

## REPORT TO THE BOARD

October 15, 2018

The Board of Education  
William Floyd Union Free School District

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of William Floyd Union Free School District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standard, Government Auditing Standards and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 26, 2017. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in note 1 to the financial statements. As discussed in note 1(p) to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," during the year ended June 30, 2018. Accordingly, the cumulative effect of the change in accounting principle has been reported as of the beginning of the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Useful life of capital assets - Management's estimate of the useful life of capital assets is based on historical asset life information for the District's capital assets and industry standards, in order to determine the value and period of time over which individual capital assets are to be depreciated. We evaluated the key factors and assumptions used to develop the estimate of the useful life of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Accounting for pensions (ERS/TRS) - Management's estimate for the accounting and disclosures related to pensions is based upon audited information provided directly to the District. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Compensated absences liability - Management's estimate of the liability for compensated absences is based on vested accumulated sick, vacation and/or leave payouts. We evaluated the key factors and assumptions used to develop the estimate of the compensated assets liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Total other postemployment benefits liability - Management's estimate of the liability for other postemployment benefits is based on an actuarial valuation report prepared by a third party. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of long-term debt in note 6 to the financial statements.
- The disclosure of pension plans in note 7 to the financial statements.
- The disclosure of other postemployment benefits in note 8 to the financial statements.
- The disclosure of commitments and contingencies in note 12 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, only the misstatements discussed below, were detected as a result of audit procedures and corrected by management, were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. We assisted management in finalizing certain journal entries to correct several account reconciliations that were not completed prior to our initiation of field work.

### Disagreements with Management

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedule of revenue, expenditures and changes in fund balance - budget and actual - general fund, the schedule of changes in District's total OPEB liability and related ratios, the schedule of the District's proportionate share of the net pension asset/liability, and the schedule of District's pension contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplementary information, which accompanies the financial statements but is not RSI. The accompanying schedule of expenditures of federal awards is required by the U.S. Office of Management and Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations, and is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

\* \* \* \* \*

This information is intended solely for the information and use of the Board of Education and management of William Floyd Union Free School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*EFPR Group, CPAs, PLLC*

EFPR GROUP, CPAs, PLLC

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT

Basic Financial Statements,  
Supplementary Information and  
Independent Auditors' Report

June 30, 2018

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT

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WILLIAM FLOYD UNION FREE SCHOOL DISTRICT

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## INDEPENDENT AUDITORS' REPORT

The Board of Education  
William Floyd 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 fiduciary funds of the William Floyd Union Free School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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

### Other Matters

As discussed in note 1(p) to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," during the year ended June 30, 2018. Our opinions are not modified with respect to this matter.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the additional information on pages 53 through 57 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 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 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.

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 15, 2018

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
 Management's Discussion and Analysis  
 June 30, 2018

The William Floyd Union Free School District's management's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018 in comparison with the year ended June 30, 2017, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

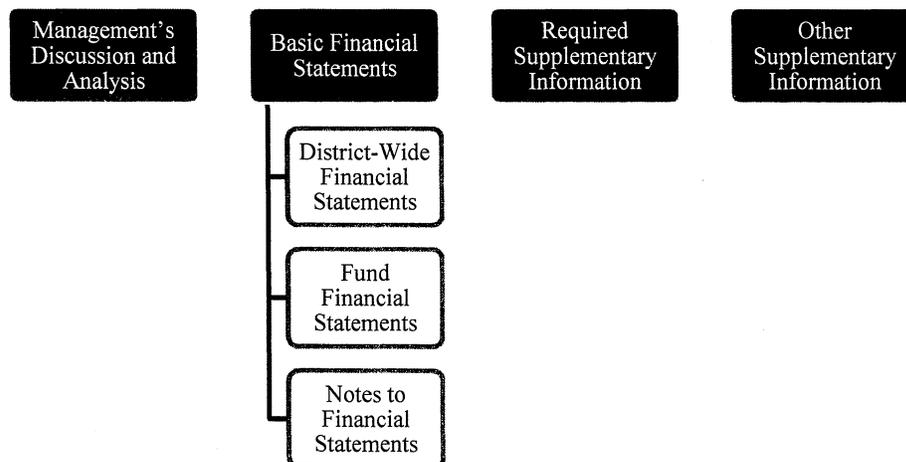
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2018 are as follows:

- The District's total net position, as reflected in the District-wide financial statements increased by \$9,226,375.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled \$225,681,477. Of this amount, \$1,403,983 was offset by program charges for services and \$11,603,060 was offset by operating grants and contributions. General revenue offset the remaining expenses of \$212,674,434 as well as increasing net position by \$9,226,375.
- Expenses increased by \$2,281,047 to \$225,681,477 in 2018 from \$223,400,430 in 2017. Of this, \$1,544,601 is directly related to changes in the District's proportionate share of the net pension asset/liability, and related deferred outflows and inflows of resources, of the Teachers' Retirement System (TRS) as reported to the District by New York State.
- During the year the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB). Implementation of this Statement required restating net position at the beginning of the year by \$143,027,994 as detailed in note 1(p).
- The general fund's total fund balance, as reflected in the fund financial statements, decreased by \$241,350. This was due to expenditures exceeding revenues.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts: management's discussion and analysis (MD&A), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements and notes to financial statements. A graphic display of the relationship of these statements follows:



WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**A. District-Wide Financial Statements**

The District-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two District-wide financial statements - the statement of net position and the statement of activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net of the four reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The Statement of Activities

The statement of activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

**B. Funds Financial Statements**

The funds financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenue in the period that it becomes measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, the governmental funds financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental funds statements provide a detailed short-term view of the District's operations and the services it provides.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

Because the focus of governmental funds is narrower than that of District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds: general fund, school lunch fund, special aid fund, and capital projects fund, each of which is considered to be a major fund and is presented separately in the funds financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. The fiduciary activities have been excluded from the District-wide financial statements because the District cannot use these assets to finance its operations.

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Net Position**

The District's total net position increased by \$9,226,375 between fiscal year 2018 and 2017. This is primarily a result of revenues exceeding expenditures at the fund level. A summary of the District's Statements of Net Position is as follows:

	2018	2017 (Restated)	Increase (decrease)	Percentage change
Current and other assets	\$ 88,935,798	85,818,689	3,117,109	3.6%
Net pension asset - TRS	3,861,273	-	3,861,273	100.0%
Capital assets, net	<u>204,087,483</u>	<u>210,221,928</u>	<u>(6,134,445)</u>	(2.9%)
Total assets	<u>296,884,554</u>	<u>296,040,617</u>	<u>843,937</u>	0.3%
Deferred outflows of resources	<u>56,462,195</u>	<u>57,959,674</u>	<u>(1,497,479)</u>	(2.6%)
Long-term liabilities	222,718,669	241,180,643	(18,461,974)	(7.7%)
Net pension liability - ERS	1,500,274	10,064,169	(8,563,895)	(85.1%)
Other liabilities	<u>23,227,323</u>	<u>27,244,232</u>	<u>(4,016,909)</u>	(14.7%)
Total liabilities	<u>247,446,266</u>	<u>278,489,044</u>	<u>(31,042,778)</u>	(11.1%)
Deferred inflows of resources	<u>24,387,766</u>	<u>3,224,905</u>	<u>21,162,861</u>	656.2%
Net position:				
Net investment in capital assets	181,517,821	171,629,946	9,887,875	5.8%
Restricted	36,044,939	34,110,786	1,934,153	5.7%
Unrestricted (deficit)	<u>(136,050,043)</u>	<u>(133,454,390)</u>	<u>(2,595,653)</u>	1.9%
Total net position	<u>\$ 81,512,717</u>	<u>72,286,342</u>	<u>9,226,375</u>	12.8%

\* Amounts reported for the year ended June 30, 2017 have been restated for implementation of GASB Statement No. 75.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

Current and other assets increased by \$3,117,109, as compared to the prior year. This increase is primarily due to increased cash due to timing of payment of liabilities.

Net pension asset increased \$3,861,273, as compared to the prior year. This is primarily a result of changes as required by GASB Statements No. 68 and No. 71 in the amounts reported to the District by New York State.

Capital assets decreased by \$6,134,445, as compared to the prior year. Note 5 to the Financial Statements provides additional information.

Deferred outflows of resources decreased by \$1,497,479, as compared to the prior year. This is primarily a result of changes as required by GASB Statements No. 68 and No. 71 in the amounts reported to the District by New York State.

Long-term liabilities decreased by \$18,461,974, as compared to the prior year. This decrease is primarily due to reductions of existing debt of \$16,355,000.

Net pension liability decreased \$8,563,895, as compared to the prior year. This is primarily a result of changes as required by GASB Statements No. 68 and No. 71 in the amounts reported to the District by New York State.

Other liabilities decreased by \$4,016,909, primarily due to a decrease in amounts accrued for self-insured health care claims due to a change in third party administrators.

Deferred inflows of resources increased by \$21,162,861, as compared to the prior year. This is primarily a result of changes in amounts reported to the District by New York State for amounts related to the Teachers Retirement System and Employees' Retirement System.

The net investment in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations.

The unrestricted net position (deficit) at June 30, 2018 is \$(136,050,043) which represents the amount by which the District's assets, other than capital assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, excluding debt related to capital construction, less amounts restricted by enabling legislation. This deficit is a direct result of reporting the total other postemployment benefit (OPEB) liability of \$189,923,661 as required by GASB Statement No. 75.

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the statement of activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items lines. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2018 and 2017 is as follows:

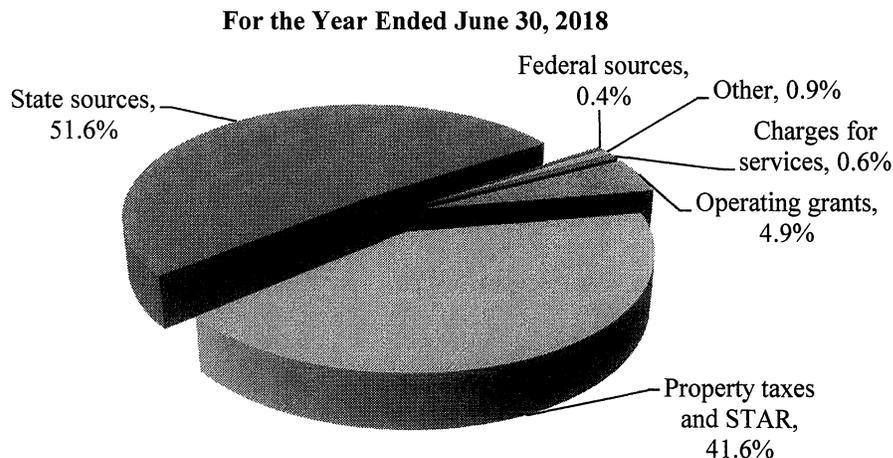
**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**Management's Discussion and Analysis, Continued**

	<u>2018</u>	<u>2017</u>	<u>Increase (decrease)</u>	<u>Percentage change</u>
<b>Revenue:</b>				
Program revenue:				
Charges for services	\$ 1,403,983	1,403,008	975	0.1%
Operating grants	11,603,060	10,939,267	663,793	6.1%
General revenue:				
Property taxes and STAR	97,663,034	96,842,767	820,267	0.8%
State sources	121,274,789	118,432,154	2,842,635	2.4%
Federal sources	922,090	774,458	147,632	19.1%
Other sources	<u>2,040,896</u>	<u>2,708,003</u>	<u>(667,107)</u>	<u>(24.6%)</u>
Total revenue	<u>234,907,852</u>	<u>231,099,657</u>	<u>3,808,195</u>	<u>1.6%</u>
<b>Expenses:</b>				
General support	29,882,984	28,914,282	968,702	3.4%
Instruction	176,346,462	173,819,271	2,527,191	1.5%
Pupil transportation	12,937,655	14,260,435	(1,322,780)	(9.3%)
Community services	3,000	3,005	(5)	(0.2%)
Debt service - interest	1,970,864	2,452,236	(481,372)	(19.6%)
Food service program	<u>4,540,512</u>	<u>3,951,201</u>	<u>589,311</u>	<u>14.9%</u>
Total expenses	<u>225,681,477</u>	<u>223,400,430</u>	<u>2,281,047</u>	<u>1.0%</u>
Increase in net position	<u>\$ 9,226,375</u>	<u>7,699,227</u>	<u>1,527,148</u>	<u>19.8%</u>

The District's revenues increased by 1.6% in 2018 or \$3,808,195. The major factor that contributed to the increase was increased state aid in the basic formula aid as well as in excess cost aid.

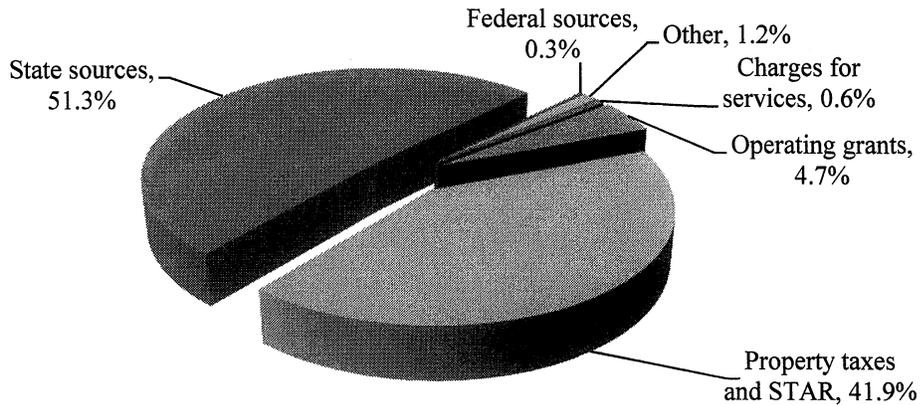
The District's expenditures for the year increased by \$2,281,047 primarily as a result of increases in salaries.

A graphic display of the distribution of revenues for the two years follows:



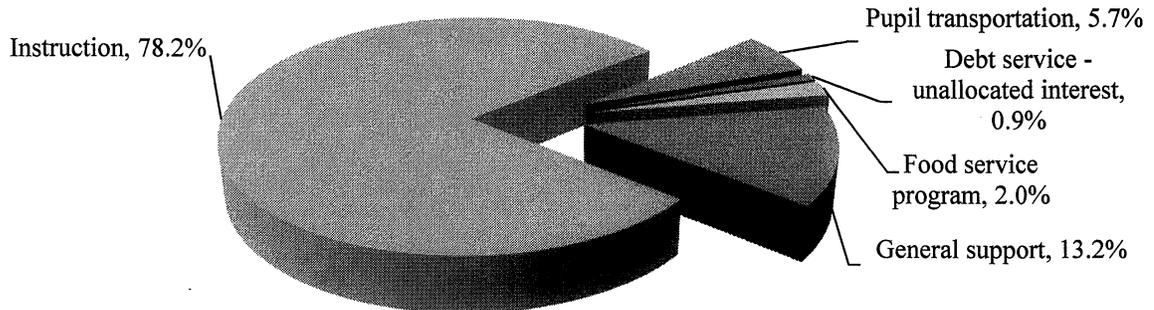
**WILLIAM FLOYD UNION FREE SCHOOL DISTRICT**  
**Management's Discussion and Analysis, Continued**

**For the Year Ended June 30, 2017**

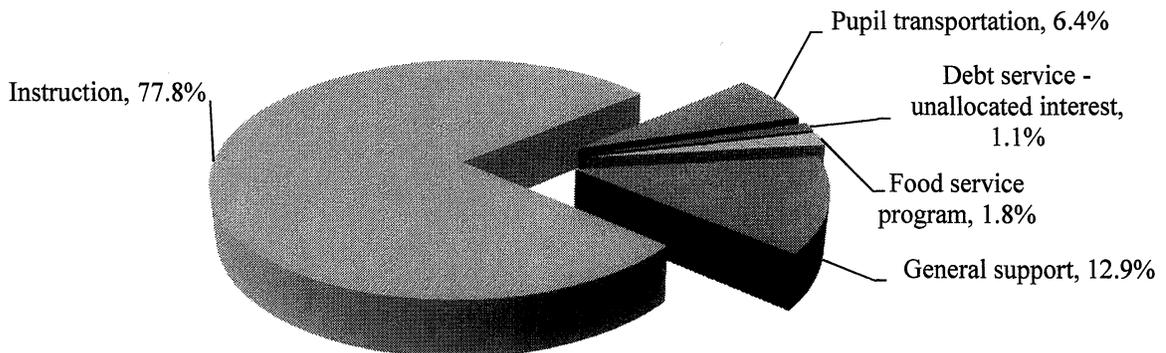


A graphic display of the distribution of expenses for the two years follows:

**For the Year Ended June 30, 2018**



**For the Year Ended June 30, 2017**



WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$65,753,417, which is an increase of \$7,105,581 from the prior year. This increase is due to an excess of revenue over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (decrease)</u>
General Fund:			
Nonspendable - prepaids	\$ 347,827	-	347,827
Restricted:			
Workers' compensation	3,677,713	3,303,458	374,255
Unemployment insurance	641,352	671,101	(29,749)
Employee benefit accrued liability	6,702,587	7,198,716	(496,129)
Retirement contribution	12,279,431	10,254,534	2,024,897
Insurance	2,743,856	2,682,977	60,879
Repairs	5,000,000	5,000,000	-
Capital improvements	5,000,000	5,000,000	-
Total restricted	<u>36,044,939</u>	<u>34,110,786</u>	<u>1,934,153</u>
Assigned:			
General support	405,903	591,907	(186,004)
Instruction	876,319	226,719	649,600
Pupil transportation	467,604	3,006	464,598
Appropriated for subsequent year's expenditures	<u>9,650,000</u>	<u>13,250,000</u>	<u>(3,600,000)</u>
Total assigned	<u>11,399,826</u>	<u>14,071,632</u>	<u>(2,671,806)</u>
Unassigned - fund balance	<u>9,601,552</u>	<u>9,453,076</u>	<u>148,476</u>
Total general fund	<u>57,394,144</u>	<u>57,635,494</u>	<u>(241,350)</u>
School Lunch Fund:			
Nonspendable - inventory	43,406	35,360	8,046
Assigned - unappropriated fund balance	<u>819,066</u>	<u>682,076</u>	<u>136,990</u>
Total school lunch fund	<u>862,472</u>	<u>717,436</u>	<u>145,036</u>
Capital Projects Fund:			
Assigned - unappropriated fund balance	<u>7,496,801</u>	<u>294,906</u>	<u>7,201,895</u>
Total fund balance	<u>\$ 65,753,417</u>	<u>58,647,836</u>	<u>7,105,581</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2017-18 Budget**

The District's general fund adopted budget for the year ended June 30, 2018 was \$236,326,899. This is an increase of \$7,448,062 over the prior years adopted budget.

The budget was funded through a combination of revenue and appropriated fund balance. The majority of this funding source was \$121,865,709 in estimated state aid.

**B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)**

The general fund's unreserved - undesignated fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, unassigned fund balance	\$ 9,453,076
Revenues under budget	(370,001)
Expenditures under budget	12,788,150
Budgeted appropriations not utilized	(2,087,519)
Change in nonspendable funds	(347,827)
Change in restricted funds	(1,934,153)
Roll over of encumbrances	1,749,826
Appropriated for the June 30, 2019 budget	<u>(9,650,000)</u>
Closing, unassigned fund balance	\$ <u>9,601,552</u>

Opening, Unassigned Fund Balance

The \$9,453,076 shown in the table is the portion of the District's June 30, 2017 fund balance that was retained as unassigned. This was 4.00% of the District's 2017-18 approved operating budget of \$236,326,899.

Revenue Under Budget

The 2017-2018 budget for revenue was \$222,450,586. The actual revenue received for the year were \$222,080,585. The actual revenue under budgeted revenue was \$370,001. This variance contributes directly to the change of the unassigned portion of the general fund balance from June 30, 2017 to June 30, 2018.

Expenditures and Encumbrances Under Budget

The 2017-2018 budget for expenditures was \$238,609,737. The actual expenditures and encumbrances were \$224,071,761. The final budget was under expended by \$14,537,976. This under expenditure also contributes to the change of the unassigned portion of the general fund balance from June 30, 2017 to June 30, 2018.

Appropriated Fund Balance

The District has chosen to use \$9,650,000 of its available June 30, 2018, fund balance to partially fund its 2018-2019 approved operating budget.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2018-2019 fiscal year with an unassigned fund balance of \$9,601,552, which is 4.00% of the District's 2018-2019 approved operating budget.

**6. CAPITAL ASSETS AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2018, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation exceeding capital additions recorded for the year ended June 30, 2018. A summary of the District's capital assets, net of depreciation at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (decrease)</u>
Land	\$ 35,132,218	35,132,218	-
Construction in progress	848,105	-	848,105
Buildings and improvements	165,598,979	173,071,773	(7,472,794)
Vehicles, furniture and equipment	<u>2,508,181</u>	<u>2,017,937</u>	<u>490,244</u>
Capital assets, net	<u>\$ 204,087,483</u>	<u>210,221,928</u>	<u>(6,134,445)</u>

**B. Debt Administration**

At June 30, 2018, the District had total bonds payable of \$23,275,000. A summary of the outstanding debt at June 30, 2018 and 2017 is as follows:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
3/22/2007	4.00% - 5.00%	\$ 6,665,000	18,375,000	(11,710,000)
2/1/2010	2.00% - 4.00%	4,880,000	6,390,000	(1,510,000)
10/5/2011	2.50% - 5.00%	5,905,000	8,660,000	(2,755,000)
7/27/2016	5.00%	<u>5,825,000</u>	<u>6,205,000</u>	<u>(380,000)</u>
		<u>\$ 23,275,000</u>	<u>39,630,000</u>	<u>(16,355,000)</u>

During the year the District was able to pay an additional three years worth of bond payments on the 2007 issuance. The additional payments of \$8,610,000 of principle and \$90,883 of interest resulted in an estimated economic gain of \$1,134,000.

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- State aid in support of school operations was again increased for the 2017-18 school year. While it was certainly helpful, some of the aid was restrictive, expense driven aid, which limits the District's ability to deliver specific remediation programs and additional student opportunities. The customary increase in unfunded mandates, along with changes in academic requirements from the state, continue to place restrictions on the important and necessary instructional goals of the District.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

- Once again, retirement contributions for both TRS and ERS employees slightly decreased and indicators point to this continuing over the next few years. This of course will help provide much needed additional resources to academic programs and allow the District to adopt a slightly lower tax levy than it otherwise would have been able to.
- During the 2017-18 school year the District was once again impacted by a relatively small reduction in assessed value, similar to last year. It was encouraging, however, to see that the reduction was even less than the previous year, and significantly less than two years ago, hopefully indicating a trend toward positive assessment growth in the near future.
- Current free and reduced lunch prices/rates have again reached a historical high in all buildings with a trend that continues to higher. This measure illustrates the limit in the economic capacity of District residents to support its schools and municipal services. It also leads to an increased burden on the financial operations of the District through the need for academic intervention services, and both remedial and behavioral programs.
- The reduction of Federal Grant fund opportunities continues to accelerate. This lack of financial support creates an unbalanced burden on this District and similar districts, which are disproportionately affected by economic downturns. These grants are targeted directly to high need districts, so their reduction clearly moves the financial burden to local tax payers. New grant opportunities continue to be based upon efficiency or performance measures and are annual allocations, making them extremely difficult to win, implement, and sustain.
- During the course of the 17-18 school year the District continued to utilize excess funds to pay down long term debt in the amount of \$7,762,170. This will ultimately benefit the residents by reducing principal and in turn reducing or eliminating interest payments. As the District moves forward it continues to look for ways to reduce expenditures, deliver programs in the most cost effective way possible, and implement programs which are sustainable for the long term. Financial planning for the 2018-19 fiscal year, in fact, is utilizing excess funds to support the District's latest set of Capital Projects; in the amount of \$7.5 million. Using these funds will help eliminate the need to borrow on principal and pay interest, and, at the same time, provide a revenue stream through the receipt of state aid for years to come.
- The District's graduation rate for 2017-18 set a new high point, continuing a trend set in recent years. Through new and inventive programs the District delivered new instructional models to students in all areas. Along with available resources, collaborative financial planning, and the reallocation of existing funds, the William Floyd School District will continue to review the most cost effective ways to implement new programs that are geared toward all students.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Management's Discussion and Analysis, Continued

**8. CONTACTING THE DISTRICT**

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Business Office  
William Floyd Union Free School District  
240 Mastic Beach Road  
Mastic Beach, New York 11951

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Statement of Net Position  
Governmental Activities  
June 30, 2018

Assets:	
Cash and cash equivalents - unrestricted	\$ 38,148,625
Cash and cash equivalents - restricted	36,044,939
Receivables:	
State and Federal aid	11,032,382
Accounts receivable	806,587
Due from fiduciary funds	2,512,032
Prepays	347,827
Inventory	43,406
Net pension asset - proportionate share - TRS	3,861,273
Capital assets, net	<u>204,087,483</u>
Total assets	<u>296,884,554</u>
Deferred outflows of resources:	
Deferred charges on refunding of debt	885,962
Pensions	<u>55,576,233</u>
Total deferred outflows of resources	<u>56,462,195</u>
Liabilities:	
Payables:	
Accounts payable	3,798,257
Accrued liabilities	4,470,513
Due to other governments	109
Due to teachers' retirement system	8,855,856
Due to employees' retirement system	508,430
Accrued interest	44,942
Unearned revenue	5,549,216
	(Continued)

See accompanying notes to financial statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Statement of Net Position  
Governmental Activities, Continued

Liabilities continued:

Long-term liabilities:

Due and payable within one year:

Bonds payable	\$ 8,110,000
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Due and payable after one year:

Bonds payable	15,165,000
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Other postemployment benefits	189,923,661
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Compensated absences	7,235,549
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Workers' compensation	2,284,459
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Net pension liability - proportionate share - ERS	1,500,274
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Total liabilities	<u>247,446,266</u>
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Deferred inflows of resources:

Deferred charges on refunding of debt	180,624
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Other postemployment benefits	8,457,250
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Pensions	<u>15,749,892</u>
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Total deferred inflows of resources	<u>24,387,766</u>
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Net position:

Net investment in capital assets	181,517,821
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Restricted	36,044,939
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Unrestricted (deficit)	<u>(136,050,043)</u>
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Total net position	<u>\$ 81,512,717</u>
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See accompanying notes to financial statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Statement of Activities  
Governmental Activities  
Year ended June 30, 2018

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u>	
Functions/programs:				
General support	\$ 29,882,984	-	-	(29,882,984)
Instruction	176,346,462	284,720	8,347,685	(167,714,057)
Pupil transportation	12,937,655	-	-	(12,937,655)
Community services	3,000	-	-	(3,000)
Interest	1,970,864	-	-	(1,970,864)
Food service program	<u>4,540,512</u>	<u>1,119,263</u>	<u>3,255,375</u>	<u>(165,874)</u>
Total functions and programs	<u>\$ 225,681,477</u>	<u>1,403,983</u>	<u>11,603,060</u>	<u>(212,674,434)</u>
General revenue:				
Real property taxes				83,775,516
STAR and other real property tax items				13,887,518
Use of money and property				496,129
Sale of property and compensation for loss				33,541
State sources				121,274,789
Federal sources				922,090
Miscellaneous				<u>1,511,226</u>
Total general revenue				<u>221,900,809</u>
Change in net position				<u>9,226,375</u>
Net position at beginning of year, before restatement				215,314,336
Cumulative effect of change in accounting principle (note 13)				<u>(143,027,994)</u>
Net position at beginning of year, as restated				<u>72,286,342</u>
Net position at end of year				<u>\$ 81,512,717</u>

See accompanying notes to financial statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2018

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash:					
Unrestricted	\$ 33,670,101	3,228,954	678,033	571,537	38,148,625
Restricted	36,044,939	-	-	-	36,044,939
Receivables:					
Due from other funds	14,794,021	261,696	3,738,716	7,500,000	26,294,433
State and Federal aid	6,768,119	183,335	4,080,928	-	11,032,382
Accounts receivable	805,996	591	-	-	806,587
Prepays	347,827	-	-	-	347,827
Inventory	-	43,406	-	-	43,406
Total assets	<u>\$ 92,431,003</u>	<u>3,717,982</u>	<u>8,497,677</u>	<u>8,071,537</u>	<u>112,718,199</u>
<u>Liabilities and Fund Balance</u>					
Liabilities:					
Payables:					
Accounts payable	3,797,886	371	-	-	3,798,257
Accrued liabilities	4,189,274	3,450	10,322	267,467	4,470,513
Due to other funds	12,159,331	2,851,580	8,464,221	307,269	23,782,401
Due to other governments	-	109	-	-	109
Due to teachers' retirement system	8,855,856	-	-	-	8,855,856
Due to employees' retirement system	508,430	-	-	-	508,430
Unearned revenue	5,526,082	-	23,134	-	5,549,216
Total liabilities	<u>35,036,859</u>	<u>2,855,510</u>	<u>8,497,677</u>	<u>574,736</u>	<u>46,964,782</u>
Fund balance:					
Nonspendable	347,827	43,406	-	-	391,233
Restricted	36,044,939	-	-	-	36,044,939
Assigned	11,399,826	819,066	-	7,496,801	19,715,693
Unassigned	9,601,552	-	-	-	9,601,552
Total fund balance	<u>57,394,144</u>	<u>862,472</u>	<u>-</u>	<u>7,496,801</u>	<u>65,753,417</u>
Total liabilities and fund balance	<u>\$ 92,431,003</u>	<u>3,717,982</u>	<u>8,497,677</u>	<u>8,071,537</u>	<u>112,718,199</u>

See accompanying notes to financial statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2018

Total governmental fund balance		\$ 65,753,417
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The assets consist of:		
Capital assets	\$ 347,667,963	
Accumulated depreciation	<u>(143,580,480)</u>	
Total capital assets		204,087,483
Some deferred inflows of resources and deferred outflows of resources are not reported in the funds. These consist of the following:		
Deferred outflows of resources - pensions	55,576,233	
Deferred inflows of resources - pensions	(15,749,892)	
Deferred inflows of resources - other postemployment benefits	(8,457,250)	
Deferred amounts from refunding of debt, net	<u>705,338</u>	32,074,429
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities at year end consist of:		
Accrued interest	(44,942)	
Compensated absences	(7,235,549)	
Workers' compensation	(2,284,459)	
Bonds payable	(23,275,000)	
Other postemployment benefits	<u>(189,923,661)</u>	(222,763,611)
The District's proportionate share of the net pension assets/liabilities are not current period items and therefore are not reported in the governmental funds.		
Net pension asset - proportionate share - TRS	3,861,273	
Net pension liability - proportionate share - ERS	<u>(1,500,274)</u>	<u>2,360,999</u>
Total net position - end of year		<u>\$ 81,512,717</u>

See accompanying notes to financial statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds  
Year ended June 30, 2018

	<u>General</u>	<u>School Lunch</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenue:					
Real property taxes	\$ 83,775,516	-	-	-	83,775,516
STAR and other real property tax items	13,887,518	-	-	-	13,887,518
Charges for services	284,720	-	-	-	284,720
Use of money and property	479,945	16,184	-	-	496,129
Sale of property and compensation for loss	33,541	-	-	-	33,541
Miscellaneous	1,422,466	14,737	74,023	-	1,511,226
State sources	121,274,789	113,876	3,233,573	-	124,622,238
Federal sources	922,090	3,141,499	5,114,112	-	9,177,701
School lunch sales	-	1,119,263	-	-	1,119,263
Total revenue	<u>222,080,585</u>	<u>4,405,559</u>	<u>8,421,708</u>	<u>-</u>	<u>234,907,852</u>
Expenditures:					
General support	22,778,503	-	-	848,105	23,626,608
Instruction	114,359,228	-	6,910,493	-	121,269,721
Pupil transportation	12,462,220	-	379,479	-	12,841,699
Community services	3,000	-	-	-	3,000
Food service program	-	4,231,608	-	-	4,231,608
Employee benefits	46,230,513	28,915	1,548,586	-	47,808,014
Debt service - principal	16,355,000	-	-	-	16,355,000
Debt service - interest	1,666,621	-	-	-	1,666,621
Total expenditures	<u>213,855,085</u>	<u>4,260,523</u>	<u>8,838,558</u>	<u>848,105</u>	<u>227,802,271</u>
Excess (deficiency) of revenue over expenditures	<u>8,225,500</u>	<u>145,036</u>	<u>(416,850)</u>	<u>(848,105)</u>	<u>7,105,581</u>
Other financing sources and uses:					
Transfers in	-	-	416,850	8,050,000	8,466,850
Transfers (out)	(8,466,850)	-	-	-	(8,466,850)
Total other financing sources (uses)	<u>(8,466,850)</u>	<u>-</u>	<u>416,850</u>	<u>8,050,000</u>	<u>-</u>
Excess (deficiency) of revenue and other sources over expenditures and other (uses)	(241,350)	145,036	-	7,201,895	7,105,581
Fund balance at beginning of year	<u>57,635,494</u>	<u>717,436</u>	<u>-</u>	<u>294,906</u>	<u>58,647,836</u>
Fund balance at end of year	<u>\$ 57,394,144</u>	<u>862,472</u>	<u>-</u>	<u>7,496,801</u>	<u>65,753,417</u>

See accompanying notes to financial statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Reconciliation of the Statement of Revenue, Expenditures and  
Changes in Fund Balances - Governmental Funds to the Statement of Activities  
Year ended June, 30 2018

Net change in fund balance		\$ 7,105,581
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Additions of assets, net	\$ 1,763,465	
Depreciation	<u>(7,897,910)</u>	(6,134,445)
<p>Repayment of bond and installment purchase debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Bond principal payments	16,355,000	
Amortization of deferred charges	(513,305)	
Amortization of deferred premiums	<u>180,625</u>	16,022,320
<p>Compensated absences represent the value of the earned and unused portion of the liability for the vacation and compensatory time. They are reported in the statement of activities but do not require the use of the current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
		(545,731)
<p>Increase in workers' compensation unfunded liability</p>		
		(180,760)
<p>Some items reported in the statement of activities related to pensions do not require the use of current period resources and are not reported as revenues or expenditures in the governmental funds.</p>		
Net change in pension - TRS	(1,544,601)	
Net change in pension - ERS	<u>99,359</u>	(1,445,242)
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditure is reported when due.</p>		
		28,437
<p>Other postemployment benefits represent the value of the unfunded portion of the cost of benefits for current and former employees upon retirement. They are reported in the statement of activities but do not require the use of the current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Changes in other postemployment benefits	2,833,465	
Change in deferred inflows - other postemployment benefits	<u>(8,457,250)</u>	<u>(5,623,785)</u>
Change in net position of governmental activities		<u>\$ 9,226,375</u>

See accompanying notes to financial statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2018

	<u>Agency Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Total Fiduciary Funds</u>
Assets:			
Cash:			
Unrestricted	\$ 1,682,916	157,407	1,840,323
Restricted	184,603	-	184,603
Health insurance deposits	885,617	-	885,617
Due from other funds	<u>101,395</u>	<u>641</u>	<u>102,036</u>
Total assets	<u>\$ 2,854,531</u>	<u>158,048</u>	<u>3,012,579</u>
Liabilities:			
Agency liabilities	55,860	-	55,860
Extraclassroom activity fund	184,603	-	184,603
Due to other funds	<u>2,614,068</u>	<u>-</u>	<u>2,614,068</u>
Total liabilities	<u>\$ 2,854,531</u>	<u>-</u>	<u>2,854,531</u>
Net position - reserved for scholarships		<u>\$ 158,048</u>	<u>158,048</u>

See accompanying notes to financial statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year ended June 30, 2018

	Private Purpose Trust <u>Funds</u>
Additions:	
Gifts and contributions	\$ 102,629
Interest	<u>585</u>
Total additions	103,214
Deductions - scholarships and awards	<u>92,440</u>
Change in net position	10,774
Fiduciary net position at beginning of the year	<u>147,274</u>
Fiduciary net position at end of year	<u><u>\$ 158,048</u></u>

See accompanying notes to financial statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

The financial statements of the William Floyd Union Free School District (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

(a) Reporting Entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the statement of fiduciary net position - fiduciary fund. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Joint Venture

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

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

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

During the year, the District was billed \$21,113,016 for BOCES administrative and program costs and recognized \$2,233,088 in revenue as the District's share of BOCES aid.

Participating school districts issue debt on behalf of BOCES. As of year end, there was no debt issued by the District on behalf of BOCES.

Financial statements for Eastern Suffolk BOCES are available from the business office located at 201 Sunrise Highway, Patchogue, New York 11772-1868.

(c) Basis of Presentation

(i) District-Wide Statements

The statement of net position and the statement of activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues 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, if applicable.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Basis of Presentation, Continued

(i) District-Wide Statements, Continued

The statement of activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue include: (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants, contributions and other revenues that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including real property taxes and state aid, is presented as general revenue.

(ii) Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All funds of the District are presented as major funds. The District's financial statements present the following fund types:

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

General Fund - is the District's primary operating fund and is used to account for and report all financial transactions except those required to be accounted for in another fund.

Special Revenue Funds - These funds account for and report the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. There are two classes of special revenue funds:

Special Aid Fund - is used to account for and report the proceeds of federal and state grants that are legally restricted to expenditures for specified purposes.

School Lunch Fund - is used to account for and report the activities of the school lunch operations.

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Basis of Presentation, Continued

(ii) Fund Financial Statements, Continued

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

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

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

(d) Measurement Focus and Basis of Accounting

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, grants and donations. On an accrual basis, revenue from real property 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 and the related expenditures are incurred.

The governmental funds statements are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenue is collected within 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 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, compensated absences, pension costs, and other postemployment benefits, 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.

## WILLIAM FLOYD UNION FREE SCHOOL DISTRICT

### Notes to Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (e) Estimates

The preparation of financial statements in accordance 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, deferred inflows of resources, liabilities, and deferred outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

##### (f) Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

##### (g) Real Property Taxes

Real property taxes are levied annually by the Board of Education. Taxes are collected from December to June. Uncollected real property taxes are subsequently enforced by Suffolk County in which the District is located.

##### (h) Receivables

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

##### (i) Interfund Transactions

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

The amounts reported on the statement of net position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the interfund transactions for governmental funds throughout the year is shown in note 10 to the financial statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received.

The District uses a capitalization threshold of \$2,000 (the dollar value above which asset acquisitions are added to the capital asset accounts for grouped like assets or individual assets). Depreciation methods and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Estimated useful life</u>	<u>Depreciation Method</u>
Land improvements	20 years	Straight Line
Furniture, equipment and vehicles	5-20 years	Straight Line
Buildings and improvements	40 years	Straight Line

(k) Inventory

The inventory, which consists of surplus food in the school lunch fund, is recorded at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

A reserve for nonspendable assets (inventory) has been recognized to signify that a portion of fund balance is not available for subsequent expenditures.

(l) Deferred Outflow of Resources and Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has two items that qualify for reporting in this category, the first of which is deferred charges on refunding of debt reported in the District-wide statement of net position in the amount of \$885,962. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the District-wide statement of net position in the amount of \$55,576,233. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also included in this item are the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

Deferred inflows of resources are reported when revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arises when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. The District has

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Deferred Outflow of Resources and Inflows of Resources, Continued

reported deferred inflows of \$180,624 for gains on refunding of debt, \$8,457,250 for other postemployment benefits, and \$15,749,892 for pensions. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the deferred inflow of resources is removed and revenue is recorded.

(m) Compensated Absences

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

Consistent with GASB, an accrual for accumulated sick leave is 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.

(n) Retirement Plans

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

(o) Short-Term Debt

The District may issue Tax Anticipation Notes (TAN) in anticipation of the receipt of revenue. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

(p) Other Postemployment Benefits

During the year ended June 30, 2018, the Board adopted provisions of GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). See note 8 and note 13 of the financial statements for the impact of the implementation on the financial statements.

In addition to providing pension benefits, the District provides both health insurance coverage and Medicare premium reimbursements for retired employees. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District.

(q) Budgetary Procedures and Budgetary Accounting

The District administration prepares a proposed budget for approval by the Board of Education for the general fund for which a legal (appropriated) budget is adopted.

Appropriations are adopted at the program line item level.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(q) Budgetary Procedures and Budgetary Accounting, Continued

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which 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. 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.

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

(r) Budget Revisions

The Board of Education voted to amend the general fund budget as follows:

Adopted budget	\$ 236,326,899
Budget revisions	<u>2,282,838</u>
Final budget	\$ <u>238,609,737</u>

(s) Encumbrances

Encumbrance accounting is used for budget 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. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

(t) Unearned Revenue

Section 9 of the Suffolk County Tax Act allows the Board of Education to raise an additional tax not more than 30% of the tax levy for the purposes of a contingency fund. At June 30, 2018, the District has set aside \$5,307,581 for this purpose. This amount is recorded as unearned revenue as required by the New York State Comptroller.

Also included in unearned revenue is \$151,403 for revisions to prior years' state aid, \$67,098 received for summer programs, and \$23,134 from grants.

(u) Equity Classifications

(i) District-wide Statements

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

Net Investment in Capital Assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(u) Equity Classifications, Continued

(i) District-wide Statements, Continued

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

Unrestricted - reports the balance of net position that does not meet the definition of the above two classifications.

(ii) Fund Statements

The District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

There are five classifications for fund balance as detailed below, however, in the fund financial statements there are four classifications presented:

Nonspendable - consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory and prepaids.

Restricted - This category 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. Generally, the District's policy is to use restricted resources only when appropriated by the Board of Education. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements. The District has established the following restricted fund balances:

Workers' Compensation Reserve

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.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(u) Equity Classifications, Continued

(ii) Fund Statements, Continued

Unemployment Insurance Reserve

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 to the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the General Fund.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve is accounted for in the General Fund.

Insurance Reserve

Insurance reserve (GML §6-m) 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.

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee 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.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(u) Equity Classifications, Continued

(ii) Fund Statements, Continued

Repair Reserve

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. Voter approval is required to fund this reserve. 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.

Capital Reserve

Capital reserve (GML §6-c) is used to account for and report the financial resources that are restricted by a voter approved proposition for acquisition, construction or major repair of capital facilities. This reserve is accounted for in the General Fund.

Debt Reserve

Debt reserve (GML §6-h) is used to reserve funds for payment of bonded indebtedness. This reserve account is accounted for in the Debt Service Fund.

Reserve for Endowments and Scholarships

This reserve is used to account for various endowment and scholarship awards. This reserve is accounted for in the Private Purpose Trust Funds.

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

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances other than in the capital fund are classified as assigned fund balance in the respective fund. The amount appropriated for the subsequent year's budget of the general fund is also classified as assigned fund balance in the General Fund.

Unassigned - Includes all other net position that do not meet the definition of the above classifications and are deemed to be available for general use by the District. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned, then it may be necessary to report negative unassigned fund balances in the respective fund.

(iii) Order of Use of Fund Balance

In circumstances where an expenditure is incurred for the purpose for which amounts are available in multiple fund balance classifications, (e.g. expenditures related to reserves) the Board will assess the current financial condition of the District and then determine the order of expenditures to which the fund balance classification will be charged.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(v) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related to tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning July 1, 2018 for the District. This Statement is not expected to have a material effect on the financial statements of the District.

GASB Statement No. 84 - "Fiduciary Activities." This Statement, issued in January 2017, established 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 assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning July 1, 2019 for the District. This Statement is not expected to have a material effect on the financial statements of the District.

GASB Statement No. 87 - "Leases." This Statement, issued in June 2017, requires 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. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019, which is the fiscal year beginning July 1, 2020 for the District. Management is in process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the District.

GASB Statement No. 88 - "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement, issued in April of 2018, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning July 1, 2018 for the District. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the District.

## WILLIAM FLOYD UNION FREE SCHOOL DISTRICT

### Notes to Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (v) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 89 - "Accounting for Interest Cost Incurred before the End of a Construction Period." This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which are superseded by this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning July 1, 2020 for the District. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the District.

GASB Statement No. 90 - "Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61." This Statement, issued in August 2018, seeks to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and sets parameters as to whether a majority equity interest is to be reported as an investment or component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning July 1, 2019 for the District. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the District.

#### (2) Explanation of Certain Differences Between Fund Statements and District-wide Statements

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

##### (a) Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

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

##### (b) Statement of Revenue, Expenditures and Changes in Fund Balance vs. Statement of Activities

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(2) Explanation of Certain Differences Between Fund Statements and District-wide Statements, Continued

(b) Statement of Revenue, Expenditures and Changes in Fund Balance vs. Statement of Activities, Continued

Long-term Revenue and Expense Differences

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

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on 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 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 expense is recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

(3) Cash and Cash Equivalents

(a) Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District has a specific policy for custodial credit risk; New York State statutes govern the District’s investment policies, as discussed previously in these notes.

As of June 30, 2018, total bank balances of \$77,442,490 were fully collateralized.

(b) Restricted Cash and Cash Equivalents

Restricted cash of \$36,044,939 in the general fund represents the following:

<u>Description</u>	<u>Amount</u>
Reserve for employee benefit accrued liability	\$ 6,702,587
Reserve for workers’ compensation	3,677,713
Reserve for insurance	2,743,856
Reserve for unemployment insurance	641,352
Reserve for retirement contribution	12,279,431
Reserve for repairs	5,000,000
Reserve for capital improvements	<u>5,000,000</u>
	<u>\$ 36,044,939</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(4) Receivables

Major receivables recorded by the District at June 30, 2018 consisted of the following:

(a) Due from State and Federal Governments - Represents amounts due from other units of government, such as New York State and other local governments. Amounts due to the District at June 30, 2018 are listed below:

General Fund - State and Federal aid receivable:

Excess cost	\$ 4,233,580	
State aid - BOCES	2,233,087	
State aid - other	<u>301,452</u>	\$ <u>6,768,119</u>

Special Aid Fund - State and Federal aid receivable - State and Federal grants - various \$ 4,080,928

School Lunch Fund - State and Federal aid receivable - State and Federal grants related to food service program \$ 183,335

(b) Accounts Receivable - Represents amounts due for out-of-district billings (in the General Fund) and other minor charges or refunds.

(5) Capital Assets

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

	Balance <u>June 30, 2017</u>	Additions	Adjustments/ <u>Reclassifications</u>	Balance <u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 35,132,218	-	-	35,132,218
Construction in progress	<u>-</u>	<u>848,105</u>	-	<u>848,105</u>
Total capital assets not being depreciated	<u>35,132,218</u>	<u>848,105</u>	<u>-</u>	<u>35,980,323</u>
Capital assets being depreciated:				
Buildings and improvements	303,906,528	-	-	303,906,528
Furniture, equipment and vehicles	<u>7,937,729</u>	<u>921,695</u>	<u>(1,078,312)</u>	<u>7,781,112</u>
Total capital assets being depreciated	<u>311,844,257</u>	<u>921,695</u>	<u>(1,078,312)</u>	<u>311,687,640</u>
Less accumulated depreciation for:				
Buildings and improvements	130,834,755	7,547,582	(74,788)	138,307,549
Furniture, equipment and vehicles	<u>5,919,792</u>	<u>350,328</u>	<u>(997,189)</u>	<u>5,272,931</u>
Total accumulated depreciation	<u>136,754,547</u>	<u>7,897,910</u>	<u>(1,071,977)</u>	<u>143,580,480</u>
Total capital assets, being depreciated, net	<u>175,089,710</u>	<u>(6,976,215)</u>	<u>(6,335)</u>	<u>168,107,160</u>
Capital assets, net	<u>\$ 210,221,928</u>	<u>(6,128,110)</u>	<u>(6,335)</u>	<u>204,087,483</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(5) Capital Assets, Continued

Depreciation expense was charged to governmental functions as follows:

General support	\$ 1,717,952
Instruction	6,086,209
Food service	<u>93,749</u>
Total depreciation expense	\$ <u>7,897,910</u>

(6) Long-term Debt

Long-term liability balances, excluding pensions, and activity for the year ended June 30, 2018, are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Serial bonds	\$ 39,630,000	-	16,355,000	23,275,000	8,110,000
Compensated absences	6,689,818	2,910,235	2,364,504	7,235,549	-
Other postemployment benefits (restated)	192,757,126	3,750,251	6,583,716	189,923,661	-
Workers' compensation	<u>2,103,699</u>	<u>180,760</u>	<u>-</u>	<u>2,284,459</u>	<u>-</u>
Total long-term liabilities	\$ <u>241,180,643</u>	<u>6,841,246</u>	<u>25,303,220</u>	<u>222,718,669</u>	<u>8,110,000</u>

The beginning balance for other postemployment benefits has been restated as a result of implementation of GASB 75 as described on note 8 and note 13.

(a) Serial Bonds

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, are full faith and credit debt of the local government. The provision to be made in the general fund's future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Long-Term Debt Maturity Schedule - The following is a statement of serial bonds with corresponding maturity schedules:

<u>Serial Bonds</u>	<u>Issue</u> <u>Date</u>	<u>Original</u> <u>Amount</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate (%)</u>	<u>Outstanding</u> <u>at 6/30/18</u>
2007 Refunding	03/22/07	\$ 54,865,000	06/15/20	4.00%-5.00%	6,665,000
2010 Serial bond	02/01/10	30,000,000	12/15/21	2.00%-4.00%	4,880,000
2011 Refunding	10/05/11	20,900,000	06/15/20	2.50%-5.00%	5,905,000
2016 Refunding	7/27/16	6,600,000	12/15/22	5.00%	<u>5,825,000</u>
Total					\$ <u>23,275,000</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(6) Long-term Debt, Continued

(a) Serial Bonds, Continued

Interest on long-term debt for the year was composed of:

Interest paid	\$ 1,666,621
Plus: Interest accrued in the current year	44,942
Amortization of deferred charges	513,305
Less: Interest accrued in the prior year	(73,380)
Amortization of deferred premiums	<u>(180,624)</u>
Total expense	\$ <u>1,970,864</u>

The following is a summary of the maturity of long-term indebtedness:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 8,110,000	1,045,088
2020	8,475,000	667,631
2021	2,130,000	268,613
2022	2,225,000	172,375
2023	<u>2,335,000</u>	<u>58,375</u>
Total	\$ <u>23,275,000</u>	<u>2,212,082</u>

The premiums on bonds have been deferred and recorded as deferred inflow of resources on the District-wide financial statements. The premiums are being amortized using the straight-line method, the remaining time to maturity of the bonds. The current year amortization is \$180,625 and is included as a reduction to interest expense.

Deferred premiums	\$ 1,445,000
Less: accumulated amortization	<u>(1,264,376)</u>
Net unamortized premiums	\$ <u>180,624</u>

The charges to refund bonds are recorded as deferred outflows of resources on the District-wide financial statements. The charges are being amortized using the straight-line method, the remaining time to maturity of the bonds. The current year amortization is \$513,305 and is included as an increase to interest expense on the statement of activities.

Deferred charges	\$ 2,294,517
Less: accumulated amortization	<u>(1,408,555)</u>
Net unamortized charges	\$ <u>885,962</u>

(b) Compensated Absences

Compensated absences represent the value of earned and unused portion of the liability for compensated absences.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(7) Pension Obligations

(a) Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provision of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees; Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/inex.php](http://www.osc.state.ny.us/retire/publications/inex.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(7) Pension Obligations, Continued

(b) Pension Asset/Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems; fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

	<u>TRS</u>	<u>ERS</u>	<u>Total</u>
2018	\$ 8,855,856	1,979,316	10,835,172
2017	10,046,851	2,003,332	12,050,183
2016	11,140,158	1,958,435	13,098,593

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

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	4/01/2017	6/30/2016
Measurement date	3/31/2018	6/30/2017
Net pension asset(liability)	\$ (1,500,274)	3,861,273
District's proportion of the Plan's net pension asset(liability)	0.0464849%	0.507966%

For the year ended June 30, 2018, the District recognized pension expense of \$1,902,890 for ERS and \$9,739,509 for TRS in the statement of activities.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(7) Pension Obligations, Continued

(b) Pension Asset/Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 535,099	3,176,879	442,186	1,505,466
Changes of assumptions	994,806	39,289,202	-	-
Net difference between projected and actual earnings on pension plan investments	2,179,029	-	4,301,185	9,094,414
Changes in proportion and differences between the District's contributions and proportionate share of contributions	<u>296,204</u>	<u>402,042</u>	<u>101,465</u>	<u>305,176</u>
	4,005,138	42,868,123	4,844,836	10,905,056
District's contributions subsequent to the measurement date	<u>508,430</u>	<u>8,194,542</u>	-	-
Total	\$ <u>4,513,568</u>	<u>51,062,665</u>	<u>4,844,836</u>	<u>10,905,056</u>

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

<u>Year ending</u>	<u>ERS</u>	<u>TRS</u>
2019	\$ 410,299	925,353
2020	286,179	10,426,528
2021	(1,038,372)	7,470,436
2022	(497,804)	1,878,445
2023	-	7,448,794
Thereafter	<u>-</u>	<u>3,813,511</u>
	\$ <u>(839,698)</u>	<u>31,963,067</u>

(c) Actuarial Assumptions

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(7) Pension Obligations, Continued

(c) Actuarial Assumptions, Continued

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Investment rate of return (net of investment expense, including inflation)	7.0%	7.25%
Salary increases	3.8%	1.90% - 4.72%
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.5%

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

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

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

The long-term expected rate of return on TRS 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.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(7) Pension Obligations, Continued

(c) Actuarial Assumptions, Continued

	<u>ERS</u>		<u>TRS</u>	
	<u>Target</u>	<u>Long-term</u> <u>expected real</u>	<u>Target</u>	<u>Long-term</u> <u>expected real</u>
	<u>allocation</u>	<u>rate of return*</u>	<u>allocation</u>	<u>rate of return*</u>
Measurement date	March 31, 2018		June 30, 2017	
Asset class:				
Domestic equity	36%	4.55%	35%	5.90%
International equity	14%	6.35%	18%	7.40%
Real estate	10%	5.55%	11%	4.30%
Domestic fixed income securities	-	-	16%	1.60%
Global fixed income securities	-	-	2%	1.30%
High-yield fixed income securities	-	-	1%	3.90%
Mortgages	-	-	8%	2.80%
Short-term	-	-	1%	0.60%
Private equity	10%	7.50%	8%	9.00%
Absolute return strategies	2%	3.75%	-	-
Opportunistic portfolio	3%	5.68%	-	-
Real assets	3%	5.29%	-	-
Bonds and mortgages	17%	1.31%	-	-
Cash	1%	(0.25%)	-	-
Inflation - indexed bonds	4%	1.25%	-	-

\*Real rates of return are net of long-term inflation assumptions of 2.5% for ERS and 2.2% for TRS.

(d) Discount Rate

The discount rate used to measure the total pension asset (liability) was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net positions were 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 asset (liability).

(e) Sensitivity of the Proportionate Share of the Net Pension Asset/Liability to the Discount Rate

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1% lower (6.0% for ERS and 6.25% for TRS) or 1% higher (8.0% for ERS and 8.25% for TRS) than the current rate:

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(7) Pension Obligations, Continued

(e) Sensitivity of the Proportionate Share of the Net Pension Asset/Liability to the Discount Rate, Continued

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability)	\$ (11,351,476)	(1,500,274)	6,833,450
TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension asset (liability)	\$ (66,518,293)	3,861,273	62,800,665

(f) Pension Plan Fiduciary Net Position

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

	(Dollars in Millions)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	3/31/2018	6/30/2017
Employers' total pension liability	\$ (183,400)	(114,708)
Plan fiduciary net position	<u>180,173</u>	<u>115,468</u>
Employers' net pension asset (liability)	\$ <u>(3,227)</u>	<u>760</u>
Ratio of plan fiduciary net position to the employers' total pension asset (liability)	98.24%	100.66%

(g) Payables to the Pension Plan

ERS employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$508,430. This amount has been recorded as an expenditure in the governmental fund statements and a deferred outflow of resources in the statement of net position.

TRS employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued employer retirement contributions and employee retirement contributions as of June 30, 2018 amounted to \$8,194,542 and \$661,314, respectively. The accrued employer contributions have been recorded as an expenditure in the governmental fund statements and a deferred outflow of resources in the statement of net position.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(8) Other Postemployment Benefits (OPEB)

Plan Description and Benefits

The District provides medical insurance and other fringe benefits to its employees and their dependents. For medical and prescription drug insurance, all active employees and retirees are covered by a self-insured plan. The District also provides vision and dental insurance to certain active and retired employee groups. Medical and prescription drug benefits are offered to retirees on an District-subsidized basis. Upon attaining age 65, or upon disability retirement, Medicare (Parts A and B) becomes the primary provider for hospital insurance and supplementary medical insurance.

A surviving spouse may continue to be covered, but at his/her own expense.

The District does not reimburse any Medicare Part B premiums to retirees, spouses or surviving spouses.

The District recognizes the cost of providing health insurance annually as expenditures in the of the funds financial statements as payments are made. For the year ended June 30, 2018, the District recognized approximately \$6.6 million in benefit payments for retirees currently receiving these benefits and all active employees who will be eligible in the future to receive these benefits.

Employees covered by benefit terms

At June 30, 2018, the following employees were covered by the benefit terms:

Current retirees	414
Active employees	<u>1,093</u>
	<u>1,507</u>

Total OPEB Liability

The District's total OPEB liability of \$189,923,661 was measured as of June 30, 2018 and was determined by an actuarial valuation as June 30, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(8) Other Postemployment Benefits (OPEB), Continued

Actuarial Assumptions and Other Inputs, Continued

Inflation	2.20%
Real wage growth	1.00%
Wage inflation	3.20%
Salary increases, including wage inflation	3.20%
Discount rate	3.87%
Healthcare cost trend rates	5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2078

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on April 1, 2010 - March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

Changes in the Total OPEB Liability

Original OPEB liability as of July 1, 2017 (under GASB 45)	\$ 49,729,132
Cumulative effect of change in accounting principle (required by GASB 75)	<u>143,027,994</u>
Total OPEB liability as of July 1, 2017	<u>192,757,126</u>
Changes for the year:	
Service cost	6,105,403
Interest on total OPEB liability	6,900,705
Changes of assumptions or other inputs	(9,255,857)
Benefit payments	<u>(6,583,716)</u>
Total changes	<u>(2,833,465)</u>
Total OPEB liability as of June 30, 2018	\$ <u>189,923,661</u>

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ <u>218,511,410</u>	<u>189,923,661</u>	<u>156,162,077</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(8) Other Postemployment Benefits (OPEB), Continued

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 total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>153,610,080</u>	<u>189,923,661</u>	<u>222,747,885</u>

OPEB Expense Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$12,207,501. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions or other inputs	\$ <u>          -</u>	<u>8,457,250</u>

Amounts reported as deferred inflows of resources related to other postemployment benefits will be recognized as follows:

<u>Year ending</u>	
2019	\$ (798,607)
2020	(798,607)
2021	(798,607)
2022	(798,607)
2023	(798,607)
Thereafter	<u>(4,464,215)</u>
Total	\$ <u>(8,457,250)</u>

(9) Risk Management

(a) General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(9) Risk Management, Continued

(b) Self-Insured Health Insurance

The District has chosen to establish a self-funded health and dental benefit program for its employees. The benefit programs administrator is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the general fund of the District. At year-end, the District has accrued a liability of \$1,739,275, which represents reported and unreported claims, which were incurred on or before year end, but which were not paid by the District as of that date.

Changes in the balances of claims liabilities during the year are as follows:

	Beginning of Year <u>Liability</u>	Incurred Claims Including <u>IBNRs</u>	Claim Payments	End of Year <u>Liability</u>
2015-2016	\$ <u>6,572,251</u>	<u>26,362,583</u>	<u>28,149,431</u>	<u>4,785,403</u>
2016-2017	\$ <u>4,785,403</u>	<u>33,912,927</u>	<u>31,655,439</u>	<u>7,042,891</u>
2017-2018	\$ <u>7,042,891</u>	<u>19,621,374</u>	<u>24,925,008</u>	<u>1,739,275</u>

(10) Interfund Transactions

<u>Fund</u>	Interfund <u>Receivable</u>	Interfund <u>Payable</u>	Interfund <u>Transfers in</u>	Interfund <u>Transfers out</u>
General	\$ 14,794,021	12,159,331	-	8,466,850
School Lunch	261,696	2,851,580	-	-
Special Aid	3,738,716	8,464,221	416,850	-
Capital Projects	7,500,000	307,269	8,050,000	-
Fiduciary	<u>102,036</u>	<u>2,614,068</u>	-	-
Total activities	\$ <u>26,396,469</u>	<u>26,396,469</u>	<u>8,466,850</u>	<u>8,466,850</u>

- The District typically transfers from the general fund to the special aid fund, as a required local match for Federal and State grants.
- All interfund payables are expected to be repaid within one year.
- Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(11) Fund Balance

The following is the disaggregation of the fund balance that is reported in summary on the governmental funds balance sheet:

	General <u>Fund</u>	School Lunch <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Total</u>
Nonspendable:				
Prepays	\$ 347,827	-	-	347,827
Inventory	<u>-</u>	<u>43,406</u>	<u>-</u>	<u>43,406</u>
Total nonspendable	<u>347,827</u>	<u>43,406</u>	<u>-</u>	<u>391,233</u>
Restricted:				
Workers compensation	3,677,713	-	-	3,677,713
Unemployment insurance	641,352	-	-	641,352
Employee benefit accrued liability	6,702,587	-	-	6,702,587
Retirement contribution	12,279,431	-	-	12,279,431
Insurance	2,743,856	-	-	2,743,856
Repairs	5,000,000	-	-	5,000,000
Capital improvements	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>
Total restricted	<u>36,044,939</u>	<u>-</u>	<u>-</u>	<u>36,044,939</u>
Assigned:				
General fund:				
General support	405,903	-	-	405,903
Instruction	876,319	-	-	876,319
Pupil transportation	467,604	-	-	467,604
Appropriated fund balance	9,650,000	-	-	9,650,000
School lunch fund	-	819,066	-	819,066
Capital projects fund	<u>-</u>	<u>-</u>	<u>7,496,801</u>	<u>7,496,801</u>
Total assigned	11,399,826	819,066	7,496,801	19,715,693
Unassigned	<u>9,601,552</u>	<u>-</u>	<u>-</u>	<u>9,601,552</u>
Total fund balance	<u>\$ 57,394,144</u>	<u>862,472</u>	<u>7,496,801</u>	<u>65,753,417</u>

The following is a summary of the change in reserve funds during the year ended June 30, 2018:

	Balance at <u>7/1/17</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/18</u>
General Fund:				
Workers' compensation	\$ 3,303,458	374,255	-	3,677,713
Unemployment insurance	671,101	-	(29,749)	641,352
Employee benefit accrued liability	7,198,716	-	(496,129)	6,702,587
Retirement contribution	10,254,534	2,024,897	-	12,279,431
Insurance	2,682,977	60,879	-	2,743,856
Repairs	5,000,000	-	-	5,000,000
Capital improvements	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>
Total general fund	<u>\$ 34,110,786</u>	<u>2,460,031</u>	<u>(525,878)</u>	<u>36,044,939</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Financial Statements, Continued

(12) Commitments and Contingencies

(a) Potential Grantor Liability

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

(b) Litigation

The District is party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings.

While the outcome of the above-noted proceedings cannot be predicted, the District feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the District.

(13) Cumulative Effect of Change in Accounting Principle

During the year ended June 30, 2018, the District implemented GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Implementation of Statement No. 75 required restatement of the governmental activities statement of net position as of June 30, 2017. The effect of this restatement was:

Net position, before restatement	\$ 215,314,336
Cumulative effect of change in accounting principle	<u>(143,027,994)</u>
Net position, after restatement	\$ <u>72,286,342</u>

(14) Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
 Required Supplementary Information  
 Schedule of Revenue, Expenditures, and Changes in Fund Balance -  
 Budget and Actual - General Fund  
 Year ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
Revenue:				
Local sources:				
Real property taxes	\$ 98,660,190	84,775,459	83,775,516	(999,943)
Star and other real property tax items	-	13,884,731	13,887,518	2,787
Charges for services	205,000	205,000	284,720	79,720
Use of money and property	225,000	225,000	479,945	254,945
Sale of property and compensation for loss	78,500	99,911	33,541	(66,370)
Miscellaneous	642,500	1,244,776	1,422,466	177,690
State aid	121,865,709	121,865,709	121,274,789	(590,920)
Federal aid	<u>150,000</u>	<u>150,000</u>	<u>922,090</u>	<u>772,090</u>
Total revenue and other sources	221,826,899	222,450,586	<u>222,080,585</u>	<u>(370,001)</u>
Appropriated fund balance	13,678,368	15,337,519		
Prior year encumbrances	<u>821,632</u>	<u>821,632</u>		
Total revenue and appropriated fund balance	<u>\$ 236,326,899</u>	<u>238,609,737</u>		

(Continued)

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
 Required Supplementary Information  
 Schedule of Revenue, Expenditures, and Changes in Fund Balance -  
 Budget and Actual - General Fund, Continued

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
Expenditures:					
General support:					
Board of education	\$ 77,550	104,909	84,085	-	20,824
Central administration	1,071,500	1,034,988	997,555	2,117	35,316
Finance	1,421,350	1,239,685	1,094,763	19,500	125,422
Staff	1,943,538	1,539,330	1,429,206	388	109,736
Central services	19,278,235	18,407,417	17,047,248	383,898	976,271
Special items	2,777,750	2,395,750	2,125,646	-	270,104
Instruction:					
Instruction, adm. and imp.	6,771,821	6,702,928	6,723,092	25,626	(45,790)
Teaching - regular school	63,192,348	58,244,405	56,988,308	106,647	1,149,450
Programs for children with special needs	46,293,690	42,533,808	40,166,159	735,166	1,632,483
Teaching - special schools	179,681	187,995	187,314	-	681
Instructional media	2,319,320	2,282,380	2,150,748	7,060	124,572
Pupil services	8,613,250	8,399,789	8,143,607	1,820	254,362
Pupil transportation	15,643,884	14,338,955	12,462,220	467,604	1,409,131
Community services	21,000	21,175	3,000	-	18,175
Employee benefits	56,313,542	54,302,783	46,230,513	-	8,072,270
Debt service:					
Debt service - principal	7,805,000	16,520,000	16,355,000	-	165,000
Debt service - interest	2,320,940	2,020,940	1,666,621	-	354,319
Total expenditures	236,044,399	230,277,237	213,855,085	1,749,826	14,672,326
Other financing uses - transfers to other funds	282,500	8,332,500	8,466,850	-	(134,350)
Total expenditures and other uses	<u>\$ 236,326,899</u>	<u>238,609,737</u>	<u>222,321,935</u>	<u>1,749,826</u>	<u>14,537,976</u>
Net change in fund balance			(241,350)		
Fund balance at beginning of year			<u>57,635,494</u>		
Fund balance at end of year			<u>\$ 57,394,144</u>		

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
 Required Supplementary Information  
 Schedule of Changes in District's  
 Total OPEB Liability and Related Ratios  
 Year ended June 30, 2018

Total OPEB liability	
Service cost	\$ 6,105,403
Interest	6,900,705
Changes of assumptions or other inputs	(9,255,857)
Benefit payments	<u>(6,583,716)</u>
Net change in total OPEB liability	(2,833,465)
Total OPEB liability - beginning	<u>192,757,126</u>
Total OPEB liability- ending	<u>\$ 189,923,661</u>
Covered payroll	\$ 101,470,786
Total OPEB liability as a percentage of covered payroll	187.17%

## Notes to schedule:

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

2018	3.87%
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This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District is presenting information for those years for which information is available.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
 Required Supplementary Information  
 Schedule of District's Proportionate Share of the Net Pension Asset/Liability  
 Year ended June 30, 2018

<u>TRS System</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The District's proportion of the net pension asset (liability)	0.507966%	0.514595%	0.511340%	0.506856%
The District's proportionate share of the net pension asset (liability)	\$ 3,861,273	\$ (5,511,533)	\$ 53,111,952	\$ 56,460,619
The District's covered payroll	\$ 83,618,061	\$ 85,723,985	\$ 84,013,258	\$ 72,852,139
The District's proportionate share of the net pension asset (liability) as a percentage of covered payroll	4.62%	6.43%	63.22%	77.50%
Plan fiduciary net position as a percentage of the total pension asset	100.66%	99.01%	110.46%	111.48%
 <u>ERS System</u>	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>
The District's proportion of the net pension liability	0.0464849%	0.4845180%	0.0045014%	0.0464036%
The District's proportionate share of the net pension liability	\$ (1,500,274)	\$ (4,552,636)	\$ (7,224,935)	\$ (1,567,627)
The District's covered payroll	\$ 13,410,943	\$ 13,614,952	\$ 11,940,136	\$ 12,640,641
The District's proportionate share of the net pension liability as a percentage of covered payroll	11.19%	33.44%	60.51%	12.40%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%	97.95%

\* The amounts presented for each fiscal year were determined as of each System's measurement date.

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

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
 Required Supplementary Information  
 Schedule of District's Pension Contributions  
 Year ended June 30, 2018

<u>TRS System</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 8,855,856	10,046,851	11,140,158	12,770,980	11,701,201	8,617,722	7,825,384	6,723,708	4,685,260	5,566,356
Contribution in relation to the contractually required contribution	<u>8,855,856</u>	<u>10,046,851</u>	<u>11,140,158</u>	<u>12,770,980</u>	<u>11,701,201</u>	<u>8,617,722</u>	<u>7,825,384</u>	<u>6,723,708</u>	<u>4,685,260</u>	<u>5,566,356</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
The District's covered payroll	<u>\$ 83,618,061</u>	<u>85,723,985</u>	<u>84,013,258</u>	<u>72,852,139</u>	<u>72,007,391</u>	<u>72,784,814</u>	<u>70,435,500</u>	<u>78,001,253</u>	<u>75,690,792</u>	<u>72,953,552</u>
Contribution as a percentage of covered payroll	10.59%	11.72%	13.26%	17.53%	16.25%	11.84%	11.11%	8.62%	6.19%	7.63%
 <u>ERS System</u>	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>	 <u>2014</u>	 <u>2013</u>	 <u>2012</u>	 <u>2011</u>	 <u>2010</u>	 <u>2009</u>
Contractually required contribution	\$ 1,979,316	2,003,332	1,958,435	2,487,283	2,181,534	2,127,550	1,743,112	1,231,525	888,880	880,369
Contribution in relation to the contractually required contribution	<u>1,979,316</u>	<u>2,003,332</u>	<u>1,958,435</u>	<u>2,487,283</u>	<u>2,181,534</u>	<u>2,127,550</u>	<u>1,743,112</u>	<u>1,231,525</u>	<u>888,880</u>	<u>880,369</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
The District's covered payroll	<u>\$ 13,410,943</u>	<u>13,614,952</u>	<u>11,940,136</u>	<u>12,640,641</u>	<u>11,920,951</u>	<u>11,852,646</u>	<u>9,881,587</u>	<u>10,086,200</u>	<u>10,494,451</u>	<u>13,606,940</u>
Contribution as a percentage of covered payroll	14.76%	14.71%	16.40%	19.68%	18.30%	17.95%	17.64%	12.21%	8.47%	6.47%

OTHER SUPPLEMENTARY INFORMATION

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
 Other Supplementary Information  
 Schedule of Change from Adopted Budget to Final Budget and  
 the Real Property Tax Limit Calculation  
 Year ended June 30, 2018

## Change from adopted budget to final budget:

Adopted budget	\$ 236,326,899
Add additional revenues	<u>2,282,838</u>
Final budget	<u>\$ 238,609,737</u>

Section 1318 of Real Property Tax Law Limit Calculation

2018-2019 voter approved expenditure budget	<u>\$ 240,038,811</u>
Maximum allowed 4% of 2018-2019 budget	<u>9,601,552</u>

## General fund fund balance subject to Section 1318 of Real Property Tax Law\*:

## Unrestricted fund balance:

Assigned fund balance	\$ 9,650,000	
Encumbrances	1,749,826	
Unassigned fund balance	<u>9,601,552</u>	

Total unrestricted fund balance	21,001,378
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## Less:

Appropriated fund balance	9,650,000	
Encumbrances	<u>1,749,826</u>	

Total adjustments	<u>11,399,826</u>
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General fund fund balance subject to Section 1318 of Real Property Tax Law	<u>\$ 9,601,552</u>
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Actual percentage	4.00%
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- \* 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.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
 Other Supplementary Information  
 Schedule of Project Expenditures - Capital Projects Fund  
 Year ended June 30, 2018

Project title	Expenditures and Obligations to Date					Methods of Financing					Fund Balance 6/30/2018
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	
Excel Projects	\$ 56,905,000	56,905,000	47,779,122	-	47,779,122	9,125,878	30,000,000	5,531,444	12,542,584	48,074,028	294,906
2017 Capital Improvements	39,470,000	39,470,000	-	848,105	848,105	38,621,895	-	-	8,050,000	8,050,000	7,201,895
	<u>\$ 96,375,000</u>	<u>96,375,000</u>	<u>47,779,122</u>	<u>848,105</u>	<u>48,627,227</u>	<u>47,747,773</u>	<u>30,000,000</u>	<u>5,531,444</u>	<u>20,592,584</u>	<u>56,124,028</u>	<u>7,496,801</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Other Supplementary Information  
Net Investment in Capital Assets  
June 30, 2018

Capital assets, net		\$ 204,087,483
Add:		
Deferred charges on refunding of debt		885,962
Deduct:		
Deferred premiums on refunding of debt	\$ (180,624)	
Serial bonds payable	<u>(23,275,000)</u>	<u>(23,455,624)</u>
Net investment in capital assets		<u>\$ 181,517,821</u>

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Federal Grant Compliance Audit  
June 30, 2018

**INDEPENDENT AUDITORS' 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**

The Board of Education  
William Floyd 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 fiduciary funds of William Floyd Union Free School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 15, 2018.

Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 15, 2018

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

The Board of Education  
William Floyd Union Free School District:

**Report on Compliance for Each Major Federal Program**

We have audited William Floyd Union Free School District's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

### Opinion on Each Major Federal Program

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

### Report on Internal Control Over Compliance

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

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

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

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

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 15, 2018

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2018

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Agency or pass-through number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of Agriculture</u>				
Passed-through New York State Education Department:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	\$ 690,699	-
National School Lunch Program	10.555	N/A	2,418,457	-
Summer Food Service Program for Children	10.559	N/A	32,343	-
Total Child Nutrition Cluster			<u>3,141,499</u>	-
Total U.S. Department of Agriculture			<u>3,141,499</u>	-
<u>U.S. Department of Education</u>				
Passed-through New York State Education Department:				
Special Education Cluster:				
Special Education - Grants to States	84.027	0032-17-0894	65,538	-
Special Education - Grants to States	84.027	0032-18-0894	2,398,304	-
Special Education - Preschool Grants	84.173	0033-17-0984	23,859	-
Special Education - Preschool Grants	84.173	0033-18-0984	145,605	-
Total Special Education Cluster			2,633,306	-
Title I Grants to Local Educational Agencies	84.010	0021-17-3025	26,988	-
Title I Grants to Local Educational Agencies	84.010	0021-18-3025	1,895,322	-
Title I Grants to Local Educational Agencies	84.010	0011-17-2580	205	-
Title I Grants to Local Educational Agencies	84.010	0011-18-2580	14,346	-
English Language Acquisition State Grants	84.365	0149-17-3025	32,391	-
English Language Acquisition State Grants	84.365	0153-17-3025	3,834	-
English Language Acquisition State Grants	84.365	0293-17-3025	23,174	-
English Language Acquisition State Grants	84.365	0293-18-3025	76,125	-
Supporting Effective Instruction State Grants	84.367	0147-17-3025	70,139	-
Supporting Effective Instruction State Grants	84.367	0147-18-3025	338,282	-
Total U.S. Department of Education			<u>5,114,112</u>	-
Total Expenditures of Federal Awards			<u>\$ 8,255,611</u>	-

See accompanying notes to schedule of expenditures of federal awards.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

June 30, 2018

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the William Floyd Union Free School District (District) under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and changes in net position of the District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. Expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through numbers are presented where available.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

Non-monetary assistance is reported in the schedule at the fair market value of commodities received, which is provided by New York State.

(3) Indirect Costs

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Subrecipients

No amounts were provided to subrecipients.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Notes to Schedule of Expenditures of Federal Awards, Continued

(5) Other Disclosures

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2018

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- 1. Material weakness(es) identified? \_\_\_ Yes x No
- 2. Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_ Yes x None reported
- 3. Noncompliance material to financial statements noted? \_\_\_ Yes x No

Federal Awards:

Internal control over major programs:

- 4. Material weakness(es) identified? \_\_\_ Yes x No
- 5. Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_ Yes x None reported

Type of auditors' report issued on compliance for major programs: Unmodified

- 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)? \_\_\_ Yes x No
- 7. The District's major programs audited were:

<u>Name of Federal Programs</u>	<u>CFDA Number</u>
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Supporting Effective Instruction States Grants	84.367

- 8. Dollar threshold used to distinguish between Type A and Type B programs. \$750,000
- 9. Auditee qualified as low-risk auditee? x Yes \_\_\_ No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings or questioned costs.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Status of Prior Audit Findings  
Year ended June 30, 2018

There were no audit findings in the prior year financial statements (June 30, 2017).

WILLIAM FLOYD UNION  
FREE SCHOOL DISTRICT

Extraclassroom Activity Fund and  
Independent Auditors' Report

June 30, 2018

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
Extraclassroom Activity Funds

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## INDEPENDENT AUDITORS' REPORT

The Board of Education  
William Floyd Union Free School District:

We have audited the accompanying statement of cash receipts, cash disbursements and cash balances of the William Floyd Union Free School District's Extraclassroom Activity Fund (the District) as of June 30, 2018 and for the year then ended, and the related note to financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in note 1(b), this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.

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

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

Opinion

In our opinion, the statement of cash receipts, cash disbursements and cash balances referred to above presents fairly, in all material respects, the cash receipts and cash disbursements of William Floyd Union Free School District's Extraclassroom Activity Fund for the year ended June 30, 2018, in accordance with the basis of accounting as described in note 1(b).

Basis of Accounting

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

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 15, 2018

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
 Extraclassroom Activity Fund  
 Statement of Cash Receipts, Cash Disbursements, and Cash Balances  
 Year ended June 30, 2018

<u>Extraclassroom Activity</u>	Cash Balances at July 1, 2017	Cash Receipts	Cash Disbursements	Cash Balances at June 30, 2018
William Floyd High School:				
Best Buddies	\$ 1,220	-	-	1,220
Business Honor Society	171	2,268	(2,296)	143
Chamber Players	361	-	-	361
Class of 2017	1,301	-	(1,301)	-
Class of 2018	2,216	84,590	(77,953)	8,853
Class of 2019	3,665	1,979	(2,615)	3,029
Class of 2020	5,555	2,170	(1,991)	5,734
Class of 2021	-	3,751	(1,739)	2,012
CTE	12,718	23,429	(30,930)	5,217
Floyd Academy- SGC	-	894	(513)	381
Field Trips	-	5,144	(5,144)	-
Foreign Language Honor Society	653	3,349	(2,019)	1,983
Future Business Leaders of America	1,607	5,479	(6,412)	674
Interact Club	166	-	-	166
Key Club	550	8,219	(8,339)	430
Literary Magazine	-	527	-	527
Mock Trial	150	-	-	150
Music Club	1,097	5,707	(4,486)	2,318
National Art Honor Society	295	1,533	(1,461)	367
National Honor Society	872	10,728	(18,190)	(6,590)
Quiz Bowl/LI Challenge	11	-	-	11
Rockettes (Kickline)	1,878	6,519	(5,768)	2,629
Sales Tax Payable	188	4,657	(4,600)	245
Select Choir	1,597	58,015	(57,495)	2,117
Athletics	13,278	33,036	(32,872)	13,442
Stage Band/Jazz Ensemble	1,012	28,864	(26,880)	2,996
Student Council	5,555	14,165	(16,386)	3,334
Tri-M (Modern Music Masters)	5,047	5,595	(1,200)	9,442
Vocal Ensemble	56	-	-	56
Yearbook	3,221	19,143	(18,806)	3,558
Youth and Government	1,191	-	(231)	960
Total William Floyd High School	<u>65,631</u>	<u>329,761</u>	<u>(329,627)</u>	<u>65,765</u>

(Continued)

See accompanying notes to financial statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT  
 Extraclassroom Activity Fund  
 Statement of Cash Receipts, Cash Disbursements, and Cash Balances, Continued

<u>Extraclassroom Activity</u>	<u>Cash Balances at July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Cash Balances at June 30, 2018</u>
<b>William Paca Middle School:</b>				
Girl's Chorus	\$ 5,146	9,262	(11,794)	2,614
Honor Society	5,978	29,306	(24,355)	10,929
Jazz Band	13	-	-	13
Math Club	405	341	(108)	638
Garden Club	1,290	463	(533)	1,220
Robotics	-	49	-	49
Sales Tax Payable	1,733	2,188	(2,336)	1,585
Judo Club	-	2,372	(246)	2,126
Student Council	29,858	38,221	(33,375)	34,704
Yearbook	2,882	-	(306)	2,576
Total William Paca Middle School	<u>47,305</u>	<u>82,202</u>	<u>(73,053)</u>	<u>56,454</u>
<b>William Floyd Middle School:</b>				
6th Grade Field Trip	8,176	24,318	(26,545)	5,949
Concert Band	3,513	3,832	(5,417)	1,928
Festival Orchestra	16	2,990	(2,768)	238
Mixed Chorus	-	2,116	(2,095)	21
Garden Club	2,009	5,115	(2,098)	5,026
Honor Society	615	3,251	(945)	2,921
Quarterly Sales Tax - District	1,394	-	(1,394)	-
Sales Tax Payable	750	2,275	(1,665)	1,360
Student Council	22,882	42,387	(50,469)	14,800
Student Council PBS	2,987	2,283	(890)	4,380
Yearbook	483	9,421	(7,951)	1,953
Total William Floyd Middle School	<u>42,825</u>	<u>97,988</u>	<u>(102,237)</u>	<u>38,576</u>
William Floyd Elementary School	<u>20,187</u>	<u>54,152</u>	<u>(50,531)</u>	<u>23,808</u>
Grand Total	<u>\$ 175,948</u>	<u>564,103</u>	<u>(555,448)</u>	<u>184,603</u>

See accompanying notes to financial statements.

WILLIAM FLOYD UNION FREE SCHOOL DISTRICT

Extraclassroom Activity Funds

Note to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

(a) Financial Reporting Entity

The extraclassroom activity fund represents funds of the students of the William Floyd Union Free School District (the District). Although the extraclassroom activity funds are independent of the District with respect to their financial transactions and the designation of student management, the Board of Education exercises general oversight of these funds. Based on this criterion, the extraclassroom activity funds are included in the District's reporting entity. The District reports these assets held by it as agent for the extraclassroom organizations in an agency fund in the Statement of Fiduciary Net Position - Fiduciary Funds.

(b) Basic of Accounting

The accounts of the extraclassroom activity fund are maintained on the cash basis of accounting, and the statement of cash receipts, cash disbursements and cash balances reflect only cash received and disbursed. Therefore, receivables and payables, inventory, long-lived assets, and accrued income and expenses, which would be recognized under accounting principles generally accepted in the United States of America, and which may be material in amount, are not recognized in the accompanying financial statement.