,857	-	-	-
Capital fund	-	88,768	11,527	-
Fiduciary funds	<u>-</u>	<u>1,897</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 539,959</u>	<u>\$ 539,959</u>	<u>\$ 63,871</u>	<u>\$ 63,871</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

7. PENSION PLANS

New York State and Local Retirement System

The School District participates in the New York State and Local Retirement System (ERS). ERS is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), established to hold all net assets and record changes in plan net position allocated to ERS. ERS benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an employer elects to participate in ERS, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

ERS is noncontributory except for employees who joined ERS 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 between 3 to 6 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2018	\$	751,186
2017	\$	739,554
2016	\$	807,467

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

At June 30, 2018, the School District reported a net pension liability of \$582,746 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

7. PENSION PLANS (Continued)

New York State and Local Retirement System (Continued)

At June 30, 2018, the School District's proportion was 0.0180560 percent, which was an increase of 4.6% from its proportion measured in the prior year.

For the year ended June 30, 2018, the School District recognized pension expense of \$686,312. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 207,847	\$ 171,757
Changes of Assumptions	386,409	-
Net difference between projected and actual earnings on pension plan investments	846,393	1,670,694
Changes in proportion and differences between the District's contributions and proportionate share of contributions	102,325	22,404
Contributions subsequent to the measurement date	239,805	-
	<u>\$ 1,782,779</u>	<u>\$ 1,864,855</u>

\$239,805 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2019	\$ 141,319
2020	121,223
2021	(404,731)
2022	(179,692)
2023	-
Thereafter	-
	<u>\$ (321,881)</u>

7. PENSION PLANS (Continued)

New York State and Local Retirement System (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8 percent indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The allocation and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2018 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of term</u>
Domestic Equity	36.0%	4.55%
International Equity	14.0%	6.35%
Private Equity	10.0%	7.75%
Real Estate	10.0%	5.55%
Absolute Return	2.0%	3.75%
Opportunistic Portfolio	3.0%	5.68%
Real Asset	3.0%	5.29%
Bonds, Cash & Mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation Indexed Bonds	4.0%	1.25%
	<u>100.0%</u>	

7. PENSION PLANS (Continued)

New York State and Local Retirement System (Continued)

Discount Rate

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

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) or 1 percent higher (8.0%) than the current rate:

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

	1 % Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Proportionate Share of Net Pension Liability (Asset)	\$ 4,409,215	\$ 582,746	\$ (2,654,293)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2018, were as follows (in thousands):

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 183,400,590	\$ 33,115	0.0180560%
Net position	(180,173,145)	(32,532)	0.0180560%
Net pension liability (asset)	<u>\$ 3,227,445</u>	<u>\$ 583</u>	0.0180560%
Fiduciary net position as a percentage of total pension liability	98.2%	98.2%	

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System

The School District participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Contributions

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

Employees who joined after April 1, 2012, contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

2018	\$	2,713,687
2017	\$	2,964,671
2016	\$	3,726,288

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

At June 30, 2018, the School District reported an asset of \$1,110,615 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018, the School District's proportion was 0.146114 percent, which was an increase of .84 percent from its proportion measured the prior year.

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

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

For the year ended June 30, 2018, the School District recognized pension expense of \$2,329,100. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 913,763	\$ 433,016
Changes of Assumptions	11,300,722	-
Net difference between projected and actual earnings on pension plan investments	-	2,615,819
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	386,487
Contributions subsequent to the measurement date	2,626,051	-
	<u>\$ 14,840,536</u>	<u>\$ 3,435,322</u>

\$2,626,051 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions that will be recognized in pension expense as follows:

Plan's Year Ended June 30:

2018	\$ 195,520
2019	2,928,336
2020	2,078,077
2021	469,657
2022	2,071,852
Thereafter	1,035,721
	<u>\$ 8,779,163</u>

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Actuarial Assumptions

The total pension liability at the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions:

Inflation	2.50%										
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.										
	<table><tr><th>Service</th><th>Rate</th></tr><tr><td>5</td><td>4.72%</td></tr><tr><td>15</td><td>3.46%</td></tr><tr><td>25</td><td>2.37%</td></tr><tr><td>35</td><td>1.90%</td></tr></table>	Service	Rate	5	4.72%	15	3.46%	25	2.37%	35	1.90%
Service	Rate										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Projected COLAs	1.5% compounded annually										
Investment Rate of Return	7.25% compounded annually, net of pension plan investment expense, including inflation.										

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

The actuarial assumptions used in the June 30, 2017 valuation was based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

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

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of term</u>
Domestic Equity	35.0%	5.90%
International Equity	18.0%	7.40%
Real Estate	11.0%	4.30%
Alternative Investments	8.0%	9.00%
Domestic fixed Income Securities	16.0%	1.60%
Global Fixed Income Securities	2.0%	1.30%
High-yield fixed income securities	1.0%	3.90%
Mortgages	8.0%	2.80%
Short - term fixed income	<u>1.0%</u>	0.60%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability (asset) of the School District calculated using the discount rate of 7.25 percent, as well as what the School District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1 % Decrease (6.25%)</u>	<u>Current Assumption (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 19,132,604	\$ (1,110,615)	\$ (18,063,305)

7. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers plan as June 30, 2017, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 114,708,261	\$ 167,605	0.1461140%
Net position	(115,468,360)	(168,715)	0.1461140%
Net pension liability	<u>\$ (760,099)</u>	<u>\$ (1,110)</u>	0.1461140%
Fiduciary net position as a percentage of total pension liability	100.7%	100.7%	

8. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The School District's single-employer defined benefit OPEB plan, which is administered by the School District, provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefits and eligible requirements determined by the employment contracts negotiated between the School District and its employee groups. All employees are eligible if they retire at or after the age of 55 and have between 5 and 20 years of services depending on the employee group. Medical benefits, including pharmaceutical costs, are provided through plans whose premiums are based on the benefits paid during the year. The School District pays a variable percentage of the cost of premiums which vary between 0 percent and 20 percent depending on the employee group.

Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. The plan does not accumulate assets to meet its future obligation and the plan is not administered through a trust or an equivalent arrangement. The OPEB plan does not issue a stand-alone financial report.

In the governmental funds, the School District recognizes the cost of providing health care insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the general fund in the year paid. Total contributions to the plan to cover the School District's share of insurance premiums for the year ended June 30, 2018 was \$2,482,130.

At July 1, 2017, the number of employees covered by School District's OPEB plan:

Inactive employees or beneficiaries	
currently receiving benefits	163
Active employees	<u>293</u>
Total participants	<u>456</u>

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The District's total OPEB liability of \$127,169,402 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. The July 1, 2017 total OPEB liability was increased by service cost and interest, decreased by benefits payments and adjusted to reflect any material plan changes to arrive at the total OPEB liability at the measurement date. The changes in the OPEB liability are as follows:

Balance at June 30, 2017, as restated	<u>\$120,284,891</u>
Changes for the Year	
Service cost	5,679,939
Interest	3,741,987
Changes of benefit terms	-
Changes in assumptions or other inputs	-
Differences between expected and actual experience	(55,285)
Benefit payments	<u>(2,482,130)</u>
Net changes	<u>6,884,511</u>
Balance at June 30, 2018	<u>\$127,169,402</u>

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	2.6 percent per year
Discount Rate	3.0 percent as of June 30, 2018
Healthcare Cost Trend Rates	7.5 percent in 2017, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2023

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index, which is a 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality was based on RP-2014 adjusted to 2006 total dataset mortality table projected to the valuation date with Scale MP-2017.

The actuarial assumptions used in the July 1, 2017 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the School district. The plan does not have sufficient data on which to perform an experience study.

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

The following presents the total OPEB liability of the School 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 (2.00%) or 1 percentage point higher (4.00%) than the current discount rate:

	1% Decrease (2.00%)	Current Discount (3.00%)	1% Increase (4.00%)
Total OPEB Liability	<u>\$152,906,414</u>	<u>\$127,169,403</u>	<u>\$106,991,914</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 (6.5% decreasing to 3.50%) or 1 percentage point higher (8.50% decreasing to 5.50%) than the current healthcare cost trend rate (7.50% decreasing to 4.50%):

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Total OPEB Liability	<u>\$103,039,322</u>	<u>\$127,169,403</u>	<u>\$159,502,656</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$9,416,108. 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
Difference between expected and actual experience	<u>-</u>	<u>49,466</u>
Total	<u>\$ -</u>	<u>\$ 49,466</u>

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (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</u>	<u>Amount</u>
2019	\$ 5,819
2020	5,819
2021	5,819
2022	5,819
2023	5,819
Thereafter	20,371
	<u>\$ 49,466</u>

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks 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.

10. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The School District administrations prepare a proposed budget for approval by the Board of Education for the General Fund. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

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

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

11. CONTINGENCIES AND COMMITMENTS

General Information

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

12. RELEVANT ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The School District is required to adopt the provisions of these Statements for the year ending June 30, 2019.

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The School District is required to adopt the provisions of these Statements for the year ending June 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 establishes accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The School District is required to adopt the provisions of GASB 87 for the year ending June 30, 2021, but early implementation is encouraged.

The School District has not assessed the impact of these statements on its future financial statements.

13. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to certain postemployment benefits. For defined benefit OPEB, Statement No. 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, beginning net position and other postemployment benefits on the statement of net position were adjusted as noted in the following table:

	Other Postemployment Benefits	Net Position
Balance at June 30, 2017, as previously reported	<u>\$ 53,135,242</u>	<u>\$ (32,244,893)</u>
Restatement of beginning balance - Adoption of GASB Statement No. 75:		
Increase to liability	<u>67,149,649</u>	<u>(67,149,649)</u>
	<u>67,149,649</u>	<u>(67,149,649)</u>
Balance at June 30, 2017, as restated	<u><u>\$120,284,891</u></u>	<u><u>\$ (99,394,542)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

IRVINGTON UNION FREE SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>(Budgetary Basis)</u>	Final Budget Variance with <u>Budgetary Actual</u>
REVENUE				
LOCAL SOURCES:				
Real property taxes	\$ 52,422,629	\$ 48,755,885	\$ 48,704,858	\$ (51,027)
Other tax items	503,000	4,169,744	4,191,610	21,866
Charges for services	956,900	1,007,723	886,522	(121,201)
Use of money and property	395,485	395,485	476,410	80,925
Miscellaneous	<u>493,000</u>	<u>296,407</u>	<u>531,909</u>	<u>235,502</u>
Total local sources	54,771,014	54,625,244	54,791,309	166,065
State sources	<u>3,906,980</u>	<u>4,052,750</u>	<u>4,411,387</u>	<u>358,637</u>
Total revenue	<u>\$ 58,677,994</u>	<u>\$ 58,677,994</u>	<u>\$ 59,202,696</u>	<u>\$ 524,702</u>

(Continued)

IRVINGTON UNION FREE SCHOOL DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>(Budgetary Basis)</u>	<u>Encumbrances</u>	Final Budget Variance with <u>Budgetary Actual</u>
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	\$ 72,720	\$ 89,105	\$ 79,569	\$ 4,750	\$ 4,786
Central administration	366,907	358,457	356,868	-	1,589
Finance	578,110	577,940	552,148	-	25,792
Staff	404,851	399,235	334,867	-	64,368
Central services	4,599,133	4,626,332	4,374,382	12,280	239,670
Special items	<u>462,398</u>	<u>1,053,846</u>	<u>1,030,009</u>	<u>-</u>	<u>23,837</u>
Total general support	6,484,119	7,104,915	6,727,843	17,030	360,042
INSTRUCTION:					
Instruction, administration, and improvement	1,819,573	1,957,006	1,949,084	-	7,922
Teaching - Regular school	17,755,886	17,528,691	17,446,754	1,654	80,283
Programs for children with handicapping conditions	8,232,754	8,517,141	8,466,634	-	50,507
Occupational education	48,822	32,622	32,548	-	74
Instructional media	1,587,884	1,614,190	1,590,842	-	23,348
Pupil services	<u>3,056,256</u>	<u>3,014,727</u>	<u>2,962,338</u>	<u>-</u>	<u>52,389</u>
Total instruction	32,501,175	32,664,377	32,448,200	1,654	214,523
Pupil transportation	2,216,788	2,216,788	2,162,780	-	54,008
Employee benefits	12,868,824	12,891,622	12,832,618	-	59,004
Debt service - Principal	3,718,069	3,718,069	3,718,069	-	-
Debt service - Interest	<u>1,269,519</u>	<u>1,259,019</u>	<u>1,254,878</u>	<u>-</u>	<u>4,141</u>
Total expenditures	59,058,494	59,854,790	59,144,388	18,684	691,718
OTHER FINANCING USES					
Transfers to other funds	<u>42,000</u>	<u>64,027</u>	<u>63,871</u>	<u>-</u>	<u>156</u>
Total expenditures and other uses	<u>59,100,494</u>	<u>59,918,817</u>	<u>59,208,259</u>	<u>18,684</u>	<u>691,874</u>
NET CHANGE IN FUND BALANCES	<u>\$ (422,500)</u>	<u>\$ (1,240,823)</u>	<u>(5,563)</u>	<u>\$ (18,684)</u>	<u>\$ 1,216,576</u>
FUND BALANCE - beginning of year			<u>5,635,259</u>		
FUND BALANCE - end of year			<u>\$ 5,629,696</u>		

IRVINGTON UNION FREE SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2018**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands) *			
	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.0180560%	0.0172571%	0.0177130%	0.0173740%
Proportionate share of the net pension liability (asset)	\$ 582.7	\$ 1,621.5	\$ 2,843.0	\$ 586.9
Covered-employee payroll	\$ 5,229.1	\$ 5,216.4	\$ 4,619.1	\$ 4,526.5
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.14%	31.08%	61.55%	12.97%
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.71%	90.68%	97.95%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands) *			
	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.146114%	0.144890%	0.141509%	0.136039%
Proportionate share of the net pension liability (asset)	\$ (1,110.6)	\$ 1,551.8	\$ (14,698.3)	\$ (15,153.9)
Covered-employee payroll	\$ 25,333.8	\$ 24,440.7	\$ 21,257.0	\$ 20,095.1
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.38%	6.35%	-69.15%	-75.41%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.66%	99.01%	110.46%	111.48%

* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

IRVINGTON UNION FREE SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS FOR THE YEAR ENDED JUNE 30, 2018

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands) *			
	2018	2017	2016	2015
Contractually required contribution	\$ 751.2	\$ 739.5	\$ 807.5	\$ 815.8
Contributions in relation to the contractually required contribution	751.2	739.5	807.5	815.8
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,229.1	\$ 5,216.4	\$ 4,619.1	\$ 4,526.5
Contributions as a percentage of covered-employee payroll	14.37%	14.18%	17.48%	18.02%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands) *			
	2018	2017	2016	2015
Contractually required contribution	\$ 2,713.7	\$ 2,964.6	\$ 3,726.3	\$ 3,861.1
Contributions in relation to the contractually required contribution	2,713.7	2,964.6	3,726.3	3,861.1
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 25,333.8	\$ 24,440.7	\$ 21,257.0	\$ 20,095.1
Contributions as a percentage of covered-employee payroll	10.71%	12.13%	17.53%	19.21%

* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

IRVINGTON UNION FREE SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2018

	Last Ten Fiscal Years * 2018
(Amounts in thousands)	
Total OPEB Liability	
Service cost	\$ 5,680
Interest	3,742
Changes of benefit terms	-
Differences between expected and actual experience	(55)
Changes in assumptions	-
Benefit payments	(2,482)
Total change in total OPEB liability	6,885
OPEB plan fiduciary net position	-
Total OPEB liability - beginning	120,284
Total OPEB liability - ending	\$ 127,169
 Covered-employee payroll	 \$ 29,374
 Total OPEB liability as a percentage of covered- employee payroll	 432.9%

Notes to schedule:

Change in significant assumptions:

	2018
Discount rate	3.00%
Healthcare trend rate:	
Initial rate	7.50%
Decreasing per year	0.50%
Ultimate rate	4.50%
Ultimate rate year	2023

* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

OTHER INFORMATION (UNAUDITED)

IRVINGTON UNION FREE SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND USE OF UNASSIGNED FUND BALANCE - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018 (UNAUDITED)

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 59,100,494
Add: Prior year's encumbrances	<u>161,424</u>
Original budget	59,261,918
Budget revision	<u>656,899</u>
Final budget	<u>\$ 59,918,817</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	\$ 61,348,175	
Maximum allowed (4% of 2018-19 budget)		\$ 2,453,927

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

Total fund balance:	<u>\$ 5,629,696</u>	
Less:		
Committed fund balance	\$ -	
Restricted fund balance	2,734,585	
Assigned fund balance:		
Appropriated fund balance	422,500	
Encumbrances included in committed and assigned fund balance	<u>18,684</u>	
Total adjustments	<u>\$ 3,175,769</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 2,453,927</u>
Actual percentage		4.00%

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

IRVINGTON UNION FREE SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018 (UNAUDITED)

<u>Project Title</u>	<u>SED Project #</u>	<u>Budget</u>	<u>Expenditures</u>			<u>Available Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
Dows Lane Renovations	0002-016	\$ 440,373	\$ 440,373	\$ -	\$ 440,373	\$ -
Dows Univent/HVAC Project/Gym Lighting	0002-017	680,483	680,483	-	680,483	-
Main Street Gym Roof & Lighting/Boiler Conversion & Controls	0004-005	331,717	331,717	-	331,717	-
Middle School Dust Bowl & Vestibules Project	0013-004	291,233	285,502	5,731	291,233	-
Meszaros Field & East Field Projects + MS/HS Boiler Controls	0007-018	2,870,377	2,644,273	226,044	2,870,317	60
Smart Schools Bond Act		<u>185,833</u>	<u>-</u>	<u>184,562</u>	<u>184,562</u>	<u>1,271</u>
		<u>\$ 4,800,016</u>	<u>\$ 4,382,348</u>	<u>\$ 416,337</u>	<u>\$ 4,798,685</u>	<u>\$ 1,331</u>

IRVINGTON UNION FREE SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS JUNE 30, 2018 (UNAUDITED)

Capital assets, net		\$ 40,497,554
Deduct:		
Capital related bond anticipation notes	-	
Capital related premium on bonds payable	<u>1,643,868</u>	1,643,868
Short-term portion of capital related bonds payable	2,465,000	
Long-term portion of capital related bonds payable	27,365,000	
Less: Unspent bond proceeds	<u>-</u>	
		<u>29,830,000</u>
Net investment in capital assets		<u>\$ 9,023,686</u>

REQUIRED REPORTS

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

October 9, 2018

To the Board of Education
Irvington Union Free School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Irvington Union Free School District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 9, 2018 which contained an emphasis of matter paragraph regarding the adoption of the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*..

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

(Continued)

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**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***
(Continued)

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.