



FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2018

BALDWIN UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Baldwin Union Free School District
Baldwin, New York

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Baldwin 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.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 13 and 48 through 52, respectively, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baldwin Union Free School District's basic financial statements. The other supplementary information on pages 53 through 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018 on our consideration of the Baldwin Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Baldwin Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Baldwin Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 10, 2018

BALDWIN UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The Baldwin Union Free School District'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.

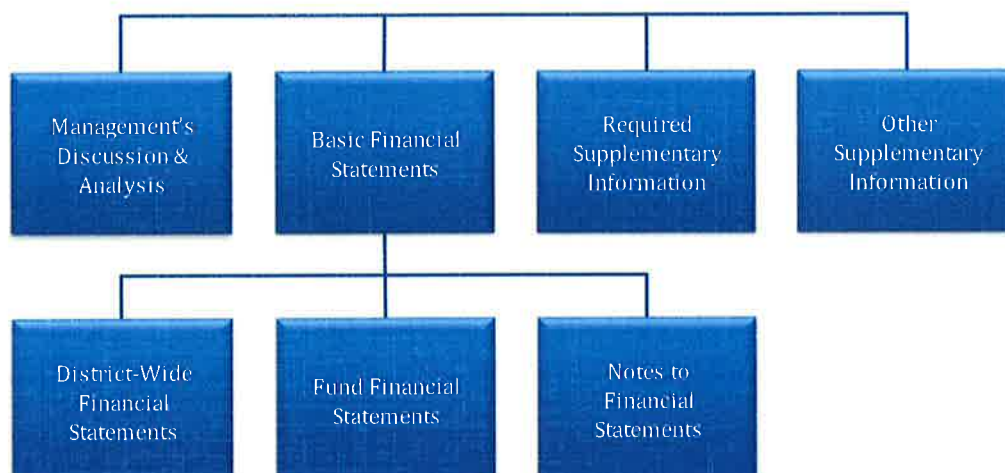
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- The District's total net position (deficit), as reflected in the district-wide financial statements is \$(41,146,562), a decrease of \$1,402,628 from the prior year. This was due to an excess of expenses over revenues based on the accrual basis of accounting.
- The District's total net position at June 30, 2017 was restated and decreased by \$79,201,605, as a result of the required implementation of a new GASB accounting standard during the 2018 fiscal year. This new GASB accounting standard has no impact on the governmental funds financial statements.
- The District's operating revenues and expenses for the year, as reflected in the district-wide financial statements, were \$132,208,481 and \$133,611,109, respectively.
- The District received \$2,690,085 in operating grants to support instructional programs.
- The general fund's total fund balance, as reflected in the fund financial statements, is \$30,091,993, a decrease of \$4,480,015 from the prior year. This was due to an excess of expenditures over revenues based on the current financial resources measurement focus and the modified accrual basis of accounting.
- The District's 2018 property tax levy of \$91,907,272 was a \$1,596,215 increase over the 2017 tax levy and equaled the property tax cap limit.
- In May 2018, the District's voters authorized the expenditure of \$1,457,425 from the 2011 capital reserve, \$5,021,263 from the 2015 capital reserve, and \$4,480,487 from the 2017 capital reserve for various capital improvements throughout the District. The District recorded an operating transfer of \$10,973,763 to the capital project funds as of June 30, 2018.

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 government-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. Government-Wide Financial Statements

The government-wide financial statements present the governmental activities of the District and 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 government-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 economic resources measurement focus and 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 and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference 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.

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. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund 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.

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund 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 fund statements provide a detailed short-term view of the District's operations and the services it provides.

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-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 fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. 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 (deficit) increased by \$1,402,628 between fiscal year 2018 and 2017. The June 30, 2017 net position has been decreased by \$79,201,605, resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. A summary of the District's Statements of Net Position follows:

	2018	As Restated 2017	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 51,369,743	\$ 46,204,527	\$ 5,165,216	11.18 %
Capital Assets, Net	39,065,073	40,802,494	(1,737,421)	(4.26)%
Net Pension Asset -				
Proportionate Share	2,518,487		2,518,487	100.00 %
Total Assets	<u>92,953,303</u>	<u>87,007,021</u>	<u>5,946,282</u>	6.83 %
Deferred Outflows of Resources	<u>37,497,730</u>	<u>37,781,589</u>	<u>(283,859)</u>	(0.75)%
Liabilities				
Current and Other Liabilities	8,395,695	9,685,998	(1,290,303)	(13.32)%
Long-Term Liabilities	12,308,509	15,088,414	(2,779,905)	(18.42)%
Net Pension Liability -				
Proportionate Share	1,270,771	7,156,000	(5,885,229)	(82.24)%
Total OPEB Obligation	<u>138,621,691</u>	<u>130,810,970</u>	<u>7,810,721</u>	5.97 %
Total Liabilities	<u>160,596,666</u>	<u>162,741,382</u>	<u>(2,144,716)</u>	(1.32)%
Deferred Inflows of Resources	<u>11,000,929</u>	<u>1,791,162</u>	<u>9,209,767</u>	514.18 %
Net Position (Deficit)				
Net Investment in Capital Assets	31,413,154	30,305,157	1,107,997	3.66 %
Restricted	29,646,895	23,577,938	6,068,957	25.74 %
Unrestricted (Deficit)	<u>(102,206,611)</u>	<u>(93,627,029)</u>	<u>(8,579,582)</u>	9.16 %
Total Net Position (Deficit)	<u>\$ (41,146,562)</u>	<u>\$ (39,743,934)</u>	<u>\$ (1,402,628)</u>	3.53 %

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Current and other assets increased by \$5,165,216, as compared to the prior year. The increase is primarily evidenced by an increase in cash and receivables.

Capital assets, net decreased by \$1,737,421, as compared to the prior year. This decrease is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset – proportionate share has a balance of \$2,518,487, as the New York State Teachers' Retirement System experienced a gain resulting in an ending balance that was an asset. The prior year balance was a liability.

Deferred outflows of resources represents contributions to the retirement plan subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by \$1,290,303, as compared to the prior year. This decrease is primarily from a decrease in due to the teachers' retirement system.

Long-term liabilities decreased by \$2,779,905, as compared to the prior year. This decrease is primarily due to scheduled debt payments, offset by an increase in compensated absences.

Net pension liability – proportionate share decreased by \$5,885,229 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Total other postemployment benefits (OPEB) obligation increased by \$7,810,721, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 16 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension plan that will be amortized in future years.

The net investment in capital assets relates to the investment in capital assets at cost such as land; construction in progress; buildings and improvements; and, furniture and equipment, net of depreciation and related debt. This number increased over the prior year as follows:

	<u>Increase (Decrease)</u>
Capital asset additions	\$ 636,476
Principal debt reduction - payments	2,845,418
Depreciation expense	<u>(2,373,897)</u>
	<u>\$ 1,107,997</u>

The restricted amount of \$29,646,895 relates to the District's reserves. This number increased by \$6,068,957 compared to the prior year. This increase is primarily due to funding the workers' compensation, retirement contribution and capital reserves, offset by the usage of these reserves.

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The unrestricted (deficit) amount of \$(102,206,611) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$8,579,582, primarily as a result of an unfunded addition to the OPEB liability.

B. Changes in Net Position

The results of 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 line. 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:

	2018	2017	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 2,362,982	\$ 2,523,797	\$ (160,815)	(6.37)%
Operating Grants	3,047,097	2,779,380	267,717	9.63 %
Capital Grants		87,310	(87,310)	(100.00)%
General Revenues				
Real Property Taxes and STAR	91,907,272	90,406,333	1,500,939	1.66 %
State Sources	31,217,123	30,302,777	914,346	3.02 %
Other	3,674,007	2,815,351	858,656	30.50 %
Total Revenues	<u>132,208,481</u>	<u>128,914,948</u>	<u>3,293,533</u>	2.55 %
Expenses				
General Support	17,217,333	16,755,343	461,990	2.76 %
Instruction	107,863,762	103,783,233	4,080,529	3.93 %
Pupil Transportation	6,444,767	6,657,013	(212,246)	(3.19)%
Community Service	16,682	19,280	(2,598)	(13.48)%
Debt Service - Interest	309,468	407,116	(97,648)	(23.99)%
Food Service Program	1,759,097	1,681,427	77,670	4.62 %
Total Expenses	<u>133,611,109</u>	<u>129,303,412</u>	<u>4,307,697</u>	3.33 %
Total Change in Net Position	<u>\$ (1,402,628)</u>	<u>\$ (388,464)</u>	<u>\$ (1,014,164)</u>	261.07 %

The District's net position decreased by \$(1,402,628) and \$(388,464), for the years ended June 30, 2018 and 2017, respectively.

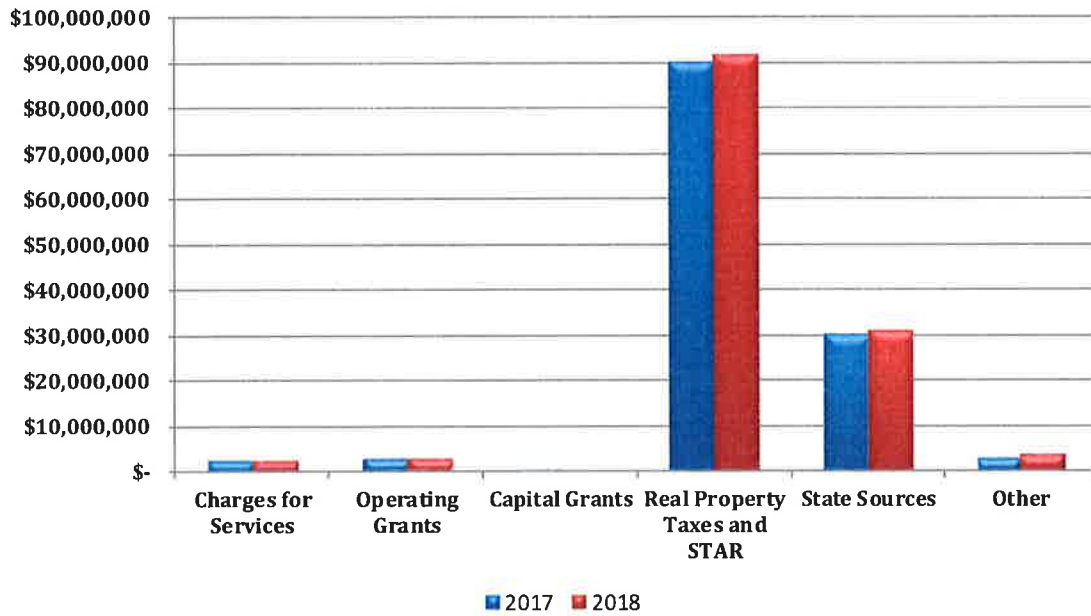
The District's revenues increased by \$3,293,533 or 2.55%. The major factor that contributed to the increase was the increase in real property taxes and STAR, other revenue sources and state aid associated with increases in basic formula aid and other state grants.

The District's expenses for the year increased by \$4,307,697 or 3.33%.

As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized; 69.5% and 70.1% of the total for the years 2018 and 2017, respectively. Instruction expenses is the largest category of expenses incurred; 80.8% and 80.3% of the total for the years 2018 and 2017, respectively.

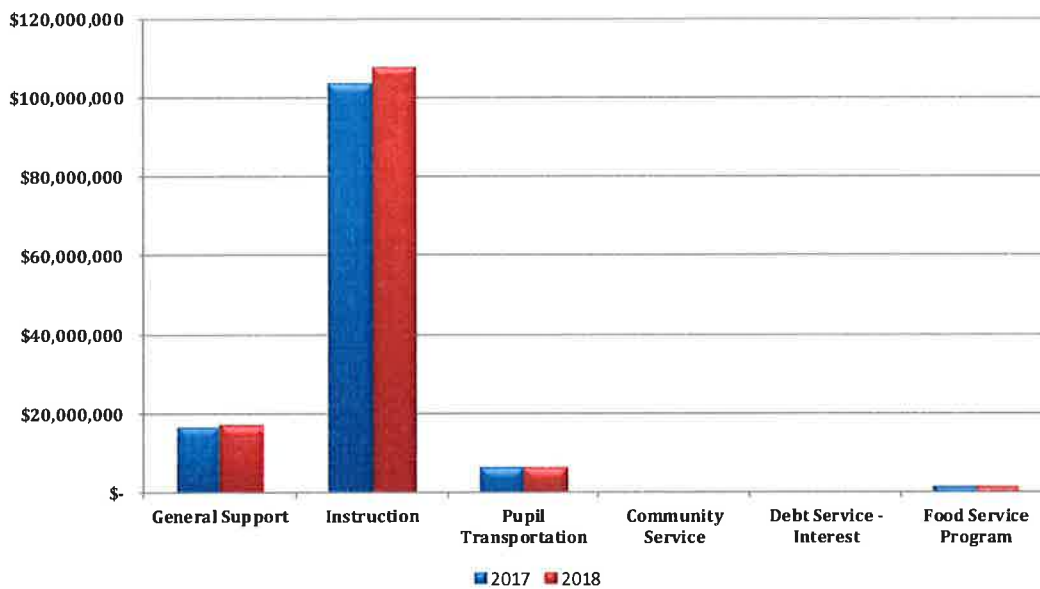
BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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



	Charges for Services	Operating Grants	Capital Grants	Real Property Taxes and STAR	State Sources	Other
2017	2.0%	2.2%	0.1%	70.1%	23.5%	2.1%
2018	1.8%	2.3%	0.0%	69.5%	23.6%	2.8%

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



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
2017	13.0%	80.3%	5.1%	0.0%	0.3%	1.3%
2018	12.9%	80.8%	4.8%	0.0%	0.2%	1.3%

BALDWIN 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 \$42,202,380, which is an increase of \$5,972,295 over the prior year. This increase is due to an excess of revenues over expenditures based on the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2018	2017	Increase (Decrease)
General Fund			
Nonspendable: Prepaids	\$ 100,000	\$ 100,000	\$ -
Restricted:			
Workers' Compensation	3,082,826	3,066,791	16,035
Unemployment Insurance	331,155	329,508	1,647
Retirement Contribution	7,279,634	6,022,931	1,256,703
Employee Benefit Accrued Liability	2,347,243	2,335,565	11,678
Capital	5,155,251	11,091,363	(5,936,112)
Assigned:			
Appropriated Fund Balance	2,500,000	2,500,000	-
Unappropriated Fund Balance	1,381,252	1,313,195	68,057
Unassigned: Fund Balance	7,914,632	7,812,655	101,977
	<u>30,091,993</u>	<u>34,572,008</u>	<u>(4,480,015)</u>
School Food Service Fund			
Nonspendable: Inventory	5,608	6,152	(544)
Assigned: Unappropriated Fund Balance	597,123	594,938	2,185
	<u>602,731</u>	<u>601,090</u>	<u>1,641</u>
Debt Service Fund			
Restricted: Debt Service	1,658	1,658	-
Capital Projects Fund			
Restricted: Capital	11,449,128	1,319,328	10,129,800
Assigned: Unappropriated Fund Balance	56,870		56,870
Unassigned: Fund Balance (Deficit)		(263,999)	263,999
	<u>11,505,998</u>	<u>1,055,329</u>	<u>10,450,669</u>
 Total Fund Balance	 <u>\$ 42,202,380</u>	 <u>\$ 36,230,085</u>	 <u>\$ 5,972,295</u>

A. General Fund

The net change in the general fund - fund balance is a decrease of \$4,480,015 compared to a \$5,087,183 increase in the prior year, as expenditures and other uses of \$131,772,106 exceeded revenues of \$127,292,091. Revenues increased by \$2,626,547 (2.11%) over the fiscal 2017 totals, primarily because of the increase in real property taxes \$1,692,333 and state sources of \$1,001,656. Expenditures and other uses increased \$12,193,745 (10.20%) over fiscal 2017 totals, primarily due to increases in instruction (\$1,199,370) and operating transfers out (\$10,431,558). The increase in instruction was mainly due to teaching regular school (\$1,208,280) and the increase in operating transfers out was mainly due to the transfer to capital projects fund (\$10,419,226).

The District expects to appropriate \$2,500,000 from reserves to fund the budget and reduce taxes for the year ending June 30, 2019.

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. School Food Service Fund

The net change in the school food service fund – fund balance is an increase of \$1,641, which was the operating profit of the school food service program.

C. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of \$10,450,669, resulting from current year transfer of capital reserve funds based on voter approval, offset by expenditures for on-going capital projects.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2017-2018 Budget

The District's general fund adopted budget for the year ended June 30, 2018 was \$128,471,371. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,313,195, plus budget revisions in the amount of \$11,057,124, for a total final budget of \$140,841,690.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$91,907,272 in estimated property taxes and STAR receipts, and \$28,948,509 in estimated state aid.

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

The general fund's unassigned 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, appropriations to fund the subsequent year's budget, encumbrances and amounts classified as nonspendable. 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	\$ 7,812,655
Revenues over budget	3,329,021
Expenditures and encumbrances under budget	7,688,332
Interest allocated to reserves	(81,837)
Net Allocation to reserves	(8,332,838)
Unused budgeted reserves	(701)
Appropriated to fund the June 30, 2019 Budget	<u>(2,500,000)</u>
Closing, unassigned fund balance	<u><u>\$ 7,914,632</u></u>

Opening, Unassigned Fund Balance

The \$7,812,655 shown in the table is the portion of the District's June 30, 2017 fund balance that was retained as unassigned.

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Revenues Over Budget

The 2017-2018 final budget for revenues was \$123,963,070. Actual revenues received for the year were \$127,292,091. The District's actual revenues were more than the amounts estimated by \$3,329,021, primarily in state sources (\$2,268,614) and miscellaneous revenue (\$569,706).

Expenditures and Encumbrances Under Budget

The 2017-2018 final budget for expenditures was \$140,841,690. Actual expenditures as of June 30, 2018 were \$131,772,106 and outstanding encumbrances were \$1,381,252. Combined, the expenditures plus encumbrances for 2017-2018 were \$133,153,358. The final budget was under expended by \$7,688,332. The majority of this under expenditure was in the areas of central services, programs for students with disabilities, pupil transportation and employee benefits.

Interest Allocated to Reserves

This amount of \$(81,837) represents the interest earned on the reserve balances.

Net Allocation to Reserves/Unused Budgeted Reserves

All transfers to and from reserves were either approved by the voters or the Board of Education, and include the transfer of surplus totaling \$8,332,838 and the return of unused appropriated reserves totaling \$701 to the reserves.

Appropriated Fund Balance

The District has chosen to use \$2,500,000 of the available June 30, 2018 unassigned fund balance to partially fund the 2018-2019 approved operating budget. As such, the June 30, 2018 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the unassigned fund balance at June 30, 2018 was \$7,914,632. This amount equals 6.04% of the 2018-2019 budget and exceeds the 4% statutory limit.

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

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 of \$2,379,662 in excess of capital additions of \$636,476 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:

	2018	2017	Increase (Decrease)
Land	\$ 1,820,600	\$ 1,820,600	\$ -
Construction in progress	569,580	712,563	(142,983)
Buildings and improvements	36,038,610	37,625,560	(1,586,950)
Furniture and equipment	636,283	643,771	(7,488)
Capital assets, net	<u>\$ 39,065,073</u>	<u>\$ 40,802,494</u>	<u>\$ (1,737,421)</u>

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Debt Administration

At June 30, 2018, the District had total bonds payable of \$6,949,694. The bonds were issued for school building improvements or the refunding of bonds originally issued for school building improvements. The decrease in outstanding bonds payable is the result of principal repayments. The District is also obligated under an installment purchase contract, which funded energy performance improvements completed in fiscal 2006. The outstanding balance is \$702,225. The accompanying Notes to Financial Statements, Note 13 "Long-Term Liabilities" provides additional information. A summary of the outstanding debt at June 30, 2018 and 2017 is as follows:

Issue Date	Interest Rate	2018	2017	Increase (Decrease)
Bonds Payable				
March 2009	2.500%	\$ 749,694	\$ 920,000	\$ (170,306)
December 2011	2.00-3.00%		485,000	(485,000)
December 2011	2.00-4.00%	2,500,000	3,675,000	(1,175,000)
June 2015	2.00-4.00%	3,700,000	4,554,694	(854,694)
		<u>\$ 6,949,694</u>	<u>\$ 9,634,694</u>	<u>\$ (2,685,000)</u>
Energy Performance Contract				
September 2005	5.822%	<u>\$ 702,225</u>	<u>\$ 862,643</u>	<u>\$ (160,418)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The District's outstanding serial bonds at June 30, 2018 are approximately 3% of the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, workers' compensation liability, net pension liability – proportionate share and total other postemployment benefits obligation. The compensated absences liability is based on employment contracts. The workers' compensation liability, the net pension liability – proportionate share and the total other postemployment benefits obligation are based on actuarial valuations.

	2018	As Restated 2017	Increase (Decrease)
Compensated absences	\$ 2,893,226	\$ 2,827,713	\$ 65,513
Workers' compensation	1,763,364	1,763,364	-
Net pension liability - proportionate share	1,270,771	7,156,000	(5,885,229)
Total OPEB obligation	<u>138,621,691</u>	<u>130,810,970</u>	<u>7,810,721</u>
	<u>\$ 144,549,052</u>	<u>\$ 142,558,047</u>	<u>\$ 1,991,005</u>

BALDWIN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 15, 2018, for the year ending June 30, 2019, is \$131,020,750. This is an increase of \$2,549,379 or 1.98% over the previous year's budget. The increase is principally in employee salaries and related benefits.

The District budgeted revenues other than property taxes and STAR at a \$1,063,336 increase over the prior year's estimate, which is principally due to an estimated increase in state aid. The assigned, appropriated fund balance applied to the budget in the amount of \$2,500,000 is the same as the previous year. Additionally, the District has elected to appropriate \$2,236,000 of reserves towards the next year's budget, which is an increase of \$129,750 over the previous year. An increase in property tax of \$1,356,293 or 1.48%, levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

B. Future Budgets

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2018-2019 is an increase of 1.48%. The District's 2018-2019 property tax was equal to the tax cap and did not require an override vote.

D. Property Tax Relief Credit

New York State law provides a "Property Tax Relief Credit" to eligible taxpayers through 2019-20 school year. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check. The amount of the credit (check) is a function of the basic STAR savings and the taxpayer's income. This program provides an incentive for the District to be tax cap compliant.

E. 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:

Dr. Stephen Draper
Assistant Superintendent for Business
Baldwin Union Free School District
960 Hastings Street
Baldwin, New York 11510

BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

ASSETS

Cash	
Unrestricted	\$ 12,205,464
Restricted	29,646,895
Receivables	
Accounts receivable	1,196,751
Taxes receivable	3,007,509
Due from fiduciary funds	940
Due from state and federal	5,206,576
Prepays	100,000
Inventories	5,608
Capital assets not being depreciated	2,390,180
Capital assets being depreciated, net of accumulated depreciation	36,674,893
Net pension asset - proportionate share	<u>2,518,487</u>
 Total Assets	 <u>92,953,303</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<u>37,497,730</u>
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LIABILITIES

Payables	
Accounts payable	1,582,178
Accrued liabilities	620,525
Due to other governments	9,332
Due to teachers' retirement system	5,618,976
Due to employees' retirement system	442,590
Compensated absences payable	5,910
Unearned credits	
Collections in advance	116,184
Long-term liabilities	
Due and payable within one year	
Bonds payable	2,290,000
Energy performance contract payable	166,256
Due and payable after one year	
Bonds payable	4,659,694
Energy performance contract payable	535,969
Compensated absences payable	2,893,226
Workers' compensation payable	1,763,364
Net pension liability - proportionate share	1,270,771
Total other postemployment benefits obligation	<u>138,621,691</u>
 Total Liabilities	 <u>160,596,666</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>11,000,929</u>
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NET POSITION (DEFICIT)

Net investment in capital assets	<u>31,413,154</u>
 Restricted	
Workers' compensation	3,082,826
Unemployment insurance	331,155
Retirement contribution	7,279,634
Employee benefit accrued liability	2,347,243
Capital	16,604,379
Debt service	<u>1,658</u>
	<u>29,646,895</u>
 Unrestricted (deficit)	 <u>(102,206,611)</u>
 Total Net Position (Deficit)	 <u>\$ (41,146,562)</u>

BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2018

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General support	\$ 17,217,333	\$	\$ 26,251	\$ (17,191,082)
Instruction	107,863,762	934,776	2,690,085	(104,238,901)
Pupil transportation	6,444,767			(6,444,767)
Community service	16,682			(16,682)
Debt service - interest	309,468			(309,468)
Food service program	1,759,097	1,428,206	330,761	(130)
Total Functions/Programs	<u>\$ 133,611,109</u>	<u>\$ 2,362,982</u>	<u>\$ 3,047,097</u>	<u>(128,201,030)</u>
GENERAL REVENUES				
Real property taxes				79,145,514
Other tax items				14,217,067
Use of money and property				770,474
Sale of property and compensation for loss				232,329
Miscellaneous				948,493
State sources				31,217,123
Medicaid reimbursement				<u>267,402</u>
Total General Revenues				<u>126,798,402</u>
Change in Net Position (Deficit)				(1,402,628)
Total Net Position (Deficit) - Beginning of year, as Restated				<u>(39,743,934)</u>
Total Net Position (Deficit) - End of year				<u><u>\$ (41,146,562)</u></u>

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

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 11,096,425	\$ 52,121	\$ 710,408	\$	\$ 346,510	\$ 12,205,464
Restricted	18,196,109			1,658	11,449,128	29,646,895
Receivables						
Accounts receivable	1,196,554		197			1,196,751
Taxes receivable	3,007,509					3,007,509
Due from other funds	2,202,806					2,202,806
Due from state and federal	3,267,182	1,804,587	26,417		108,390	5,206,576
Prepays	100,000					100,000
Inventories			5,608			5,608
Total Assets	<u>\$ 39,066,585</u>	<u>\$ 1,856,708</u>	<u>\$ 742,630</u>	<u>\$ 1,658</u>	<u>\$ 11,904,028</u>	<u>\$ 53,571,609</u>
LIABILITIES						
Payables						
Accounts payable	\$ 1,547,580	\$ 34,448	\$ 150	\$	\$	\$ 1,582,178
Accrued liabilities	577,623	130	4,183			581,936
Due to other funds		1,813,662	98,564		289,640	2,201,866
Due to other governments		8,468	864			9,332
Due to teachers' retirement system	5,618,976					5,618,976
Due to employees' retirement system	442,590					442,590
Compensated absences payable	5,910					5,910
Unearned credits						
Collections in advance	80,046		36,138			116,184
Total Liabilities	<u>8,272,725</u>	<u>1,856,708</u>	<u>139,899</u>	<u>-</u>	<u>289,640</u>	<u>10,558,972</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	<u>701,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,390</u>	<u>810,257</u>
FUND BALANCES						
Nonspendable:						
Prepays	100,000					100,000
Inventories			5,608			5,608
Restricted:						
Workers' compensation	3,082,826					3,082,826
Unemployment insurance	331,155					331,155
Retirement contribution	7,279,634					7,279,634
Employee benefit accrued liability	2,347,243					2,347,243
Capital	5,155,251				11,449,128	16,604,379
Debt service				1,658		1,658
Assigned:						
Appropriated fund balance	2,500,000					2,500,000
Unappropriated fund balance	1,381,252		597,123		56,870	2,035,245
Unassigned: Fund balance	<u>7,914,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,914,632</u>
Total Fund Balances	<u>30,091,993</u>	<u>-</u>	<u>602,731</u>	<u>1,658</u>	<u>11,505,998</u>	<u>42,202,380</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 39,066,585</u>	<u>\$ 1,856,708</u>	<u>\$ 742,630</u>	<u>\$ 1,658</u>	<u>\$ 11,904,028</u>	<u>\$ 53,571,609</u>

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

Total Governmental Fund Balances	\$ 42,202,380
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Original cost of capital assets	\$ 87,658,830	
Accumulated depreciation	<u>(48,593,757)</u>	
		39,065,073

Proportionate share of long-term liability and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.

Net pension asset - teachers' retirement system	2,518,487	
Deferred outflows of resources	37,497,730	
Net pension liability - employees' retirement system	(1,270,771)	
Deferred inflows of resources	<u>(11,000,929)</u>	
		27,744,517

Total other postemployment benefits obligation related to providing benefits in retirement is not a current financial resource or obligation and is not reported in the funds.	(138,621,691)
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Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.	810,257
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(38,589)	
Bonds payable	(6,949,694)	
Energy performance contract payable	(702,225)	
Compensated absences payable	(2,893,226)	
Workers' compensation payable	<u>(1,763,364)</u>	
		<u>(12,347,098)</u>

Total Net Position (Deficit)	<u>\$ (41,146,562)</u>
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BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 79,145,514	\$	\$	\$	\$	\$ 79,145,514
Other tax items	14,217,067					14,217,067
Charges for services	495,460					495,460
Use of money and property	768,703		1,771			770,474
Sale of property and compensation for loss	232,329					232,329
Miscellaneous	948,493		144			948,637
State sources	31,217,123	1,034,942	11,995			32,264,060
Medicaid reimbursement	267,402					267,402
Federal sources		1,655,143	318,766			1,973,909
Sales			<u>1,428,062</u>			<u>1,428,062</u>
Total Revenues	<u>127,292,091</u>	<u>2,690,085</u>	<u>1,760,738</u>	<u>-</u>	<u>-</u>	<u>131,742,914</u>
EXPENDITURES						
General support	13,561,086					13,561,086
Instruction	73,181,217	2,766,771				75,947,988
Pupil transportation	6,166,325	201,778				6,368,103
Community service	10,852	300				11,152
Employee benefits	24,427,556		145,913			24,573,469
Debt service						
Principal				2,845,418		2,845,418
Interest				327,125		327,125
Food service program			1,613,184			1,613,184
Capital outlay					523,094	523,094
Total Expenditures	<u>117,347,036</u>	<u>2,968,849</u>	<u>1,759,097</u>	<u>3,172,543</u>	<u>523,094</u>	<u>125,770,619</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,945,055</u>	<u>(278,764)</u>	<u>1,641</u>	<u>(3,172,543)</u>	<u>(523,094)</u>	<u>5,972,295</u>
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in		278,764		3,172,543	10,973,763	14,425,070
Operating transfers (out)	<u>(14,425,070)</u>					<u>(14,425,070)</u>
Total Other Financing Sources and (Uses)	<u>(14,425,070)</u>	<u>278,764</u>	<u>-</u>	<u>3,172,543</u>	<u>10,973,763</u>	<u>-</u>
Net Change in Fund Balances	(4,480,015)	-	1,641	-	10,450,669	5,972,295
Fund Balances - Beginning of year	<u>34,572,008</u>		<u>601,090</u>	<u>1,658</u>	<u>1,055,329</u>	<u>36,230,085</u>
Fund Balances - End of year	<u>\$ 30,091,993</u>	<u>\$ -</u>	<u>\$ 602,731</u>	<u>\$ 1,658</u>	<u>\$ 11,505,998</u>	<u>\$ 42,202,380</u>

BALDWIN UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2018

Net Change in Fund Balances \$ 5,972,295

Amounts reported for governmental activities in the Statement of Activities are different because:

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

Change in unavailable revenues \$ 465,567

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in compensated absences liability (65,513)
400,054

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.

Capital outlays 636,476
Depreciation expense (2,373,897)
(1,737,421)

Long-Term Debt Transaction Differences

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of bond principal 2,685,000
Repayment of energy performance contract payable 160,418

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2017 to June 30, 2018.

17,657
2,863,075

Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Teachers' retirement system (1,101,623)
Employees' retirement system 11,713
Other postemployment benefits (7,810,721)
(8,900,631)

Change in Net Position \$ (1,402,628)

BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2018

	<u>Agency</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash		
Unrestricted	\$ 455,094	\$
Restricted		313,865
Accounts receivable	<u>7,946</u>	<u></u>
Total Assets	<u><u>\$ 463,040</u></u>	<u><u>313,865</u></u>
 LIABILITIES		
Extraclassroom activity balances	\$ 137,419	
Due to governmental funds	940	
Other liabilities	<u>324,681</u>	<u></u>
Total Liabilities	<u><u>\$ 463,040</u></u>	<u><u>-</u></u>
 NET POSITION		
Restricted for scholarships		<u><u>\$ 313,865</u></u>

BALDWIN UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 251,549
Interest	<u>13</u>
Total Additions	251,562
 DEDUCTIONS	
Scholarships and awards	<u>12,619</u>
Change in Net Position	238,943
Net Position - Beginning of year	<u>74,922</u>
Net Position - End of Year	<u><u>\$ 313,865</u></u>

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Baldwin Union Free School District (District) have been prepared in conformity 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 five 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 Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

B. Joint Venture

The District is a component district in the Board of Cooperative Educational Services of Nassau (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. 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 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

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

C. Basis of Presentation

District-Wide Financial 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 nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants.

The Statement of Net Position presents the financial position of the District at fiscal year end. 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 and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

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 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 general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid Fund - is used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

School Food Service Fund - is used to account for the activities of the food service program.

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

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Projects Fund – is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets, such as equipment.

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 to finance District operations. The following are the District's 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 representatives of the donors may serve on committees to determine who benefits.

D. Measurement Focus and Basis of Accounting

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

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of 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, state aid, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 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, other postemployment benefits and pension costs, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board of Education no later than August 15th and become a lien on October 1st and April 1st. Taxes were collected by the Town of Hempstead and remitted to the District.

Enforcement

Uncollected real property taxes are subsequently enforced by Nassau County.

F. Restricted Resources

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

G. 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. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

I. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

J. Receivables

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

K. Inventories and Prepaids

Inventories of food in the school food service fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. These inventories are accounted for on the consumption method.

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position and Balance Sheet using the consumption method.

Under the consumption method, a current asset for the inventory and/or prepaid item is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventories and prepaids do not constitute available spendable resources.

L. Capital Assets

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 15,000	7-65 years
Site improvements	15,000	10-30 years
Furniture and equipment	5,000	5-30 years

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category, both of which relate to pensions. The first item 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 proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension system (TRS and ERS) subsequent to the measurement date.

N. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts, drivers' education and summer program fees. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

O. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations and amounts due from other governments for tuition charges. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense.

P. Employee Benefits – Compensated Absences

Compensated absences consist of unpaid accumulated sick leave and vacation time.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

Certain collectively bargained agreements require these payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

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

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

Q. Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

The District provides health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

R. Short-Term Debt

The District may issue revenue anticipation notes (RAN) and tax anticipation notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

S. Equity Classifications

District-Wide Statements

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

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

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.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

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, which is recorded in the school food service fund, and prepaids, which are recorded in the general fund.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. 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.

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 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 Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time 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.

Capital Reserve

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

Restricted for Debt Service

Unexpended balances of proceeds of borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

Restricted for Scholarships

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, including earnings and net of awards. These restricted funds are accounted for in the private purpose trust fund.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources. NYS Real Property Tax Law §1318, restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the Statement requires the District to report other postemployment benefits liabilities, expenses, deferred outflows of resources and deferred inflows of resources on the full accrual basis.

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

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic 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 current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for insurance premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

During the year, the District had the following supplemental appropriations:

Instructional materials and program costs funded by donations	\$ 97,949
Capital reserve transfer	<u>10,959,175</u>
	<u>\$ 11,057,124</u>

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. 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 part of assigned fund balance, unless classified as restricted, 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.

C. Unassigned Fund Balance

The District's general fund unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District is in the process of formulating a plan to reduce the unassigned fund balance to be within the permissible limit. This plan will address funding its reserves to a fiscally prudent level and addressing the capital needs of the District.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. 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 U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of 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 New York State and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year end.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

6. PARTICIPATION IN BOCES

During the year ended June 30, 2018, the District was billed \$10,099,229 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$3,334,147. Financial statements for the BOCES are available from the BOCES administrative offices at Nassau BOCES Administrative Center, 71 Clinton Road, Garden City, New York 11530.

7. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, are as follows:

	Fund		Total
	General	School Food Service	
Accounts receivable	\$ 1,196,554	\$ 197	\$ 1,196,751

Accounts receivable in the general fund consisted primarily of tuition and health services billings due from other school districts. Accounts receivable in the school food service fund consists primarily of special events billings for services outside normal activities.

8. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2018 consists of:

General Fund	
New York State Aid	\$ 641,960
BOCES	2,017,034
LIPA PILOT	608,188
	<u>3,267,182</u>
Special Aid Fund	
Federal and state grants	1,804,587
School Food Service Fund	
Federal and state food service program reimbursements	26,417
Capital Fund	
State EXCEL grant	<u>108,390</u>
	<u>\$ 5,206,576</u>

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,820,600	\$	\$	\$ 1,820,600
Construction in progress	712,563	61,018	(204,001)	569,580
Total capital assets not being depreciated	2,533,163	61,018	(204,001)	2,390,180
Capital assets being depreciated				
Buildings and improvements	81,493,165	666,074		82,159,239
Furniture and equipment	3,025,254	113,385	(29,228)	3,109,411
Total capital assets being depreciated	84,518,419	779,459	(29,228)	85,268,650
Less accumulated depreciation for:				
Buildings and improvements	43,867,605	2,253,024		46,120,629
Furniture and equipment	2,381,483	120,873	(29,228)	2,473,128
Total accumulated depreciation	46,249,088	2,373,897	(29,228)	48,593,757
Total capital assets being depreciated, net	38,269,331	(1,594,438)	-	36,674,893
Capital assets, net	<u>\$ 40,802,494</u>	<u>\$ (1,533,420)</u>	<u>\$ (204,001)</u>	<u>\$ 39,065,073</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 176,632
Instruction	2,197,265
	<u>\$ 2,373,897</u>

10. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2018, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 2,202,806	\$	\$	\$ 14,425,070
Special Aid Fund		1,813,662	278,764	
School Food Service Fund		98,564		
Debt Service Fund			3,172,543	
Capital Projects Fund		289,640	10,973,763	
Total Governmental Funds	2,202,806	2,201,866	<u>\$ 14,425,070</u>	<u>\$ 14,425,070</u>
Fiduciary Fund		940		
Total	<u>\$ 2,202,806</u>	<u>\$ 2,202,806</u>		

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The District typically transfers from the general fund to the special aid fund, and debt service fund. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools. The transfer to the debt service fund was for the payment of principal and interest on long-term outstanding indebtedness.

The transfer to the capital projects fund was a voter approved use of the capital reserve and a Board approved transfer from fund balance for emergency repairs.

11. UNAVAILABLE REVENUES

Unavailable revenues in the amount of \$810,257 consists of uncollected tuition billings from school districts, emergency Federal aid for displaced students and future State EXCEL aid.

12. SHORT-TERM DEBT

The District did not issue short-term debt during the year.

13. LONG-TERM LIABILITIES

A. Changes

The following table summarizes the changes in governmental activities in long-term liabilities, excluding pension and other postemployment benefits obligations, for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 9,634,694	\$	\$ (2,685,000)	\$ 6,949,694	\$ 2,290,000
Energy performance contract	862,643		(160,418)	702,225	166,256
Other long-term liabilities:					
Compensated absences	2,827,713	65,513		2,893,226	
Workers' compensation	1,763,364	699,298	(699,298)	1,763,364	
	<u>\$ 15,088,414</u>	<u>\$ 764,811</u>	<u>\$ (3,544,716)</u>	<u>\$ 12,308,509</u>	<u>\$ 2,456,256</u>

The general fund has typically been used to liquidate other long-term liabilities.

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2018
Serial Bonds	3/1/2009	11/1/2021	2.50%	\$ 749,694
Refunding Bonds	12/19/2011	6/15/2020	2.00-4.00%	2,500,000
Refunding Bonds	6/4/2015	11/1/2021	2.00-4.00%	<u>3,700,000</u>
				<u>\$ 6,949,694</u>

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following is a summary of the debt service requirements of bonds payable:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,290,000	\$ 200,500	\$ 2,490,500
2020	2,380,000	117,300	2,497,300
2021	1,125,000	40,250	1,165,250
2022	1,154,694	13,550	1,168,244
Total	<u>\$ 6,949,694</u>	<u>\$ 371,600</u>	<u>\$ 7,321,294</u>

C. Energy Performance Contract

Energy performance contract is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2018</u>
Energy performance contract	9/30/2005	9/30/2021	5.822%	<u>\$ 702,225</u>

The following is a summary of maturing debt service requirements of the energy performance contract:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 166,256	\$ 25,561	\$ 191,817
2020	172,308	19,509	191,817
2021	178,581	13,236	191,817
2022	185,080	6,736	191,816
Total	<u>\$ 702,225</u>	<u>\$ 65,042</u>	<u>\$ 767,267</u>

D. Interest Expense

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

Interest paid	\$ 327,125
Less interest accrued in the prior year	(56,246)
Plus interest accrued in the current year	<u>38,589</u>
Total interest expense on long-term debt	<u>\$ 309,468</u>

14. PENSION PLANS – NEW YORK STATE

A. General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). 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 the TRS. Once a public employer elects to participate in the TRS, 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 TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS 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 ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 11.72% of covered payroll for the TRS' fiscal year ended June 30, 2017. The District's average contribution rate was 15.88% of covered payroll for the ERS' fiscal year ended March 31, 2018.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2018 was \$5,298,529 for TRS and \$1,703,472 for ERS.

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

At June 30, 2018, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2017, for TRS and March 31, 2018 for ERS. 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 TRS and the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
District's proportionate share of the net pension asset/(liability)	\$ 2,518,487	\$ (1,270,771)
District's portion of the Plan's total net pension asset/(liability)	0.3313370%	0.0393739%
Change in proportion since the prior measurement date	(0.0051770)	0.0015737

For the year ended June 30, 2018, the District recognized pension expense of \$6,406,878 for TRS and \$1,699,502 for ERS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 2,072,096	\$ 453,243	\$ 981,929	\$ 374,543
Changes of assumptions	25,626,098	842,626		
Net difference between projected and actual earnings on pension plan investments		1,845,694	5,931,766	3,643,215
Changes in proportion and differences between the District's contributions and proportionate share of contributions	427,994	419,983	65,959	3,517
District's contributions subsequent to the measurement date	5,367,406	442,590		
Total	<u>\$ 33,493,594</u>	<u>\$ 4,004,136</u>	<u>\$ 6,979,654</u>	<u>\$ 4,021,275</u>

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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 in pension expense as follows:

Year Ending June 30,	TRS	ERS
2019	\$ 657,909	\$ 435,239
2020	6,854,982	336,422
2021	4,926,892	(852,385)
2022	1,279,557	(379,005)
2023	4,912,776	
Thereafter	2,514,418	
	<u>\$ 21,146,534</u>	<u>\$ (459,729)</u>

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Inflation	2.50%	2.50%
Salary increases	1.90-4.72%	3.80%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Cost of living adjustments	1.50%	1.30%

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

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

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

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date	June 30, 2017		March 31, 2018	
Asset type				
Domestic equity	35.0%	5.90%	36.0%	4.55%
International equity	18.0%	7.40%	14.0%	6.35%
Real estate	11.0%	4.30%	10.0%	5.55%
Private equities	8.0%	9.00%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.60%		
Global fixed income securities	2.0%	1.30%		
High-yield fixed income securities	1.0%	3.90%		
Bonds and mortgages	8.0%	2.80%	17.0%	1.31%
Short-term	1.0%	0.60%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.2% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2016, was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

lower (6.25% for TRS and 6.0% for ERS) or 1 percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
TRS			
District's proportionate share of the net pension asset (liability)	\$ (43,386,076)	\$ 2,518,487	\$ 40,961,280
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (9,614,994)	\$ (1,270,771)	\$ 5,788,109

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2017	March 31, 2018
Employers' total pension liability	\$ (114,708,261)	\$ (183,400,590)
Plan fiduciary net position	115,468,360	180,173,145
Employers' net pension asset/(liability)	\$ 760,099	\$ (3,227,445)
Ratio of plan fiduciary net position to the employers' total pension liability	100.66%	98.24%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018, are paid to the system in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018, represent employer and employee contributions for the fiscal year ended June 30, 2018, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2018 amounted to \$5,367,406 of employer contributions and \$251,570 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2018, represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$442,590 of employer contributions. Employee contributions are remitted monthly.

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

15. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and employees for the year ended June 30, 2018, totaled \$10,000 and \$3,429,841, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2018 totaled \$430,419.

16. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	421
Inactive employees entitled to but not yet receiving benefit payments	261
Active employees	<u>490</u>
	<u><u>1,172</u></u>

B. Total OPEB Liability

The District's total OPEB liability of \$138,621,691 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Inflation	3.00%	
Salary increases	2.50%	average, including inflation
Discount rate	3.60%	
Healthcare cost trend rates	6.25 - 9.50%	for 2018, decreasing per year to an ultimate rate of 5.0% after 7 years
Retirees' share of benefit-related costs	50.00%	of projected health insurance premiums for retirees

The discount rate was based on Review of the yield from 20 year AA municipal GO Bond Rate Index.

Mortality rates were based on the SOA RP-2014 total dataset, as appropriate, with adjustments for mortality improvements based on Scale MP-2014.

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

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$ 130,810,970</u>
Changes for the year	
Service cost	6,044,574
Interest	4,709,195
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	<u>(2,943,048)</u>
	<u>7,810,721</u>
Balance at June 30, 2018	<u><u>\$ 138,621,691</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.0% in 2017 to 3.6% in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.6%) or 1 percentage point higher (4.6%) than the current discount rate:

OPEB	1% Decrease (2.60)%	Discount Rate (3.60)%	1% Increase (4.60)%
Total OPEB liability	<u><u>\$ (168,564,502)</u></u>	<u><u>\$ (138,621,691)</u></u>	<u><u>\$ (115,693,119)</u></u>

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(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's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current healthcare cost trend rate:

OPEB	1% Decrease (5.75)%	Healthcare Cost Trend Rates (6.75)%	1% Increase (7.75)%
Total OPEB liability	<u>\$ (111,697,161)</u>	<u>\$ (138,621,691)</u>	<u>\$ (175,197,371)</u>

D. OPEB Expense

For the year ended June 30, 2018, the District recognized OPEB expense of \$10,753,769.

17. 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.

B. Risk Retention

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	2018	2017
Unpaid claims at beginning of year	\$ 1,763,364	\$ 1,592,817
Incurred claims and adjustments	699,298	675,777
Claim payments	<u>(699,298)</u>	<u>(505,230)</u>
Unpaid claims at year end	<u>\$ 1,763,364</u>	<u>\$ 1,763,364</u>

18. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2018 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2019:

Retirement contribution	\$ 1,436,000
Unemployment	100,000
Workers' compensation	<u>700,000</u>
	<u>\$ 2,236,000</u>

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

19. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$2,500,000 has been appropriated to reduce taxes for the year ending June 30, 2019.

20. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75. The implementation of Statement No. 75 resulted in the reporting of a change in the liability for other postemployment benefits obligation and a deferred outflow of resources. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	<u>\$ 39,457,671</u>
GASB Statement No. 75 implementation	
Beginning total other postemployment benefits obligation under GASB Statement No. 75	(130,810,970)
Less: Net other postemployment benefits obligation under GASB Statement No. 45	<u>51,609,365</u>
	<u>(79,201,605)</u>
Net position (deficit) beginning of year, as restated	<u><u>\$ (39,743,934)</u></u>

21. TAX ABATEMENTS

The Town of Hempstead Industrial Development Agency enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced by \$384,087. The District received payment in lieu of tax (PILOT) payments totaling \$155,040.

The District also receives PILOT revenues, remitted by Nassau County, which are from the Long Island Power Authority (LIPA). These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, "*Tax Abatement Disclosures*", under which an entity receiving a reduction in tax revenues promises to take specific action that contributes to economic development or otherwise benefits the governments or residents of the governments. The total amount of PILOT revenue recorded by the District related to LIPA for the year was \$1,200,564.

22. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2018, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital Projects	<u>\$ 72,523</u>
Assigned: Unappropriated Fund Balance	
General Fund	
General Support	795,049
Instruction	585,989
Pupil Transportation	214
	<u>1,381,252</u>
	<u><u>\$ 1,453,775</u></u>

BALDWIN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Grants

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

C. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. The District believes that the outcome of any matters will not have a material effect on these financial statements.

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$193,654. The minimum remaining operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 181,756
2020	176,786
2021	165,711
2022	<u>123,342</u>
	<u><u>\$ 647,595</u></u>

23. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 78,954,120	\$ 79,145,514	\$ 79,145,514	\$ -
Other tax items	14,228,654	14,037,260	14,217,067	179,807
Charges for services	660,000	660,000	495,460	(164,540)
Use of money and property	610,000	610,000	768,703	158,703
Sale of property and compensation for loss	83,000	83,000	232,329	149,329
Miscellaneous	280,838	378,787	948,493	569,706
Total Local Sources	94,816,612	94,914,561	95,807,566	893,005
State Sources	28,948,509	28,948,509	31,217,123	2,268,614
Medicaid Reimbursement	100,000	100,000	267,402	167,402
Total Revenues	123,865,121	123,963,070	127,292,091	\$ 3,329,021
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	2,500,000	2,500,000		
Prior Year's Encumbrances	1,313,195	1,313,195		
Appropriated Reserves	2,106,250	13,065,425		
Total Appropriated Fund Balance	5,919,445	16,878,620		
Total Revenues and Appropriated Fund Balance	\$ 129,784,566	\$ 140,841,690		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 128,960	\$ 146,460	\$ 110,790	\$	\$ 35,670
Central administration	347,630	374,390	354,095		20,295
Finance	1,142,204	1,162,060	1,045,090	63,402	53,568
Staff	935,795	1,060,738	886,882		173,856
Central services	10,526,968	11,353,705	9,809,539	731,647	812,519
Special items	1,386,195	1,414,864	1,354,690		60,174
Total General Support	14,467,752	15,512,217	13,561,086	795,049	1,156,082
Instruction					
Administration & improvement	5,524,759	6,071,656	5,750,806	1,759	319,091
Teaching - regular school	43,140,164	42,601,044	41,583,593	559,254	458,197
Programs for students with disabilities	17,884,612	17,238,105	16,656,385	15,801	565,919
Occupational education	1,209,560	1,499,585	1,499,585		-
Teaching - special schools	356,260	229,879	203,332		26,547
Instructional media	1,836,752	2,184,694	1,904,872	9,075	270,747
Pupil services	5,990,222	6,046,491	5,582,644	100	463,747
Total Instruction	75,942,329	75,871,454	73,181,217	585,989	2,104,248
Pupil Transportation	6,737,835	6,777,709	6,166,325	214	611,170
Community Service	15,829	15,829	10,852		4,977
Employee Benefits	29,102,413	28,172,310	24,427,556		3,744,754
Total Expenditures	126,266,158	126,349,519	117,347,036	1,381,252	7,621,231
OTHER USES					
Operating Transfers Out	3,518,408	14,492,171	14,425,070		67,101
Total Expenditures and Other Uses	\$ 129,784,566	\$ 140,841,690	131,772,106	\$ 1,381,252	\$ 7,688,332
Net Change in Fund Balance			(4,480,015)		
Fund Balance - Beginning of Year			34,572,008		
Fund Balance - End of Year			\$ 30,091,993		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
Last Four Fiscal Years

Teachers' Retirement System

	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.3313370%	0.3365140%	0.3371220%	0.3343500%
District's proportionate share of the net pension asset (liability)	\$ 2,518,487	\$ (3,604,205)	\$ 35,016,246	\$ 37,244,550
District's covered payroll	\$ 53,053,999	\$ 52,511,599	\$ 50,866,654	\$ 49,612,198
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	4.70 %	(6.90)%	68.80 %	75.10 %
Plan fiduciary net position as a percentage of the total pension asset	100.66%	99.01%	110.46%	111.48%

Employees' Retirement System

	2018	2017	2016	2015
District's proportion of the net pension liability	0.0393739%	0.0378002%	0.0379443%	0.0356391%
District's proportionate share of the net pension liability	\$ (1,270,771)	\$ (3,551,795)	\$ (6,090,159)	\$ 1,203,976
District's covered payroll	\$ 11,488,956	\$ 11,870,191	\$ 9,998,839	\$ 10,509,352
District's proportionate share of the net pension liability as a percentage of its covered payroll	11.10 %	29.90 %	60.90 %	11.50 %
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%	97.95%

Note to Required Supplementary Information

Teachers' Retirement System

The discount rate decreased from 8.0% to 7.5% to 7.25%, as reflected in 2016, 2017 and 2018 above.

Employees' Retirement System

The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Teachers' Retirement System

	<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	\$ 5,298,529	\$ 6,140,921	\$ 6,843,827	\$ 8,823,241	\$ 8,157,569	\$ 6,614,456	\$ 5,340,406	\$ 3,251,610	\$ 3,267,902	\$ 3,835,060
Contributions in relation to the contractually required contribution	<u>5,298,529</u>	<u>6,140,921</u>	<u>6,843,827</u>	<u>8,823,241</u>	<u>8,157,569</u>	<u>6,614,456</u>	<u>5,340,406</u>	<u>3,251,610</u>	<u>3,267,902</u>	<u>3,835,060</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$54,772,731	\$53,053,999	\$52,511,599	\$50,866,654	\$49,612,198	\$52,426,989	\$55,039,047	\$55,457,725	\$52,626,514	\$50,072,566
Contributions as a percentage of covered payroll	10%	12%	13%	17%	16%	13%	10%	6%	6%	8%

Employees' Retirement System

	<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	\$ 1,703,472	\$ 1,546,166	\$ 1,813,354	\$ 1,845,511	\$ 2,072,626	\$ 2,071,008	\$ 1,577,001	\$ 1,174,344	\$ 766,427	\$ 831,370
Contributions in relation to the contractually required contribution	<u>1,703,472</u>	<u>1,546,166</u>	<u>1,813,354</u>	<u>1,845,511</u>	<u>2,072,626</u>	<u>2,071,008</u>	<u>1,577,001</u>	<u>1,174,344</u>	<u>766,427</u>	<u>831,370</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$11,545,953	\$11,498,370	\$10,235,183	\$10,632,357	\$10,252,609	\$10,359,518	\$10,568,364	\$11,678,962	\$11,463,802	\$10,875,384
Contributions as a percentage of covered payroll	15%	13%	18%	17%	20%	20%	15%	10%	7%	8%

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Fiscal Year

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 6,044,574
Interest	4,709,195
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	-
Benefit payments	<u>(2,943,048)</u>
Net change in total OPEB liability	7,810,721
Total OPEB liability, beginning	<u>130,810,970</u>
Total OPEB liability, ending	<u><u>\$ 138,621,691</u></u>
Covered employee payroll	\$ 60,382,229
Total OPEB liability as a percentage of covered employee payroll	229.57%

BALDWIN UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 128,471,371
Additions:	
Prior year's encumbrances	<u>1,313,195</u>
Original Budget	129,784,566
Budget revisions	<u>11,057,124</u>
Final Budget	<u><u>\$ 140,841,690</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 voter-approved expenditure budget	<u><u>\$ 131,020,750</u></u>
Maximum allowed (4% of 2018-19 budget)	<u><u>\$ 5,240,830</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 3,881,252
Unassigned fund balance	<u>7,914,632</u>
	\$ 11,795,884
Less:	
Appropriated fund balance	2,500,000
Encumbrances	<u>1,381,252</u>
Total adjustments	<u>3,881,252</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 7,914,632</u></u>
Actual Percentage	6.04%

BALDWIN UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources -
Capital Projects Fund
For The Year Ended June 30, 2018

PROJECT TITLE	Budget June 30, 2017	Budget June 30, 2018	Expenditures			Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance June 30, 2018
			Prior Years	Current Year	Total			State Aid	Local Sources	Total	
Middle School-Cameras & Lighting	\$ 105,910	\$ 105,910	\$ 34,830	\$	\$ 34,830	\$ 71,080	\$	\$	\$ 105,910	\$ 105,910	\$ 71,080
2010-2011 Capital Improvements	547,000	547,000	477,074		477,074	69,926			547,000	547,000	69,926
2011-2012 Capital Reserve Projects	1,200,000	1,200,000	1,126,856		1,126,856	73,144			1,200,000	1,200,000	73,144
2013-2014 Capital Reserve Projects	1,330,453	1,330,453	1,317,753		1,317,753	12,700		108,390	1,222,063	1,330,453	12,700
2014-2015 Capital Reserve Projects	1,500,000	1,500,000	855,721	240,170	1,095,891	404,109			1,500,000	1,500,000	404,109
2017-2018 Capital Reserve Projects		10,959,175			-	10,959,175			10,959,175	10,959,175	10,959,175
2016-2017 Emergency Wall Project	475,000	475,000	167,822	282,924	450,746	24,254			475,000	475,000	24,254
High School-Electric Sign		181,250			-	181,250		181,250		181,250	181,250
Totals	<u>\$ 5,158,363</u>	<u>\$ 16,298,788</u>	<u>\$ 3,980,056</u>	<u>\$ 523,094</u>	<u>\$ 4,503,150</u>	<u>\$ 11,795,638</u>	<u>\$ -</u>	<u>\$ 289,640</u>	<u>\$ 16,009,148</u>	<u>\$ 16,298,788</u>	11,795,638
									State aid not yet received		(289,640)
											<u>\$ 11,505,998</u>

BALDWIN UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2018

Capital assets, net	<u>\$ 39,065,073</u>
Deduct:	
Short-term portion of bonds payable	(2,290,000)
Long-term portion of bonds payable	(4,659,694)
Short-term portion of energy performance contract payable	(166,256)
Long-term portion of energy performance contract payable	<u>(535,969)</u>
Net investment in capital assets	<u><u>\$ 31,413,154</u></u>

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

To the Board of Education
Baldwin Union Free School District
Baldwin, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Baldwin Union Free School District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 10, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Baldwin Union Free School 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*.

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Baldwin Union Free School District in a separate letter dated October 10, 2018.

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.

Cullen & Danowski, LLP

October 10, 2018

