VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AND

BASIC FINANCIAL STATEMENTS

For the Year Ended
June 30, 2018

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
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Independent Auditor's Report

Board of Education
Valley Stream Central High School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Stream Central High School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School 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 aggregate remaining fund information of Valley Stream Central High 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.

New Accounting Standard

As discussed in Note 1 to the financial statements, the School District changed accounting policies related to the financial statement presentation of other postemployment benefits (OPEB) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The new pronouncement provides governments guidance for determining a fair value measurement for financial reporting purposes for certain postemployment benefits and disclosures related to all fair value measurements. 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 the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Valley Stream Central High School District's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis as required by the New York State Education Department and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2018, on our consideration of the Valley Stream Central High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Valley Stream Central High School District's internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

October 15, 2018

Utica, New York

The following is a discussion and analysis of the Valley Stream Central High School District's (the "District") financial performance for the fiscal year ended June 30, 2018. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- The District's total net position, as reflected in the District-Wide Financial Statements, increased by $1,493,104. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The District's other post-employment benefits obligation as reported on the statement of net position increased by $60,627,435 over the prior fiscal year, resulting in a total liability of $100,991,454 as of June 30, 2018. The increase includes a $55,013,200 restatement of the June 30, 2017 balance due to the implementation of GASB 75.
- The District continued to offer all programs, without reducing services.
- The District issued a $19,125,000 serial bond during the year ended June 30, 2018 to finance a capital project. The bond matures in 2033 and bears an interest rate of 1.65%-4.00%.
- On May 15, 2018, the proposed 2018-2019 budget in the amount of $117,117,574 was authorized by the District's residents.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.
- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

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

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

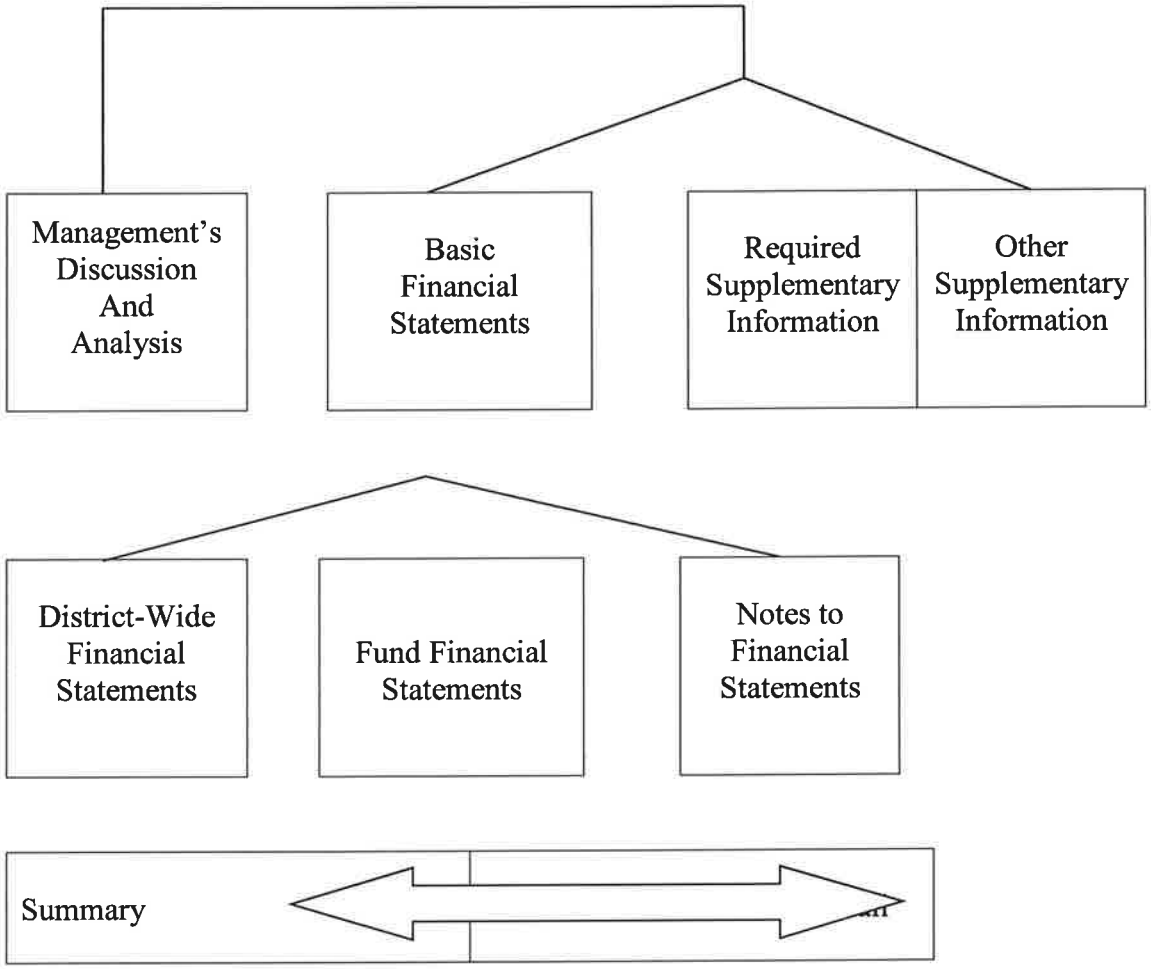


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and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

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

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/ liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

A) District-Wide Statements

The District-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-Wide Financial Statements report the District's net position and how they have changed. Net position, the difference between the assets, deferred outflows of resources, liabilities and deferred inflows of resources, is one way to measure the financial health or position of the District.

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

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

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

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

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

B) Fund Financial Statements

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

The District has two kinds of funds:

i) Governmental funds

Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information on the following page explains the relationship (or differences) between them. In summary, the governmental funds statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance.

ii) Fiduciary funds

The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's total net position increased by $1,493,104 in the fiscal year ended June 30, 2018 as detailed in Table A-3.

Table A-3: Condensed Statement of Net Position-Governmental Activities

	Fiscal Year 2018	Restated Fiscal Year 2017	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets	$ 75,185,407	$ 46,693,023	$ 28,492,384	61%
Capital assets, net	53,125,929	48,908,056	4,217,873	9%
Total assets	128,311,336	95,601,079	32,710,257	34%
Deferred outflows of resources	33,899,429	34,823,618	(924,189)	(3%)
Current liabilities	10,791,704	8,880,935	1,910,769	22%
Long-term liabilities	138,592,897	117,286,208	21,306,689	18%
Total liabilities	149,384,601	126,167,143	23,217,458	18%
Deferred inflows of resources	8,803,725	1,728,220	7,075,505	409%
Net position				
Net investment in capital assets	44,958,664	42,403,277	2,555,387	6%
Restricted	46,572,100	24,239,664	22,332,436	92%
Unrestricted (deficit)	(87,508,325)	(64,113,606)	(23,394,719)	(36%)
Total net position	$ 4,022,439	$ 2,529,335	$ 1,493,104	59%

Current assets and other assets increased by $28,492,384 from 2017 to 2018 primarily due to an increase in the District's cash on hand resulting from the issuance of a capital bond in the Capital Fund.

Capital assets, net of accumulated depreciation, increased by $4,217,873 during the current year. This increase is due to capital additions, primarily related to an energy performance contract, a smart school bond project, and a new capital bond project, exceeding depreciation for the current year.

Deferred inflows and outflows changed from the prior year primarily as a result of amounts provided by the ERS and TRS retirement systems.

Current liabilities increased by $1,910,769 primarily due to an increase in accounts payable at the end of the fiscal year.

Long-term liabilities increased by $21,306,689 primarily due to increases in the net other post-employment benefits obligation, and the new serial bond payable offset by a decrease in the proportionate share of net pension liability under the Employees' Retirement System (ERS) and the proportionate share of net pension liability under the TRS.

The net investment in capital assets relates to the investment in capital assets at cost such as land, buildings & improvements, licensed vehicles and furniture & equipment, net of depreciation and related debt.

The restricted portion of net position at June 30, 2018 is $46,572,100, which represents the amount of the District's reserves in the General Fund and other restricted funds for Capital Projects.

The unrestricted portion of net position at June 30, 2018 is a deficit of $87,508,325, which represents the amount by which the District's liabilities and deferred inflows or resources, excluding debt related to capital construction, exceeded the District's assets and deferred outflows or resources, other than capital assets and restricted assets.

B) Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2018 and 2017 are as detailed in Table A-4.

Table A-4: Change in Net Position from Operating Results Governmental Activities Only

	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	$ 1,598,087	$ 1,621,199	$ (23,112)	(1%)
Operating grants	3,039,484	3,017,772	21,712	1%
General revenues				
Real property taxes and other	88,928,915	84,428,629	4,500,286	5%
State and federal aid	23,242,190	23,112,826	129,364	1%
Other	1,101,594	2,175,295	(1,073,701)	(49%)
Total revenues	117,910,270	114,355,721	3,554,549	3%
Expenses				
General support	14,077,537	13,908,332	169,205	1%
Instruction	95,887,842	92,576,105	3,311,737	4%
Pupil transportation	4,037,876	3,690,311	347,565	9%
Community services	12,578	10,302	2,276	22%
Debt service - Unallocated interest	172,398	155,529	16,869	11%
School lunch program	2,228,935	2,129,429	99,506	5%
Total expenses	116,417,166	112,470,008	3,947,158	4%
Total Change in net position	$ 1,493,104	$ 1,885,713	$ (392,609)	(21%)

The District's total fiscal year 2018 revenues totaled $117,910,270 (See Table A-4). Property taxes and State and Federal aid accounted for most of the District's revenue by contributing 77 cents and 20 cents, respectively of every dollar raised. (See Table A-5). The remainder came from fees charged for services, operating grants, investment earnings, and other miscellaneous sources.

The total cost of all programs and services totaled $116,417,166 for fiscal year 2018. These expenses are predominantly related to general instruction which account for 82% of District expenses. (See Table A-6). The District's general support activities accounted for 12% of total costs.

Table A-5: Revenues for Fiscal Year 2018 (See Table A-4)

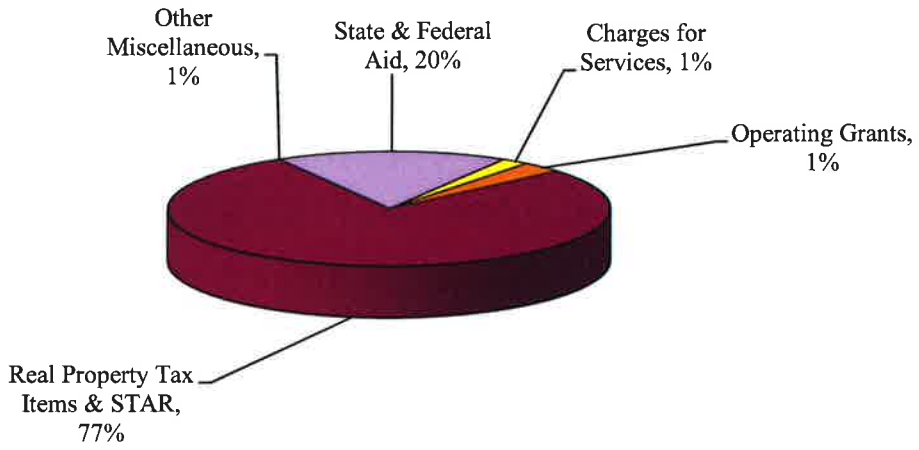
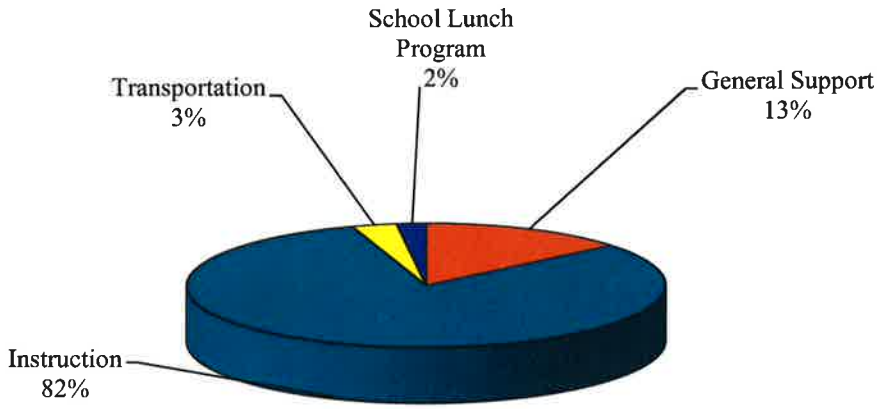


Table A-6: Expenses for Fiscal Year 2018 (See Tables A-4 and A-7)



C) Governmental Activities

Revenues for the District's governmental activities totaled $117,910,270 while total expenses equaled $116,417,166 resulting in an increase in net position of $1,493,104 for 2018.

The continuation of the District's good financial condition, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Approval of the District's proposed annual budget;
- Strong tax base;
- Strategic use of services from the Nassau Board of Cooperative Educational Services BOCES; and
- Improved curriculum and community support.

Table A-7 presents the cost of major District activities: general support, instruction, pupil transportation, debt service and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Table A-7: Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
Category	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
General Support	$ 14,077,537	$ 13,908,332	$ 14,077,537	$ 13,908,332
Instruction	95,887,842	92,576,105	93,858,417	90,582,454
Pupil Transportation	4,037,876	3,690,311	3,902,157	3,558,706
Community Service	12,578	10,302	12,578	10,302
Debt Service - Interest	172,398	155,529	172,398	155,529
School Lunch Program	2,228,935	2,129,429	(243,492)	(384,286)
Total	$ 116,417,166	$ 112,470,008	$ 111,779,595	$ 107,831,037

- The cost of all governmental activities this year was $116,417,166 (Statement of Activities and Changes in Net Position, Expenses column-see Page 17)
- The users of the District's programs financed $1,598,087 of the cost. (Statement of Activities and Changes in Net Position, Charges For Services column-see Page 17)
- The federal and state governments subsidized certain programs with grants of $3,039,484 (Statement of Activities and Changes in Net Position, Operating Grants column – see Page 17)
- Most of the District's net costs of $111,779,595 were financed by District taxpayers and state and federal aid. (Statements of Activities and Changes in Net Position, Net (Expense) Revenue and Changes in Net Position column-see Page 17).

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2018, the District's combined governmental funds reported a total fund balance of $61,849,078, which is an increase of $26,287,860 from the prior year.

A summary of the change in fund balance by fund is as follows:

	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Total Percentage Change
General Fund				
Restricted for workers' compensation	$ 4,179,875	$ 3,999,983	$ 179,892	4%
Restricted for unemployment insurance	451,494	447,441	4,053	1%
Restricted for retirement contribution	7,678,375	6,926,953	751,422	11%
Restricted for capital reserve	7,866,610	4,808,506	3,058,104	64%
Restricted for insurance reserve	181,044	179,418	1,626	1%
Restricted for employee benefit accrued liability	6,723,128	6,662,776	60,352	1%
Subtotal - Restricted	27,080,526	23,025,077	4,055,449	18%
Assigned-designated for subsequent year's expenditures	1,400,000	1,400,000	0	0%
Assigned-general support	154,359	347,179	(192,820)	(56%)
Assigned-instruction	45,520	38,261	7,259	19%
Assigned-employee benefits	4,990	4,990		0%
Subtotal - Assigned	1,604,869	1,790,430	(185,561)	(10%)
Unassigned	4,684,703	4,537,169	147,534	3%
Subtotal - Unassigned	4,684,703	4,537,169	147,534	3%
Total fund balance - general fund	33,370,098	29,352,676	4,017,422	14%
School Lunch Fund				
Nonspendable - inventory	29,001	39,363	(10,362)	(26%)
Assigned	1,329,970	1,075,953	254,017	24%
Total fund balance - school lunch fund	1,358,971	1,115,316	243,655	22%
Capital Projects Fund				
Restricted	19,491,574	1,214,587	18,276,987	1505%
Assigned	7,628,435	4,075,214	3,553,221	87%
Unassigned	0	(196,574)	196,574	-100%
Total fund balance - capital fund	27,120,009	5,093,227	22,026,782	
Total Fund Balance - All funds	$ 61,849,078	$ 35,561,219	$ 26,287,859	74%

A) General Fund

The increase in the general fund - fund balance of $4,017,422 is primarily due to revenues exceeding expenditures. The District's reserves reflected a net increase of $4,055,449 due to a net increase of $751,422 to the reserve for retirement contributions, a net increase of $3,058,104 to the capital reserve, a net increase of $60,352 to the employee benefit accrued liability reserve fund, a net increase of $4,053 to the unemployment insurance reserve fund, a net increase of $1,626 to the insurance reserve fund and a net increase of $179,892 to the workers' compensation reserve fund.

B) School Lunch Fund

The increase in fund balance for school lunch fund can be attributed to revenues exceeding expenditures. Sales and state and federal source revenues for the school lunch fund decreased from the prior year by $41,207, with the cost of sales increasing by $99,506. The increase in the cost of sales is primarily attributable to increase in school lunch equipment.

C) Capital Projects Fund

The increase in fund balance for the capital projects fund can be attributed to the receipt of proceeds of debt related to the new capital projects serial bond.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2017-2018 Budget

The District's voter approved general fund adopted budget for the year ended June 30, 2018 was $113,429,221. This amount was increased by encumbrances carried forward from the prior year in the amount of $390,430 which resulted in a final budget of $113,819,651. The majority of the funding was property taxes, STAR revenue and state aid of $109,519,221.

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

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

Opening, Unassigned Fund Balance	$ 4,537,169
Revenues and Other Sources Over Budget	3,009,741
Expenditures and Encumbrances Under Budget	2,593,242
Changes in Reserves	(3,864,548)
Interest Allocated to Reserves	(190,901)
Assigned, designated for June 30, 2019 Budget	(1,400,000)
Closing, Unassigned Fund Balance	$ 4,684,703

The unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent years' taxes. This amount is limited to 4% of the 2018-2019 budget.

The revenues and other sources over budget in the amount of $3,009,741 were primarily increases in real property taxes, PILOTs and state aid offset by decreases in transfers from other funds (see page 52 for detail).

The expenditures and encumbrances under budget in the amount of $2,593,242 were primarily attributable to expenditure savings in instruction, pupil transportation, general support and employee benefits (see page 53 for detail).

The changes in restricted, assigned and unassigned fund balance are discussed further in Management's Discussion and Analysis Section 4, Financial Analysis of the District's Funds.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2018. A summary of the District's capital assets net of depreciation is as follows:

Table A-8: Capital Assets (Net of Depreciation)

Category	Fiscal Year 2018	Fiscal Year 2017	Increase / (Decrease)
Land	$ 488,600	$ 488,600	$ 0
Construction in Progress	19,035,973	13,908,749	5,127,224
Building & Building Improvements	58,384,081	58,384,081	0
Land Improvements	2,111,976	2,111,976	0
Furniture & Equipment	7,056,747	6,611,897	444,850
Licensed Vehicles	295,927	295,927	0
Subtotal	87,373,304	81,801,230	5,572,074
Less: Accumulated Depreciation	34,247,375	32,893,174	1,354,201
Total Net Capital Assets	$ 53,125,929	$ 48,908,056	$ 4,217,873

The District spent $5,127,224 in the capital projects fund for building improvements and equipment purchases including the energy performance contract during the year and has $27,120,009 available for various projects.

B) Long-Term Debt

During the year ended June 30, 2018 the District issued a bond in the amount of $19,125,000 for a capital project. The bond matures in June 2033 and has in interest rate of 1.65-4.0% per annum.

At June 30, 2017, the District had entered into an agreement with Johnson Controls, LLC for various electrical and infrastructure upgrades through the energy performance contract. The total contract is $7,719,367 and it is being financed by Bank of America. Repayment is over 15 years, with an annual installment of $635,345 through May, 2031. Payment includes interest at 2.01% per annum.

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

A) The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.

B) The voters approved the general fund budget in the amount of $117,117,574 for the school year 2018-2019. This is an increase of $3,688,353 or 3.25% over the previous year's budget. The increase was primarily due to increases in program costs for children with disabilities, personnel costs and employee benefits.

C) The 2018-2019 budget is negatively impacted by certain trends impacting school districts. These include significant increases in retirement contributions and health insurance costs.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Valley Stream Central High School District
Dr. Wayne R. Loper
Assistant Superintendent for Finance and Operations
One Kent Road
Valley Stream, New York 11582

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Assets		
Cash		
Unrestricted	$	19,949,546
Restricted		46,572,100
Receivables		
State and Federal Aid		2,015,413
Due From Other Governments		4,105,313
Due From Fiduciary Funds		37,545
Accounts Receivable		30,260
Other		45,639
Inventories		29,001
Net Pension Asset - Proportionate Share		2,400,590
Capital Assets, (Net of Accumulated Depreciation)		53,125,929
Total Assets		128,311,336
Deferred Outflows of Resources		
Pensions		33,899,429
Total Assets and Deferred Outflows of Resources	$	162,210,765
Liabilities		
Payables		
Accounts Payable	$	4,452,042
Accrued Liabilities		90,038
Bond interest payable		40,482
Due to Teachers' Retirement System		5,352,699
Due to Employees' Retirement System		233,315
Due to Other Governments		93
Due to Fiduciary Funds		1,608
Compensated Absences		578,271
Deferred Credits		
Unearned Revenue		43,156
Long-Term Liabilities		
Due and Payable Within One Year		
Energy Performance Contract payable		492,347
Claims Payable		340,330
Due and Payable After One Year		
Energy Performance Contract payable		6,744,421
Serial Bonds Payable		19,125,000
Bond Premium Payable		1,789,418
Net Pension Liability - Proportionate Share		597,194
Claims Payable		1,740,168
Compensated Absences Payable		6,772,565
Other Post-Employment Benefits Obligation		100,991,454
Total Liabilities		149,384,601
Deferred Inflows of Resources		
Other Post-Employment Benefits		11,435
Pensions		8,792,290
Total Deferred Inflows of Resources		8,803,725
Net Position		
Net Investment in Capital Assets		44,958,664
Restricted		46,572,100
Unrestricted (Deficit)		(87,508,325)
Total Net Position		4,022,439
Total Liabilities, Deferred Inflows of Resources, and Net Position	$	162,210,765

The Accompanying Notes are an Integral Part of These Financial Statements.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
Functions/ Programs				
General Support	$ (14,077,537)	$	$	$ (14,077,537)
Instruction	(95,887,841)	250,249	1,779,176	(93,858,416)
Pupil Transportation	(4,037,876)		135,719	(3,902,157)
Community Services	(12,578)			(12,578)
Debt Service - Interest	(172,398)			(172,398)
School Lunch Program	(2,228,936)	1,347,838	1,124,589	243,491
Total Functions/ Programs	$ (116,417,166)	$ 1,598,087	$ 3,039,484	(111,779,595)
General Revenues				
Real property taxes				71,376,077
Other tax items - including STAR reimbursement				17,552,838
Use of money & property				400,283
Sale of property & compensation for loss				21,489
Miscellaneous				679,822
State and Federal sources				23,242,190
Total General Revenues				113,272,699
Change in Net Position				1,493,104
Net Position- Beginning of Year				57,542,534
Prior Period Adjustment				(55,013,200)
Total Net Position - Beginning of Year (Restated)				2,529,334
Net Position- End of Year				$ 4,022,438

The Accompanying Notes are an Integral Part of These Financial Statements.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
Assets					
Cash					
Unrestricted	$ 15,740,728	$ 44,874	$ 771,875	$ 3,392,069	$ 19,949,546
Restricted	27,080,526			19,491,574	46,572,100
Receivables					
State and Federal Aid	872,326	1,081,626	61,461		2,015,413
Accounts Receivable	12,284		17,976		30,260
Due From Other Governments	4,105,313				4,105,313
Due From Other Funds	1,151,381	12,114	677,119	4,999,053	6,839,667
Other	45,639				45,639
Inventories			29,001		29,001
Total Assets	$ 49,008,197	$ 1,138,614	$ 1,557,432	$ 27,882,696	$ 79,586,939
Liabilities					
Payables					
Accounts Payable	$ 3,523,833	$ 11,918	$ 153,604	$ 762,687	$ 4,452,042
Accrued Liabilities	89,292	746			90,038
Due To Other Governments			93		93
Due To Other Funds	5,676,172	1,125,950	1,608		6,803,730
Due to Teachers' Retirement System	5,352,699				5,352,699
Due to Employees' Retirement System	233,315				233,315
Compensated absences	578,271				578,271
Deferred credits					
Unearned Revenue			43,156		43,156
Total Liabilities	15,453,582	1,138,614	198,461	762,687	17,553,344
Deferred Inflows of Resources					
Unavailable Revenue	184,517				184,517
Total Deferred Inflows of Resources	184,517				184,517
Fund Balance					
Non-Spendable			29,001		29,001
Restricted	27,080,526			19,491,574	46,572,100
Assigned	1,604,869		1,329,970	7,628,435	10,563,274
Unassigned	4,684,703				4,684,703
Total Fund Balance	33,370,098		1,358,971	27,120,009	61,849,078
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 49,008,197	$ 1,138,614	$ 1,557,432	$ 27,882,696	$ 79,586,939

The Accompanying Notes are an Integral Part of These Financial Statements.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Governmental Fund Balances		$ 61,849,078
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The cost 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 include 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	87,373,304	
Accumulated Depreciation	(34,247,376)	53,125,928
The proportionate share of long-term assets and liabilities associated with the participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds		
Net Pension Asset - Proportionate Share	2,400,590	
Net Pension Liability-Proportionate Share	(597,194)	1,803,396
Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. Deferred outflows of resources at year-end consisted of:		
Pensions		33,899,429
Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. Deferred intflows of resources at year-end consisted of:		
Other Post-Employment Benefits		(11,435)
Pensions		(8,792,290)
Unavailabe revenue - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method.		184,517
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Accrued Interest on Bonds Payable	(40,482)	
Claims Payable	(2,080,498)	
Compensated Absences Payable	(6,772,565)	
Net Other Post-Employment Benefits Obligation	(100,991,454)	
Serial Bonds Payable	(19,125,000)	
Premium Bond Payable	(1,789,418)	
Energy Performance Contract Payable	(7,236,768)	(138,036,185)
Total Net Position		$ 4,022,438

The Accompanying Notes are an Integral Part of These Financial Statements.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
Revenues					
Real Property Taxes	$ 73,397,289	$	$	$	$ 73,397,289
Other Tax Items- Including STAR Reimbursement	17,552,838				17,552,838
Charges for Services	250,249				250,249
Use of Money and Property	400,283				400,283
Sale of Property and Compensation for Loss	21,489				21,489
Miscellaneous	745,628		164		745,792
State Sources	22,583,602	524,656	42,541	658,588	23,809,387
Federal Sources	87,584	1,302,655	1,029,356		2,419,595
Surplus Food			52,692		52,692
Sales			1,347,838		1,347,838
Total Revenues	115,038,962	1,827,311	2,472,591	658,588	119,997,452
Expenditures					
General Support	11,977,999				11,977,999
Instruction	67,818,922	1,812,409			69,631,331
Pupil Transportation	3,871,835	135,719			4,007,554
Community Service	12,578				12,578
Employee Benefits	21,003,045				21,003,045
Debt service- principal	482,598				482,598
Debt service - interest	152,746				152,746
Cost of Sales			2,228,936		2,228,936
Capital Outlay				5,127,224	5,127,224
Total Expenditures	105,319,723	1,948,128	2,228,936	5,127,224	114,624,011
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources (Uses)	9,719,239	(120,817)	243,655	(4,468,636)	5,373,441
Other Financing Sources (Uses)					
Proceeds of Debt				20,914,418	20,914,418
Operating Transfers In		120,817		5,581,000	5,701,817
Operating Transfers Out	(5,701,817)				(5,701,817)
Total Other Financing Sources (Uses)	(5,701,817)	120,817		26,495,418	20,914,418
Net Change in Fund Balance	4,017,422		243,655	22,026,782	26,287,859
Revenues Over Expenditures and Other Financing Sources (Uses)	4,017,422		243,655	22,026,782	26,287,859
Fund Balance- Beginning of Year	29,352,676		1,115,316	5,093,227	35,561,219
Fund Balance- End of Year	$ 33,370,098	$	$ 1,358,971	$ 27,120,009	$ 61,849,078

The Accompanying Notes are an Integral Part of These Financial Statements

VALLEY STREAM CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net Change in Fund Balance			$ 26,287,859
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 expenses-compensated absences (vacation and sick days), retirement system contributions-are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.			(109,790)
Unearned revenue - The Statement of Activities recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method.			(2,087,182)
Workers' compensation claims payable in the Statement of Activities from the amounts reported in the governmental funds are different because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, however the payable is recognized as it accrues regardless of when it is due. Accrued claims payable from June 30, 2016 to June 30, 2017 changed by:			221,476
Net other post-employment benefits obligation in the Statement of Activities are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.			(5,625,670)
(Increases) Decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.			
	Teacher's Retirement System	(1,033,698)	
	Employee's Retirement System	73,708	(959,990)
Proceeds from long term debt - Serial Bond - The Statement of net position recognizes proceeds under the full accrual method. Governmental funds recognize proceeds under the modified accrual method.			(20,914,418)
Repayment of installment debt principal 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			482,599
Governmental funds report the issuance costs, premiums, discounts, and similar items on the refunded bonds. These amounts are deferred and amortized in the Statement of Activities. The amount of amortization is			
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2017 to June 30, 2018 changed by:			(19,652)
Capital Related Items Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activites, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.			
	Capital Outlays and Equipment Purchases	5,572,075	
	Depreciation Expense	(1,354,204)	4,217,871
Changes in Net Position of Governmental Activities			$ 1,493,103

The Accompanying Notes are an Integral Part of These Financial Statements.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash - Unrestricted	$	$ 414,304
Cash - Restricted	344,797	
Due From Governmental Funds		1,608
Total Assets	$ 344,797	$ 415,912
Liabilities		
Extraclassroom activity balance		$ 242,519
Due To Governmental Funds		37,545
Other Liabilities		135,848
Total Liabilities		$ 415,912
Net Position		
Reserved for Scholarships	$ 344,797	
Total Net Position	$ 344,797	

The Accompanying Notes are an Integral Part of These Financial Statements.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Funds
Additions	
Gifts and Contributions	$ 24,224
Interest and Earnings	1,711
Total Additions	25,935
Deductions	
Scholarships and Awards	18,337
Total Deductions	18,337
Change in Net Position	7,598
Net Position- Beginning of Year	337,199
Net Position- End of Year	$ 344,797

The Accompanying Notes are an Integral Part of the Financial Statements.

1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Valley Stream Central High School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as they apply to governmental units. The Governmental Accounting Standards Board (GASB) prescribes those principles, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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 nine 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 reporting entity of the District is based upon 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 and its component unit and other organizational entities determined to be includable in the District's financial reporting entity. The District is not a component unit of another reporting entity. Inclusion of a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

Extraclassroom Activity Funds:

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The 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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The District reports these assets held as an agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Funds.

Joint Venture

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

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

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

Basis of Presentation

(a) District-Wide Financial Statements:

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

The Statement of Activities presents a comparison between 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. Indirect expenses, principally employee benefits and depreciation expense for the year, are allocated to functional areas in proportion to the payroll expended and total expenditures, respectively, for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(b) Fund Financial Statements:

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

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for and reports all financial resources that are not accounted for in another fund.

Special Aid Fund: This fund accounts for and reports the proceeds of specific revenue sources, such as federal and state grants, which are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for and report the activities of the District's food service operations.

Capital Projects Fund: This fund is used to account for and report the financial resources that are restricted or assigned to expenditure used for acquisition, construction, or major repair of capital facilities.

(c) Fiduciary Funds:

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

Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income 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.

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.

Measurement Focus and Basis of Accounting

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

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 120 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, other post-employment benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

Property Taxes

(a) Calendar

Real property taxes for the District, together with the property taxes for the three component school districts of the District are levied by Nassau County (the "County"), and are collected by the town tax receivers. Such taxes are due and payable in equal installments on October 1 and April 1, but may be paid without penalty by November 10 and May 10, respectively. Taxes were collected during the period 2017-2018.

The town tax receiver pays to each of the three component districts (Valley Stream #13, Valley Stream #24 and Valley Stream #30) of the District the amounts collected for such component district together with the applicable share of the District levy on the first day of each month from October 1 to June 1. From such receipts, each of the component school districts then pays the District its proportionate share.

(b) Enforcement

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

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.

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 to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

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

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

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

Estimates

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

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Accounts Receivable

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

Inventories

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Non-spendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures.

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & Building Improvements	$1,000	Straight-line	20-50 years
Land Improvements	$1,000	Straight-line	20 years
Furniture & Equipment	$500	Straight-line	5-15 years
Licensed Vehicles	$500	Straight-line	5-15 years

Unearned Revenue

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures.

In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The School District has one item that qualifies for reporting in this category. This item is related to pensions reported in the District-wide Statement of Net Position. It represents the effect of the net change in the School District's proportion of the collective net pension asset (TRS System) or liability (ERS System) and difference during the measurement period between the School District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. This also includes the School District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position and government funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The first item which qualifies for reporting in this category, which arises only under a modified accrual basis of accounting, is unavailable revenue. This item is reported only in the governmental funds Balance Sheet. The second item is related to pensions reported in the District-wide Statement of Net Position. It represents the effect of the net change in the School District's proportion of the collective net pension asset (TRS System) or liability (ERS System) and the difference during the measurement periods between the School District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is related to other post-employment benefits reported in the District-wide Statement of Net Position. It represents the effect of the net change in the School District's other post-employment benefits obligation and the decrease in the expense from the recognition of the effects of the differences between expected and actual experience.

Vested Employee Benefits – Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time:

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

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

Consistent with GASB, the liability 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.

In the Fund Financial Statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the year paid.

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 budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

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.

Accrued Liabilities and long-Term Obligations

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

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

Equity Classifications

(a) District-Wide Financial Statements

In the District-Wide Financial Statements, there are three classes of net position:

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

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

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

(b) Fund Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

Non-Spendable

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of $41,653.

Restricted Resources

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Currently, New York State laws still use the terminology "reserves" and Districts are only allowed to use reserves authorized by law. The District has classified the following reserves and cash in the general fund as restricted:

General Fund		
Workers' Compensation Reserve	$	4,179,875
Unemployment Insurance Reserve		451,494
Retirement Contribution Reserve		7,678,375
Capital Reserve		7,866,610
Insurance Reserve		181,044
Employee Benefit Accrued Liability		6,723,128
Total restricted fund balance	$	27,080,526

- ***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. This reserve is accounted for in the general fund under restricted fund balance.

- ***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. This reserve is accounted for in the general fund under restricted fund balance.

- ***Retirement Contribution Reserve***

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

- ***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 ballet are set forth in §3651 of the Education Law. The reserve is accounted for in the general fund under restricted fund balance.

- ***Insurance Reserve***

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

- ***Reserve for Employee Benefit Accrued Liability***

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

- ***Capital Projects Fund***

  This fund is used to account for and report the financial resources that are restricted by a voter approved proposition for acquisition, construction or major repair of capital facilities.

Committed Fund Balance

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

Assigned Fund Balance

Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies.

The District has established a Fund Balance policy that allows the Board of Education or their designated official to set forth the fund balance that is assigned.

This classification also includes the remaining positive fund balance for all governmental funds except for the general fund. The District has classified the following as assigned:

Assigned For	General	School Lunch	Capital Projects	Total
Designated for Subsequent Year's Expenditures	$ 1,400,000	$	$	$ 1,400,000
Encumbrances	204,869			204,869
School Lunch		1,329,970		1,329,970
Capital Projects			7,628,435	7,628,435
Total	$ 1,604,869	$ 1,329,970	$ 7,628,435	$ 10,563,274

Designated for Subsequent Year's Expenditure

The amount of $1,400,000 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2019.

Encumbrances

Encumbrances have been assigned based upon the District's intent to be used for a specific purpose such as general support, instruction and capital projects. See Note 3 for further detail regarding accountability and Note 17 for further detail regarding significant encumbrances.

Unassigned Fund Balance

Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

(c) Restricted for Endowments and Scholarship Awards

This reserve is used to account for various endowment and scholarship awards. The reserve is accounted for in the Fiduciary Fund.

(d) Order of Use of Fund Balance

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned.

New Accounting Standard

The District adopted and implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* replacing the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and GASB 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* effective for the period ending June 30, 2018. This Statement requires that the School District recognize the full amount of the OPEB liability on the District-wide Statement of Net Position. GASB 75 enhances accountability and creates additional transparency through revised and new note disclosures and required supplementary information.

Future Changes in Accounting Standards

- GASB Statement No. 84 – Fiduciary Activities Effective for the year ended June 30, 2020
- GASB Statement No. 87 – Leases Effective for the year ended June 30, 2021

The School District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

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

Total Fund Balances of Governmental Funds Compared to 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. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

Statement of Revenues, Expenditures and Changes in Fund Balance Compared to Statement of Activities

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

(a) 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 modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

(b) Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets 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.

(c) Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

(d) Employee Benefit Allocations

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balance based on the requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

(e) Pension Differences

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

(f) Other Postemployment Differences

Other postemployment benefit (OPEB) differences occur as a result of changes in the School District's total OPEB liability and differences between the School District's contributions and OPEB expense.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures and Budgetary Accounting

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:
The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

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

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

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

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 assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

General Fund- Statutory Unassigned Fund Balance Limit

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in the assigned fund balance are also excluded from the 4% limitation. At June 30, 2018 the School District's unassigned fund balance was 4.0% of the 2018-2019 budget.

Statutory Debt Limit

At June 30, 2018 the School District's unassigned fund balance was in compliance with the statutory debt limit.

NYS Real Property Tax Cap

Chapter 97 of the Laws of 2011 established a property tax levy limit (generally referred to as the tax cap) that restricts the amount of property taxes local governments (including school districts) can levy. The School District was in compliance with the tax cap for the year ended June 30, 2018.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. 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 with securities held by the pledging financial institution in the District's name; or
C) Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District's aggregate bank balances of $66,521,646 were covered by depository insurance or pledged collateral held in a trust department in an account in the School District's name.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents of $27,080,526 in the General Fund represents amounts in the following reserves: $4,179,875 for Worker's Compensation, $451,494 for Unemployment Insurance, $7,678,375 for Retirement Contributions, $7,866,610 for Capital Reserve, $181,044 for Insurance Reserve and $6,723,128 for Employee Benefit Accrued Liability Reserve.

Restricted Cash of $19,491,574 in the Capital fund represents reserves for capital projects.

5. PARTICIPATION IN BOCES

During the year ended June 30, 2018, the District was billed $12,448,627 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $3,443,056.

Financial statements for the BOCES are available from the BOCES administrative office at 71 Clinton Road, Garden City, New York 11530.

6. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2018 consisted of the following:

General Fund		
BOCES - Aid	$	1,746,411
Valley Stream UFSD #13		583,044
Valley Stream UFSD #24		728,396
Valley Stream UFSD #30		865,935
Foster Services		304,244
Parentally Placed Services		181,527
Less: Allowance for Tuition		(304,244)
Total Due From Other Governments	$	4,105,313

7. STATE AND FEDERAL AID RECEIVABLE

State and federal aid receivable at June 30, 2018 consisted of the following:

General Fund	
Excess Cost State Aid	$ 872,326
General Aid	
Total	872,326
Special Aid Fund	
State and Local Aid	751,879
Federal Aid	329,747
Total	1,081,626
School Lunch Fund	
State Aid - Breakfast	214
Federal Aid - Breakfast	3,704
State Aid - Lunch	2,242
Federal Aid - Lunch	55,301
Total	61,461
Total State and Federal Aid Receivable	$ 2,015,413

8. OTHER RECEIVABLES

The District has provided the former Superintendent with a split dollar life insurance policy which calls for the reimbursement of all previously paid claims to the District upon the demise of the insured. The receivable for these premiums is recorded in the general fund. As of June 30, 2018, the total premiums amounted to $45,639.

9. CAPITAL ASSETS

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

	Beginning Balance	Additions	Ending Balance
Governmental Activities:			
Capital assets that are not depreciated:			
Land	$ 488,600	$	$ 488,600
Construction in Progress	13,908,749	5,127,224	19,035,973
Total nondepreciable historical cost	14,397,349	5,127,224	19,524,573
Capital assets that are depreciated:			
Land Improvements	2,111,976		2,111,976
Building & Building Improvements	58,384,081		58,384,081
Furniture and equipment	6,907,824	444,850	7,352,674
Total depreciable historical cost	67,403,881	444,850	67,848,731
Less accumulated depreciation:			
Land Improvements	1,612,797	86,739	1,699,536
Building & Building Improvements	25,575,303	990,678	26,565,981
Furniture and equipment	5,705,074	276,784	5,981,858
Total accumulated depreciation	32,893,174	1,354,201	34,247,375
Total capital assets, net	$ 48,908,056	$ 4,217,873	$ 53,125,929

Depreciation expense was allocated based on estimated usage by function and is charged as follows:

General support	$ 203,130
Instructional support	1,151,071
	$ 1,354,201

10. INTERFUND TRANSACTIONS – GOVERNMENTAL AND FIDUCIARY FUNDS

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	$ 1,151,381	$ 5,676,172	$	$ 5,701,817
Special aid fund	12,114	1,125,950	120,817	
School lunch fund	677,119	1,608		
Capital fund	4,999,053		5,581,000	
Total government activities	6,839,667	6,803,730	5,701,817	5,701,817
Fiduciary agency fund	1,608	37,545		
Totals	$ 6,841,275	$ 6,841,275	$ 5,701,817	$ 5,701,817

The District typically transfers from the general fund to the capital projects fund to finance capital construction projects. Also, the District typically transfers from the general fund to the special aid fund to fund the District's 20% share of summer school handicap expenses required by State Law.

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

It is expected that all interfund payables should be repaid within one year.

11. UNAVAILABLE REVENUE

Unavailable revenue for the year ended June 30, 2018 was as follows and is reported as a deferred inflow of resources on the governmental funds balance sheet:

General Fund	
Excess Cost Aid	$ 12,585
Summer Programs 2018	37,150
Split dollar life insurance	45,639
NYC Parentally Placed	89,143
Total	$ 184,517

12. SHORT-TERM DEBT

For the year ended June 30, 2018, the District did not issue any short-term debt.

13. LONG-TERM DEBT OBLIGATIONS

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Long-Term Debt					
Serial Bonds Payable	$	$ 19,125,000	$	$ 19,125,000	$
Bond Premium Payable		1,789,418		1,789,418	
Energy Performance Contract (EPC)	7,719,367		482,599	7,236,768	492,347
Total Serial Bonds & EPC	7,719,367	20,914,418	482,599	28,151,186	492,347
Other liabilities:					
Net Pension Liability - Proportionate Share	5,224,873		4,627,679	597,194	
Claims Payable	2,301,974	216,437	437,913	2,080,498	340,330
Compensated absences	6,662,775	109,790		6,772,565	
Net other post-employment benefits obligation	95,377,219	7,475,968	1,861,733	100,991,454	
Total other liabilities	109,566,841	7,802,195	6,927,325	110,441,711	340,330
Total long-term liabilities	$ 117,286,208	$ 28,716,613	$ 7,409,924	$ 138,592,897	$ 832,677

The general fund has typically been used to liquidate long-term liabilities such as compensated absences.

Serial Bonds - The School District borrows funds on a long-term basis for the purpose of financing acquisitions of land and equipment and construction of buildings and improvements. This policy enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities for governmental funds are maintained separately and represent a reconciling item between the fund and District-wide statements. Interest associated with long-term debt is recorded as an expenditure when such amounts are due.

Details relating to the general obligation (serial) bond and the energy performance contract of the School District outstanding at June 30, 2018 are summarized as follows:

Payable From/Description	Original Issue	Original Amount	Final Maturity	Interest Rate (%)	Outstanding Amount
Energy Performance Contract	05/12/2016	7,719,367	05/12/2031	2.01%	7,236,768
Construction Serial Bond	06/20/2018	19,125,000	06/15/2033	1.65-4.00%	19,125,000
Total					$ 26,361,768

Energy Performance Contract Payable

The School District in May, 2016, entered into a $7,719,367 contractual agreement to install energy savings equipment and /or to upgrade existing facilities to enhance performance. The contract is accounted for as a capital lease. The terms of the contract provide for repayment over 15 years, with annual installments of $635,345 through May, 2031. Payment includes interest at 2.01% per annum. The contract provides that the savings in energy cost resulting from these upgrades will equal or exceed the lease payments terms. The net present value of the lease at June 30, 2018 was $7,236,768. Interest expense of $152,746 was recorded in the district –wide financial statements.

The following is a schedule of future principal and interest payments of the capital lease as of June 30, 2018:

Energy Performance Contract Fiscal Year Ending June 30,	Principal	Interest	Total
2019	$ 492,347	$ 142,997	$ 635,344
2020	502,293	133,051	635,344
2021	512,440	122,905	635,344
2022	522,792	112,553	635,345
2023	533,353	101,992	635,345
2024-2028	2,832,797	343,926	3,176,723
2029-2031	1,840,746	65,288	1,906,034
	$ 7,236,768	$ 1,022,712	$ 8,259,479

The following is a schedule of future principal and interest payments of the serial bond as of June 30, 2018:

Serial Bond For the Year Ending June 30,	Principal	Interest	Total
2019	$ 0	$ 754,375	$ 754,375
2020	1,045,000	765,000	1,810,000
2021	1,085,000	723,200	1,808,200
2022	1,130,000	679,800	1,809,800
2023	1,175,000	634,600	1,809,600
2024-2028	6,625,000	2,428,600	9,053,600
2029-2033	8,065,000	992,800	9,057,800
	$ 19,125,000	$ 6,978,375	$ 26,103,375

Interest expense on the district-wide financial statements is calculated as follows:

Interest expense on the District-wide financial statements is calculated as follows:	
Interest Paid on Long Term Debt	$152,746
Less: Interest Accrued in the Prior Year	(20,830)
Plus: Interest Accrued in the Current Year	40,482
	$172,398

14. PENSION PLANS

A) New York State and Local Employees' Retirement System (ERS)

(a) Plan Description

The School District participates in the New York State and Local Employees' Retirement System (ERS).This is a cost – sharing multi-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life

Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. The System is included in the state's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

(b) Contributions

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010 but before April 1, 2012 are required to contribute 3% of their annual salary for their entire working career. Those who joined on or after April 1, 2012 contribute at a rate ranging from 3% to 6% based on their total annualized salary. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 20188, were paid.

The required contributions for the current year and two preceding years were:

	Amount
2016	$ 1,071,618
2017	$ 975,473
2018	$ 960,519

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

At June 30, 2018, the School District reported a liability of $597,194 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018 and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of April 1, 2017. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018, the School District's proportion was 0.0185036 percent, which was a decrease of 0.0005483 percent from its proportion measured as of June 30, 2017. For the year ended June 30, 2018 the School District recognized pension expense of $875,693. At June 30, 2018, the School District reported deferred outflows of resources to pension from the following sources:

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences Between Expected and Actual Experience	$ 176,015	$ 213,000
Change of Assumptions		395,989
Net Difference Between Projected and Actual Earnings on Pension Plan investments	1,712,115	867,377
Changes in Proportions and the Differences Between Contributions and Proportionate Share of Contributions	41,394	438,370
Contributions subsequent to the Measurement Date		233,315
Total	$ 1,929,524	$ 2,148,051

Amount reported as deferred outflows related to pensions resulting from the School District contributions subsequent to the measurement date, if any, will be recognized as a reduction of the net pension asset/liability in the year ended June 30, 2019. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2019	$ 281,557
2020	$ 218,192
2021	$ (353,493)

2022	$ (161,044)

(d) Actuarial Assumptions

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

Significant actuarial assumptions used in the April 1, 2017 valuation were as follows:

Investment Rate of Return (Net Investment Expense, Including Inflation)	7.00%
Salary Scale	3.8%
Decrement Tables	April 1, 2010 – March 31, 2015 System's Experience
Inflation Rate	2.50%

Annuitant mortality rates are based on April 1, 2010- March 31, 2015 System's experience with adjustments for mortality improvements based on MP - 2014.

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

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

Asset Class	Target Allocation	Long –Term Expected Real Rate of Return
Domestic Equity	36%	4.55%
International Equity	14%	6.35%
Private Equity	10%	7.50%
Real Estate	10%	5.55%
Absolute Return Strategies	2%	3.75%
Opportunistic Portfolio	3%	5.68%
Real Assets	3%	5.29%
Bonds and Mortgages	17%	1.31%
Cash	1%	(0.25)%
Inflation – Indexed Bonds	4%	1.25%
	100%	

(e) Discount Rate

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

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

The following presents the School District's proportionate share of the net pension liability calculated using the current-period discount rate assumption of 7.0 percent, as well as what the net pension liability (asset) would be if it were calculated

using a discount rate that is one percent-point lower (6.0 percent) or one percentage–point higher (8.0 percent) than the current assumption (dollars in thousands).

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Proportionate Share of the Net Pension Liability (Asset)	$ 4,518,530	$ 597,194	$ (2,720,099)

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

(h) Payables to the Pension Plan

The School District has recorded an amount due to ERS in the amount of $233,315 at June 30, 2018. This amount represents the three months of the School District's fiscal year that will be covered in the ERS 2018-19 billing cycle and has been accrued as an expenditure in the current year.

B) New York State Teachers' Retirement System (TRS)

(a) Plan Description

The School District participates in the New York Teachers' Retirement System (TRS). This is a cost –sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten member board to provide those benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by the New York State Law and may be amended only by the Legislature with the Governors approval. Benefit provisions vary depending on date of membership and membership class (6 tiers). The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefits payments are recognized when due and payable. Investments are recognized at fair value. TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System. For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at www.nystrs.org.

(b) Contributions

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. Tier 3 and Tier 4 members who have less than 10 years of service or membership are required to contribute 3.5% of salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Ties 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make membership contributions under certain conditions pursuant to the provision of Article 11 of the Education Law and Article 11 of the Retirement and Social Security law. Upon termination of membership such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

The required contributions for the current year and two preceding years were:

	Amount
2016	$ 6,625,405
2017	$ 5,866,379

2018	$ 5,024,579

(c) Pensions Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the School District reported an asset of $2,400,590 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2016. The School District's proportion of the net pension asset was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.
At June 30, 2017, the School District's proportion was 0.315826 percent, which was a decrease of 0.004864 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018 the School District recognized pension expense of $6,003,563. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences Between Expected and Actual Experience	$ 935,962	$ 1,975,095
Changes of Assumptions		24,426,472
Net Difference Between Projected and Actual Earnings on Pension Plan investments	5,654,084	
Changes in Proportions and the Differences Between Contributions and Proportionate Share of Contributions	272,720	325,232
Contributions subsequent to the Measurement Date		5,024,579
Total	$ 6,862,766	$ 31,751,378

Amount reported as deferred outflows/inflows of resources related to pensions resulting from the School District contributions subsequent to the measurement date, if any, will be recognized as an increase of the net pension liability. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	$ 578,072
2019	$ 6,485,044
2020	$ 4,647,213
2021	$ 1,170,619
2022	$ 4,633,758
Thereafter	$ 2,349,326

(d) Actuarial Assumptions

The total pension asset at June 30, 2017 measurement date was determined by using an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension asset to June 30, 2017.

Significant actuarial assumptions used in the June 30, 2016 valuation were as follows:

Investment Rate of Return	7.25% compounded annually, Net of Pension Plan Investment Expense, Including Inflation.
Salary Scale	Rates of Increase Differ based on Service. They Have Been Calculated Based Upon Recent NYSTRS Membership Experience.

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLA's	1.5% Compounded Annually

Inflation Rate 2.5%
Annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale AA. MP - 2014.
The actuarial assumptions used in the June 30, 2016 valuation are based on the result of an actuarial experience study for the period July 2009 to June 2014.

The long term expected rate of return on pension plan investment 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. Consideration was given to expect future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major assets class as well as historical investment data and plan performance.

Best estimate of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of valuation date of June 30, 2016 is summarized in the following table:

Asset Class	Target Allocation	Long –Term Expected Real Rate of Return *
Domestic equities	35%	5.9%
International equities	18%	7.4%
Real estate	11%	4.3%
Private equities	8%	9.0%
Total equities	72%	
Domestic fixed income securities	16%	1.6%
Global fixed income securities	2%	1.3%
High-yield fixed income securities	1%	3.9%
Mortgages	8%	2.8%
Short-term	1%	0.6%
Total fixed income	28%	
Total	100%	

*Real rates of return are net of long-term inflation assumption of 2.2% for 2017.

(e) Discount Rate

The discount rate used to calculate the total pension asset was 7.25 percent. 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 School districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/asset.

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

The following presents the collective net pension liability (asset) of the School district as of June 30, 2017 calculated using a discount rate of 7.25 percent as well as what the School districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage–point lower (6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability (Asset)	$ 41,355,057	$ (2,400,590)	$ (39,043,773)

(g) Pension Plan Fiduciary Net Position:

Detailed information about the Plan's fiduciary net position is available in the separately issued TRS financial report.

(h) Payables to the pension plan

The School District has recorded an amount due to TRS in the amount of $5,352,699 at June 30, 2018. This amount represents the contribution for the 2017-18 fiscal year that will be made in 2018-19 and the employer share has been accrued as an expenditure in the current year.

15. POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS

(a) Plan Description

The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

(b) Benefits Provided

The District provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the District has in place with different classifications of employees.

The District acquires health insurance through a consortium known as the New York State Health Insurance Program (NYSHIP). Benefits provided by NYSHIP are administered by the Empire BlueCross BlueShield, United Healthcare, GHI/Value Options and Empire BlueCross BlueShield/Caremark. The NYSHIP plan covers medical and pharmaceutical costs. Refer to the plan documents for the specifics and limitations of the coverage offered to retirees. Many of the services in the NYSHIP plan require co-payments at various levels depending on the nature of the service.

(c) 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	274
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	553
Total Members	827

(d) Total OPEB Liability

The District's total OPEB liability of $100,991,454 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. The July 1, 2017 Actuarial Valuation directly calculated the July 1, 2017 Total OPEB Liability (TOL). The July 1, 2017 TOL was increased by service cost and interest and decreased by benefit payments to estimate the TOL as of June 30, 2018. The TOL as of June30, 2018 was also adjusted to reflect any material plan changes after the valuation, if applicable.

(e) Actuarial Assumptions and Other Inputs

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

Inflation	2.60 percent
Salary Increases	
Discount Rate	3.00 percent
Healthcare Cost Trend Rates	7.50 percent for 2017, decreasing 0.5 percent per year to an ultimate rate of 4.50 percent for 2023 and later years
Retirees' Share of Benefit-Related Costs	50 percent of the projected health insurance premiums for retirees and 65 percent of the projected health insurance premiums for retirees' eligible dependents

The discount rate is consistent with GASB 75 standards discounting unfunded liabilities based on a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP2017.

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

(f) Changes in Total OPEB Liability

Balance at June 30, 2017	$	95,377,219
Charges for the Year -		
Service Cost		4,519,534
Interest		2,969,183
Changes in Benefit Terms		0
Differences between expected and actual experience		(12,749)
Changes in assumptions or other inputs		0
Benefit payments		(1,861,733)
Net Changes		5,614,235
Balance at June 30, 2018	**$**	**100,991,454**

(g) 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 (2.0 percent) or 1 percentage point higher (4.0 percent) than the current discount rate:

	1% Decrease (2.0%)	Current Discount Rate (3.0%)	1% Increase (4.0%)
Total OPEB liability as of June 30, 2018	$121,175,613	$100,991,454	$ 85,145,014

(h) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current healthcare cost trend rate:

	1% Decrease (6.5% Decreasing to 3.5%)	Healthcare Cost Trend Rates (7.5% Decreasing to 4.5%)	1% Increase (8.5% Decreasing to 5.5%)
Total OPEB liability	$84,240,286	$100,991,454	$125,190,725

(i) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $5,625,670. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 1,314	$ 12,749
Changes of Assumptions or other inputs		
Contributions subsequent to the Measurement Period		
Total	$ 1,314	$ 12,749

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

Year Ended June 30,	
2019	$ (1,314)
2020	$ (1,314)
2021	$ (1,314)
2022	$ (1,314)
2023	$ (1,314)
Thereafter	$ (4,865)

16. RISK MANAGEMENT

(a) General

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

(b) Consortiums and Self Insured Plans

The District participated in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District property and liability insurance coverage through June 30, 2018. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the District has essentially transferred all related risk to the pool.

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 claims, which were incurred on or before year-end but not reported (IBNR). As of June 30, 2018 the District has recorded potential workers' compensation claims of $2,080,498 and has a workers' compensation reserve balance of $4,179,875.

The following is the details of the amounts paid from this fund:

	2018	2017
Unpaid claims at beginning of year	$ 2,301,974	$ 2,286,337
Incurred claims and claim adjustment expenses	216,437	543,259
Claim payments	(437,913)	(527,622)
Unpaid claims at year end	$ 2,080,498	$ 2,301,974

17. COMMITMENTS AND CONTINGENCIES

(a) Grants

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

(b) Operating Leases

The District is committed under various non-cancelable operating leases, primarily for office equipment. Lease expenditures for the year ending June 30, 2018 were $196,055. The following is a summary of obligations of government activities under operating lease payments:

Fiscal year ended June 30,	Total
2019	$ 185,055
2020	90,785
2021	12,138
Total lease payments	$ 287,978

(c) Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

(d) Encumbrances

Significant encumbrances included in governmental fund balances have been classified as assigned fund balance and are as follows:

General Fund - Total encumbrances of the general fund as of June 30, 2018 were $204,869. Significant encumbrances of $145,052 were assigned to maintenance, $4,990 to worker's compensation, $2,877 to security, $4,050 to equipment, $4,800 to legal fees, $19,533 to special education, and $11,289 to instruction.

18. TAX ABATEMENTS

The District is subject to tax abatements that are granted by the Town of Hempstead Industrial Development Agency (TOHIDA). Article 18-A of the New York State Municipal Law, "New York State Industrial Development Agency Act" was enacted to provide for the creation of Industrial Development Agencies (IDA's) to facilitate economic development in specific localities, and delineate their powers and status as public benefit corporations. The legislation establishes the power of New York IDA's, including the authority to grant tax abatements and enter into agreements to require payments in lieu of taxes. Each IDA must adopt and follow a tax exemption policy with input from the effected taxing jurisdictions, however once created the IDA can independently grant abatements in conformity with their policy. The TOHIDA enters into agreements to abate property tax for the purpose of increasing or retaining employment in the County.

Property abatements may be partially offset by an agreement that requires payments in lieu of taxes. These agreements specify the annual amount to be remitted by the property owner and are allocated to the effected jurisdiction based on the proportion of taxes abated. The District has chosen to disclose information about its tax abatement by purpose.

Name	Purpose	Gross Tax Reduction
International Valley Stream Holdings	Economic Development and Job Creation	$ 59,159
Zeus Cottage	Economic Development and Job Creation	$ 443,583
LPF Realty	Economic Development and Job Creation	$ 97,480
500 Rock LLC	Economic Development and Job Creation	$ 57,849
Green Acres	Economic Development and Job Creation	$ 9,531,918
Green Acres Adjacent	Economic Development and Job Creation	$ 272,328
J&C Auto	Economic Development and Job Creation	$ 204,216
676 W Merrick Rd LLC	Economic Development and Job Creation	$ 69,393
		$ 10,735,926
Payments in Lieu of Taxes		$ 7,760,403
Net Revenue Reduction		$ 2,975,523

18. DISTRICT-WIDE NET POSITION DEFECIT

The District-wide Statement of Net Position had an unrestricted deficit at June 30, 2018 of $87,508,325, the deficit is primarily the result of the implementation of GASB 75 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which required the recognition of an unfunded liability of $100,991,454 at June 30, 2018. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.

19. PRIOR PERIOD ADJUSTMENT-CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

A prior period adjustment of $55,013,200 has been reflected in the government wide financial statements to increase beginning net OPEB liability to implement GASB 75 which more accurately reflects the liability at June 30, 2017.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
Revenues				
Local Sources				
Real Property Taxes	$ 71,376,077	$ 71,376,077	$ 73,397,289	$ 2,021,212
Other Real Property Tax Items	16,547,426	16,547,426	17,552,838	1,005,412
Charges For Services	215,000	215,000	250,249	35,249
Use of Money & Property	110,000	110,000	400,283	290,283
Sale of Property and Compensation for loss	10,000	10,000	21,489	11,489
Miscellaneous	175,000	175,000	745,628	570,628
State Sources				
Basic Formula	7,663,582	7,663,582	8,407,065	743,483
Excess Cost Aid	6,355,166	6,355,166	5,792,103	(563,063)
Lottery Aid	4,672,916	4,672,916	4,185,974	(486,942)
BOCES Aid	2,454,316	2,454,316	3,443,056	988,740
Tuition Aid			303,527	303,527
Textbook Aid	274,340	274,340	293,639	19,299
Computer Hardware Aid	58,466	58,466		(58,466)
Computer Software Aid	85,450	85,450	74,654	(10,796)
Library A/V Loan Program Aid	31,482	31,482	29,837	(1,645)
Other State Aid			53,747	53,747
Federal Sources				
Medicaid Reimbursement	50,000	50,000	87,584	37,584
Other Financing Sources				
Transfers from Other Funds	1,950,000	1,950,000		(1,950,000)
Total Revenues and Other Sources	112,029,221	112,029,221	115,038,962	$ 3,009,741
Appropriated Fund Balance	1,400,000	1,400,000		
Appropriated Reserves	390,430	390,430		
Total Revenues and Appropriated Fund Balance	$ 113,819,651	$ 113,819,651		

(Continued)

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
Expenditures					
General Support					
Board of Education	$ 45,868	$ 45,868	$ 25,951	$	$ 19,917
Central Administration	438,896	438,896	436,697		2,199
Finance	1,222,323	1,222,323	1,119,584	1,630	101,109
Staff	944,077	944,077	859,508	4,800	79,769
Central Services	8,838,197	8,838,197	8,244,005	147,929	446,263
Special Items	1,417,500	1,417,500	1,292,254		125,246
Instructional					
Instruction, Adm. and Imp.	4,376,096	4,376,096	4,191,826	7,000	177,270
Teaching - Regular School	35,500,008	35,500,008	34,925,382	11,289	563,337
Programs For Children With Handicapping Conditions	16,459,336	16,459,336	16,357,607	19,533	82,196
Occupational Education	741,258	741,258	724,745		16,513
Teaching Special Schools	710,437	710,437	646,248		64,189
Instructional Media	3,213,636	3,213,636	3,037,499		176,137
Pupil Services	8,279,650	8,279,650	7,935,615	7,698	336,337
Pupil Transportation	4,044,040	4,044,040	3,871,835		172,205
Community Services	21,969	21,969	12,578		9,391
Employee Benefits	21,183,871	21,183,871	21,003,045	4,990	175,836
Debt Service - Principal	482,598	482,598	482,598		
Debt Service - Interest	172,747	172,747	152,746		20,001
Total Expenditures	108,092,507	108,092,507	105,319,723	204,869	2,567,915
Other Financing Uses					
Transfers To Other Funds	5,727,144	5,727,144	5,701,817		25,327
Total Expenditures and Other Financing Uses	$ 113,819,651	$ 113,819,651	111,021,540	$ 204,869	$ 2,593,242
Net Change in Fund Balance			4,017,422		
Fund Balance- Beginning of Year			29,352,676		
Fund Balance- End of Year			$ 33,370,098		

Notes to Required Supplementary Information:

The School 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 budget is adopted manually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Measurement Date	7/1/2017
Total OPEB Liability	
Service cost	$ 4,519,534
Interest on Total OPEB Liability	2,969,183
Change in assumptions and other inputs	
Differences between expected and actual experience in the measurement of the total OPEB liability	(12,749)
Benefit payments	(1,861,733)
Net change in total OPEB Liability	5,614,235
Total OPEB Liability - Beginning	95,377,219
Total OPEB Liability - Ending	$ 100,991,454
Covered payroll	$ 54,378,000
Total OPEB Liability as a percentage of covered payroll	186%

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

Notes to Required Supplementary Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

Actuarial Assumptions

The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 10 to the financial statements.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND SECTION 1318 OF THE REAL PROPERTY TAX LAW LIMIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Change From Adopted Budget to Final Budget

Adopted Budget	$ 113,429,221
Additions:	
Prior Year's Encumbrances	390,430
Original and Fianl Budget	$ 113,819,651

Section 1318 of Real Property Tax Law Limit Calculation

2018-19 Voter-Approved Expenditure Budget		$ 117,117,574
Maximum Fund Balance Allowed (4% of 2018-19 budget)		$ 4,684,703
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted Fund Balance:		
Assigned Fund Balance	$ 1,604,869	
Unassigned Fund Balance	4,684,703	
Total Unrestricted Fund Balance	6,289,572	
Less:		
Appropriated Fund Balance	1,400,000	
Encumbrances included in assigned fund balance	204,869	
Total Adjustments	1,604,869	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 4,684,703
Actual percentage		4.00%

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

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
AS OF JUNE 30, 2018

Project Title	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Methods of Financing					Fund Balance 6/30/2018
			Prior Years	Current Year	Total		Proceeds of Bond Obligations	SSBA	EPC	Local Sources	Total	
Capital Projects												
Central	$ 2,221,453	$ 1,660,269	$ 1,308,344	$ 208,716	$ 1,517,060	$ 143,209	$	$	$	$ 1,660,269	$ 1,660,269	$ 143,209
Memorial	1,514,940	3,003,612	2,079,854	118,669	2,198,523	805,089				3,003,612	3,003,612	805,089
North	1,775,519	2,519,802	1,618,987	305,945	1,924,932	594,870				2,519,802	2,519,802	594,870
South	1,159,270	1,495,664	853,498	131,380	984,878	510,786				1,495,664	1,495,664	510,786
District-Wide 1	4,764,618	2,205,840	983,419	327,512	1,310,931	894,909				2,205,840	2,205,840	894,909
District-Wide 2	613,150	667,906	667,906		667,906	-				667,906	667,906	0
2015-16 EPC	7,719,367	7,719,367	6,504,780	887,180	7,391,960	327,407			7,719,367		7,719,367	327,407
2017 SSBA		1,954,631	912,066	1,000,527	1,912,593	42,038		1,570,653			1,570,653	(341,940)
2017 BOND		41,000,000	196,574	1,553,677	1,750,251	39,249,749	20,914,418				20,914,418	19,164,167
Garage	409,600	440,669	406,540		406,540	34,129				440,669	440,669	34,129
Subtotal - Capital Projects	20,177,917	62,667,760	15,531,968	4,533,606	20,065,574	42,602,186	20,914,418	1,570,653	7,719,367	11,993,762	42,198,200	22,132,626
2017-18 District Wide Projects	896,000	896,000		593,618	593,618	302,382				896,000	896,000	302,382
2018-19 Capital Reserve-District wide Projects	4,685,000	4,685,000				4,685,000				4,685,000	4,685,000	4,685,000
	$ 25,758,917	$ 68,248,760	$ 15,531,968	$ 5,127,224	$ 20,659,192	$ 47,589,568	$ 20,914,418	$ 1,570,653	$ 7,719,367	$ 17,574,762	$ 47,779,200	$ 27,120,008

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2018

Capital assets, net		$	53,125,929
Add:	Unspent Energy Performance Contract Proceeds		327,407
Add:	Unspent Serial Bond Payable		19,164,167
Deduct:	Serial Bond Payable		(19,125,000)
Deduct:	Premium Payable		(1,789,418)
Deduct:	Energy Performance Contract		(6,744,421)
Net investment in capital assets		$	44,958,664

See Independent Auditor's Report.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

ERS Pension Plan

	2018	2017	2016	2015	2014	2013	2012
Contratually Required Contribution	$ 960,519	$ 975,473	$ 1,071,618	$ 1,139,437	$ 1,338,557	$ 1,317,440	$ 1,169,624
Contributions in Relation to the Contractually Required Contributions	960,519	975,473	1,071,618	1,139,437	1,338,557	1,317,440	1,169,624
Contribution Deficiency (Excess)	$	$	$	$	$	$	$
School District's Covered - ERS. Employee Payroll	$ 6,363,657	$ 6,601,848	$ 6,565,102	$ 6,486,217	$ 6,303,381	$ 2,977,245	$ 7,623,677
Contributions as a Percentage of Employee Payroll	15.1%	14.8%	16.3%	17.6%	21.2%	44.3%	15.3%

TRS Pension Plan

	2018	2017	2016	2015	2014	2013	2012
Contratually Required Contribution	$ 5,024,579	$ 5,866,379	$ 6,625,405	$ 8,427,875	$ 7,439,265	$ 5,502,728	$ 5,203,411
Contributions in Relation to the Contractually Required Contributions	5,024,579	5,866,379	6,625,405	8,427,875	7,439,265	5,502,728	5,203,411
Contribution Deficiency (Excess)	$	$	$	$	$	$	$
School District's Covered - TRS. Employee Payroll	$ 51,271,214	$ 50,054,426	$ 50,003,054	$ 48,076,868	$ 45,780,092	$ 46,475,743	$ 46,835,653
Contributions as a Percentage of Employee Payroll	9.80%	11.72%	13.25%	17.53%	16.25%	11.84%	11.11%

Information is presented only for the years available.

See Independent Auditor's Report.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/ASSET
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

ERS Pension Plan

	2018	2017	2016	2015	2014
District's Proportion of Net Pension Asset/Liability	0.01850360%	0.01905190%	0.01949370%	0.0200974%	0.200974%
District's Proportion Share of Net PensionAsset/(Liability)	$ (597,194)	$ (1,790,154)	$ (3,128,793)	$ (678,939)	$ (908,173)
District's Covered - Employee Payroll	$ 6,363,657	$ 6,601,848	$ 6,565,102	$ 6,486,217	$ 6,303,381
District's Proportion Share of Net Pension Liability as a Percentage of its Covered - Employee Payroll	9.38%	27.12%	47.66%	10.47%	14.41%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.24%	94.70%	90.70%	97.90%	97.20%

TRS Pension Plan

	2017	2016	2015	2014	2013
District's Proportion of Net Pension Asset/Liability	0.31582600%	0.32069000%	0.03200430%	0.0309921%	0.3174580%
District's Proportion Share of Net Pension Asset/(Liability)	$2,400,590	$ (3,434,719)	$ 33,242,220	$ 34,523,216	$ 2,089,675
District's Covered - Employee Payroll	$ 50,054,426	$ 50,003,054	$ 48,076,868	$ 45,780,092	$ 46,475,743
District's Proportion Share of Net Pension Liability as a Percentage of its Covered - Employee Payroll	4.80%	6.87%	69.14%	75.41%	4.50%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.66%	99.01%	110.46%	111.48%	100.70%

Information is presented only for the years available.

See Independent Auditor's Report.

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

120 Lomond Court, Utica, N.Y. 13502-5950
315-735-5216 Fax: 315-735-5210

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

Board of Education
Valley Stream Central High School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Stream Central High School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Valley Stream Central High School District's basic financial statements, and have issued our report thereon dated October 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valley Stream Central High 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 Valley Stream Central High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Valley Stream Central High 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 school district's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 Valley Stream Central High 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.*

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 school 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 school district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

D'Arcangelo + Co., LLP

October 15, 2018

Utica, New York

D'Arcangelo&Co.,LLP
Certified Public Accountants & Consultants

120 Lomond Court, Utica, N.Y. 13502-5950
315-735-5216 Fax: 315-735-5210

Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education
Valley Stream Central High School District

Report on Compliance for Each Major Federal Program

We have audited Valley Stream Central High School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. Valley Stream Central High School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

D'Arcangelo & Co., LLP

October 15, 2018

Utica, New York

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Valley Stream Central High School District under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Use of Subrecipients

There were no awards passed through to subrecipients.

De Minimis Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the food commodities received. At June 30, 2018, the School District had food commodities totaling $1,258 in inventory.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PART I **SUMMARY OF AUDITORS RESULTS**

Financial Statements

Type of auditor's opinion(s) issued:		*Unmodified*
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	__X__ no
Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes	__X__ none reported
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	__X__ no
Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes	__X__ none reported
Type of auditor's opinion(s) issued on compliance for major programs:		*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____ yes	__X__ no

Identification of major programs:

Name of Federal Program	CFDA Number
Child Nutrition Cluster	
National School Lunch Program	10.555
School Breakfast Program	10.553

Dollar threshold to distinguish between Type A and B Programs		$750,000
Auditee qualified as low risk?	__X__ yes	_____ no

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PART II **FINANCIAL STATEMENT FINDINGS**

There are no findings to be reported.

PART III **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no findings or questioned costs to be reported.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL COMPLIANCE REQUIREMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The District had no prior year federal award findings or questioned costs.

VALLEY STREAM CENTRAL HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Agency or Pass-through Number	Expenditures
U.S. Department of Agriculture			
Pass Through NYS Education Department:			
Child Nutrition Cluster			
Non-cash Assistance (Food Distribution)			
National School Lunch Program (Non-Cash Food Distribution)	10.555	N/A	$ 52,692
Cash Assistance			
National School Lunch Program	10.555	N/A	980,918
School Breakfast Program	10.553	N/A	48,438
Total Child Nutrition Cluster			1,082,048
Total U.S. Department of Agriculture			1,082,048
U.S. Department of Education			
Passed-through NYS Education Department:			
Title I Grants to Local Educational Agencies	84.01	0021-18-1600	390,572
Title I Grants to Local Educational Agencies	84.01	0021-17-1600	2,322
			392,894
Special Education - Grants to States	84.027	0032-18-0440	810,395
English Language Acquisition State Grants, (Title III)	84.365	0293-18-1600	17,901
English Language Acquisition State Grants, (Title III)	84.365	0293-17-1600	321
Total			18,222
Improving Teacher Quality State Grants, (Title IIA)	84.367	0147-18-1600	65,424
Improving Teacher Quality State Grants, (Title IIA)	84.367	0147-17-1600	15,720
Total			81,144
Total U.S. Department of Education			1,302,655
Total Federal Awards Expended			$ 2,384,703

See Accompanying Notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report.