

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**Financial Statements  
as of  
June 30, 2019  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT**

October 15, 2019

The Board of Education of  
Irvington Union Free School District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Irvington Union Free School District (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Irvington Union Free School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

# IRVINGTON UNION FREE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2019

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*The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2019. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed, as well as a comparative analysis to prior year information. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.*

### 1. FINANCIAL HIGHLIGHTS

- New York State Law limits the unassigned fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. As of June 30, 2019, the total fund balance of the General Fund is \$5,952,532. Of this amount, \$422,500 has been assigned (designated) for subsequent year's expenditures and \$76,509 for carryover encumbrances into next year's budget. The unassigned fund balance is \$2,518,142, which represents 4% of the subsequent year's budget. This amount is available for spending at the discretion of the School District. Fund balance increased slightly by \$322,836 from the prior year allowing the School District to increase funds in the restricted component of fund balance for Workers Compensation, Tax Certiorari and Capital Projects. New to the district this year is a reserve for Retirement System Contributions. The goal of this reserve is to minimize budget disruptions with changes to pension match rates set by the State Retirement systems. The remainder of the restricted fund balance has been allocated for Employee Benefits Accrued Liabilities. See Note 1 starting on page 29 for further information.
- General Fund (on a non-governmental, non-full accrual basis) revenues exceeded budget by \$304,712 (.5% of budget) and expenditures were lower than budget by \$770,707 or 1.2% of budget. The resulting surplus is used to offset the future levy by \$422,500 and replenish the tax certiorari reserve, add to the Worker's Compensation, Retirement System Contribution and Capital reserves as stated above. See pages 50 to 51 for further information.
- The district-wide financial statements must report certain items in accordance with the pronouncements of the Governmental Accounting Standards Board ("GASB"). One of the most significant of these standards requires the School District to recognize the full financial impact associated with other postemployment benefit ("OPEB") obligations under the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits other than Pensions*. The statement identifies projected benefits payments, discounts projected benefits payment to their actuarial present value and over the periods that approximate employees' years of service. These obligations include any benefits provided to retirees, other than a pension, including health insurance. The full liability for June 30, 2019 is \$123,125,134, a decrease of \$4,044,269 from the prior year. Actual annual post-employment benefit payments for the 2018-19 year totaled \$2,646,549. See Note 8 on page 45 for more information regarding OPEB.
- The School Lunch Fund's revenues totaled \$705,973 for the current year compared to expenses of \$650,188. This resulted in a change in fund balance of \$55,785. Fund balance will be used toward cafeteria kitchen equipment upgrades and various programs for the next school years.

## 2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District’s budget for the year.

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

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

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

## 2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### A. District-Wide Statements

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

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

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

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

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

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expense using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
  - Net investment in capital assets.
  - Restricted net position has constraints placed on use by external sources or imposed by law.
  - Unrestricted net position is net position that does not meet any of the above restrictions.

## **2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **B. Fund Financial Statements**

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

The School District has two kinds of funds:

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

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

### **A. Net Position**

The discussion that follows provides information concerning the School District's finances at the district-wide level. The School District's Statement of Net Position does not entirely reflect the results of operations at the General Fund level, which is the most current indication of the School District's financial well-being compared to budget. District-wide statements contain liabilities, such as those for pensions and those for other post-employment benefits ("OPEB"), and assets (such as pension assets) over which the School District has no control and may not be used for other purposes.



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

#### A. Net Position (Continued)

**Table A-2 Condensed Statement of Net Position**

	Fiscal Year 2019	Fiscal Year 2018	Dollar Change	Percent Change
Current and other assets	\$ 10,912,423	\$ 9,803,280	\$ 1,109,143	11.3%
Non-current assets	41,008,240	41,608,169	(599,929)	-1.4%
Total assets	<u>51,920,663</u>	<u>51,411,449</u>	<u>509,214</u>	<u>1.0%</u>
Deferred outflows of resources	<u>14,977,914</u>	<u>16,623,314</u>	<u>(1,645,400)</u>	<u>-9.9%</u>
Current liabilities	8,068,808	7,451,320	617,488	8.3%
Long-term liabilities	<u>157,927,749</u>	<u>159,490,014</u>	<u>(1,562,265)</u>	<u>-1.0%</u>
Total liabilities	<u>165,996,557</u>	<u>166,941,334</u>	<u>(944,777)</u>	<u>-0.6%</u>
Deferred inflows of resources	<u>13,893,451</u>	<u>5,387,110</u>	<u>8,506,341</u>	<u>157.9%</u>
Net position:				
Net investment in capital assets	9,711,831	9,023,686	688,145	7.6%
Restricted	2,935,381	2,734,585	200,796	7.3%
Unrestricted	<u>(125,638,643)</u>	<u>(116,051,952)</u>	<u>(9,586,691)</u>	<u>-8.3%</u>
Total net position	<u><u>\$ (112,991,431)</u></u>	<u><u>\$ (104,293,681)</u></u>	<u><u>\$ (8,697,750)</u></u>	<u><u>-8.3%</u></u>

Net position is the difference between total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. Deferred outflows and inflows of resources are not considered assets or liabilities in the traditional sense but rather reflect deferred actuarial gains and losses based on the pension and OPEB valuations completed by the State retirement systems' and district's OPEB actuaries. These actuarial gains and losses are being deferred and will be amortized into pension and OPEB expense in future years. GASB Statement No. 68 requires the District's proportionate share of the retirement system's deferred inflows and outflows along with the net pension asset and liability to be recorded on the District's financial statements along with the District's own OPEB liability and related deferred inflows. The actuarial gains and losses fluctuate from year to year based on changes in assumptions including factors such as discount rates, life expectancy tables and inflation as calculated by the actuaries. The District makes required annual contributions for all our eligible employees to State retirement systems, however the responsibility of paying the actual pensions to retirees lies with the State retirement systems. The District's OPEB plan is a pay-as-you go plan in which the District pays the annual cost of retiree healthcare but does not accumulate assets in a trust to offset the District's OPEB obligation.

An important component of the School District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Our net investments in capital assets increased by \$688,145 primarily due to continued paydown of existing debt (see schedule on page 57). The restricted net position also improved by \$200,796, which reflects the increase in total reserves (see Note 2).

Overall, net position decreased by \$8,697,750 from the prior year, primarily from the increase of the OPEB portion of the Deferred Inflows from \$49,466 to \$9,749,658 due to changes to actuarial assumptions. While this has a negative effect on our net position this year, it may positively affect our income statement in future years as those amounts are amortized.

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

#### B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities and Changes in Net Position. While the previous chart presents net position on a balance sheet basis, the following chart shows net position on an income statement basis. The School District's net position decreased by \$8,697,750 during the fiscal year primarily due to the recognition of tax certiorari exposure expense of \$5,189,207 shown in the General Support expense line. A summary for the years ended June 30, 2019 and 2018 is as follows:

**Table A-3 Changes in Net Position**

	Fiscal Year 2019	Fiscal Year 2018	Dollar Change	Percent Change
<u>Revenues</u>				
Program Revenue:				
Charges for services	\$ 1,312,121	\$ 1,470,514	\$ (158,393)	-10.8%
Operating grants	1,982,619	1,819,987	162,632	8.9%
General revenues:				
Real property taxes	51,392,144	48,704,858	2,687,286	5.5%
Other tax items	3,791,560	4,191,610	(400,050)	-9.5%
Use of money and property	609,507	476,410	133,097	27.9%
Unrestricted State aid	3,140,830	3,380,783	(239,953)	-7.1%
Other	524,878	782,475	(257,597)	-32.9%
Total revenues	<u>62,753,659</u>	<u>60,826,637</u>	<u>1,927,022</u>	<u>3.2%</u>
<u>Expenses</u>				
General support	13,812,089	8,372,218	5,439,871	65.0%
Instruction	53,725,465	53,602,871	122,594	0.2%
Pupil transportation	2,493,707	2,245,577	248,130	11.0%
Debt service - Interest	779,619	857,242	(77,623)	-9.1%
School lunch program	640,529	647,868	(7,339)	-1.1%
Total expenses	<u>71,451,409</u>	<u>65,725,776</u>	<u>5,725,633</u>	<u>8.7%</u>
Increase (decrease) in net position	<u>\$ (8,697,750)</u>	<u>\$ (4,899,139)</u>	<u>\$ (3,798,611)</u>	<u>-77.5%</u>

The School District's fiscal year 2019 revenues totaled \$62,753,659. Real property taxes (including other tax items) and unrestricted state aid accounted for most of the School District's revenue. Other highlights are as follows:

- Real property taxes and other tax items increased overall by \$2,287,236 primarily reflecting the levy increase.
- Also contained in Other Tax Items is sales tax revenue received by the School District from Westchester County which increased by \$12,961 from the prior year. However, the Star Tax Relief reimbursement received by the School District from New York State decreased by \$413,011 from the prior year.

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

#### B. Changes in Net Position (Continued)

- The Use of Money and Property increased by \$133,097 which reflects a slight increase in facility rental revenue and an increase of \$132,103 in unrestricted interest in 2018-19, as a result of an increase in interest rates and participation in an investment cooperative plan.
- Unrestricted State Aid allocated to the School District decreased by \$239,953 from prior year amounts as the prior year contained some significant State aid adjustments owed to the District and the current year did not.
- Other revenue was lower due to lower tuition revenue than in prior years.
- For a look at revenue and expense totals on a fund basis rather than a government-wide basis, please refer to Table A-6 and page 11.

The School District's fiscal year 2019 expenses totaled \$71,451,409 on a government-wide, full accrual basis. Costs to support general instruction and transportation accounted for 79% of School District expenses. The School District's general support activities, including facility expenses and tax certiorari refund expenses, accounted for 19% of total costs. Other changes are as follows:

- General Support increased by \$5,439,871. As stated above this results primarily from the inclusion of \$5,189,207 of potential tax certiorari claims, previously not included in the statement of net position. This \$5,189,207, while recorded as an expense in this table, has not been paid and reflects future exposure.
- Instructional Support increased by \$122,594 and transportation costs increased by \$248,130 with increased contract costs and the increase in the consumer price index to the contract.
- The decrease in interest paid of \$77,623 on outstanding debt can primarily be attributed to a decrease in interest paid on outstanding bonds due to the reduction in principal outstanding.

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

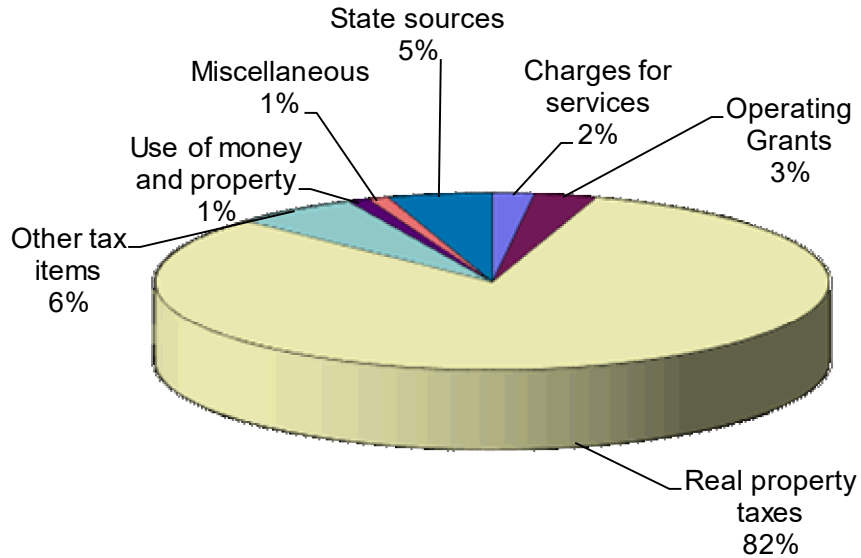
The School District's continued financial health, as a whole, can be credited to:

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

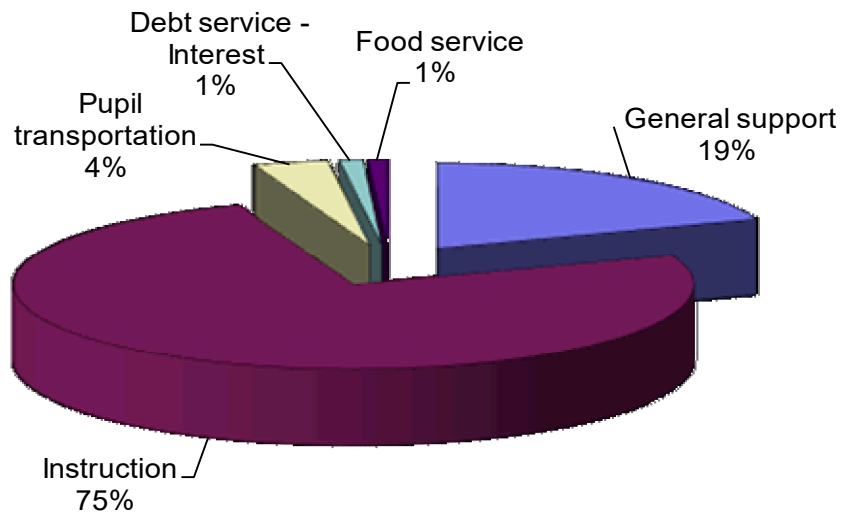
**3. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)**

As indicated on the charts located below, the School District relies upon real property taxes and other tax items (STAR) as its primary revenue source. The School District's instruction costs account for 75% of its expenses.

**Table A-4 Sources of Revenue for Fiscal Year 2019:**



**Table A-5 Expenses for Fiscal Year 2019:**



#### 4. FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT FUNDS

**Table A-6 Governmental Fund Highlights**

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Total % Change
<b>General Fund</b>				
Total Revenues	\$ 61,230,387	\$ 59,202,696	\$ 2,027,691	3.4%
Total Expenses	(60,857,671)	(59,144,388)	1,713,283	2.9%
Total Other Sources - Transfers in/(out)	(49,880)	(63,871)	(13,991)	-21.9%
Change in Fund Balance	<u>322,836</u>	<u>(5,563)</u>	<u>328,399</u>	5903.3%
<b>Federal Fund</b>				
Total Revenues	\$ 817,299	\$ 728,060	\$ 89,239	12.3%
Total Expenses	(867,179)	(780,404)	86,775	11.1%
Total Other Sources - Transfers in/(out)	49,880	52,344	2,464	-4.7%
Change in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	0.0%
<b>School Lunch Fund</b>				
Total Revenues	\$ 705,973	\$ 711,055	\$ (5,082)	-0.7%
Total Expenses	(650,187)	(647,837)	2,350	0.4%
Total Other Sources - Transfers in/(out)	-	-	-	0.0%
Change in Fund Balance	<u>55,786</u>	<u>63,218</u>	<u>(7,432)</u>	-11.8%
<b>Capital Fund</b>				
Total Revenues	-	\$ 184,826	\$ (184,826)	-100.0%
Total Expenses	-	(416,337)	(416,337)	-100.0%
Total Other Sources - Transfers in/(out)	-	11,527	(11,527)	100.0%
Change in Fund Balance	<u>-</u>	<u>(219,984)</u>	<u>219,984</u>	-100.0%

**Table A-7 Governmental Fund Balances**

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Total % Change
<b>General Fund</b>				
Restricted for Tax Certiorari	\$ 1,513,923	\$ 1,476,548	\$ 37,375	2.5%
Restricted for Retirement Contributions	50,000	-	50,000	100.0%
Restricted for Employee Benefit Accrued Liabilities	434,670	460,619	(25,949)	-5.6%
Restricted for Workers' Compensation	475,922	393,825	82,097	20.8%
Restricted for Capital Projects	460,866	403,593	57,273	14.2%
Assigned	499,009	441,184	57,825	13.1%
Unassigned	2,518,142	2,453,927	64,215	2.6%
<b>Total Fund Balance - General</b>	<u>5,952,532</u>	<u>5,629,696</u>	<u>322,836</u>	5.7%
<b>School Lunch Fund</b>				
Nonspendable	3,709	4,847	(1,138)	-23.5%
Assigned	302,680	245,756	56,924	23.2%
<b>Total Fund Balance - School Lunch</b>	<u>306,389</u>	<u>250,603</u>	<u>55,786</u>	22.3%
<b>Capital Fund</b>				
Assigned	114,712	334,696	(219,984)	-65.7%
<b>Total Fund Balance - Capital</b>	<u>114,712</u>	<u>334,696</u>	<u>(219,984)</u>	-65.7%
<b>Total Fund Balance - All Funds</b>	<u>\$ 6,373,633</u>	<u>\$ 6,214,995</u>	<u>\$ 158,638</u>	2.6%

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

As of June 30, 2019, the School District's combined governmental funds reported a total fund balance of \$6,373,633, an increase of \$158,638 or 2.6% from the prior year. The unassigned fund balance of the General Fund was \$2,518,142 or 4.0% of the 2019-2020 School District's budget, which is the recommended and maximum limit for this fund.

The School District's voter approved General Fund adopted budget for the year ended June 30, 2019 was \$61,348,176. This amount was increased by encumbrances carried forward from the prior year in the amount of \$18,684 and budget revisions in the amount of \$387,908 from the Tax Certiorari reserve. This resulted in a final budget of \$61,754,768. The majority of the funding was real property taxes and STAR revenue totaling \$51,392,144.

On May 21, 2019, the School District's residents authorized the proposed 2019-20 budget in the amount of \$62,953,554.

#### 5. CAPITAL ASSETS AND DEBT ADMINISTRATION

##### A. Capital Assets

At June 30, 2019, the School District had Capital Assets of 38,361,985, net of accumulated depreciation, invested in broad range of capital assets, including land, buildings and improvements and furniture and equipment. The change in capital assets, net of accumulated depreciation is outlined below.

**Table A-8 Capital Assets (Net of Accumulated Depreciation)**

<u>Category</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Land	\$ 793,200	\$ 793,200	\$ -	0.0%
Construction in progress	-	-	-	0.0%
Land improvements	1,251,968	1,514,641	(262,673)	-17.3%
Buildings and improvements	35,872,377	37,673,948	(1,801,571)	-4.8%
Furniture & Equipment	444,440	515,765	(71,325)	-13.8%
Total	<u>\$ 38,361,985</u>	<u>\$ 40,497,554</u>	<u>\$ (2,135,569)</u>	<u>-5.3%</u>

The total decrease of \$2,135,569 from 2018 to 2019 is due to annual depreciation expense of \$2,157,595 less capital asset additions of 22,026. More detailed information about the School District's capital assets is presented in Note 4 in the notes to financial statements.

## 5. CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

### B. Debt Administration (Continued)

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

**Table A-9 Outstanding Long-Term Liabilities**

<u>Category</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
General obligation bonds, including unamortized premium	\$ 30,825,154	\$ 34,103,868	\$ (3,278,714)	-9.6%
Other post employment benefits	123,125,133	127,169,402	(4,044,269)	-3.2%
Judgments and claims	5,473,322	284,115	5,189,207	1826.4%
Net pension liability	1,203,215	582,746	620,469	106.5%
Other long-term liabilities	<u>634,187</u>	<u>771,397</u>	<u>(137,210)</u>	<u>-17.8%</u>
Total	<u>\$161,261,011</u>	<u>\$162,911,528</u>	<u>\$ (1,650,517)</u>	<u>-1.0%</u>

During the 2018-2019 fiscal year, the School District did not issue any new construction bonds nor did it enter into any new installment purchase agreements to fund the purchase of equipment. Other post-employment benefits obligation decreased primarily to the increase in the discount rate from 3.0 % to 3.5%.

On June 30, 2019, the School District reported a liability of \$1,203,215 for its proportionate share of the net pension liability for ERS and an asset of \$2,646,255 for TRS for its proportionate share of the net pension asset. As mentioned previously, these shares of New York State pension liabilities and assets are now required by GASB 68 to be disclosed on the School District's statements; however, amounts due to retirees are payable by the State retirement systems to School District pensioners. The net pension liability for ERS was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018. The net pension asset for TRS was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The judgement and claims liability increased by \$5,189,207 from prior year reflecting a higher accrual of known and estimated probable payment for tax certiorari claims in the future.

The net impact of the above-mentioned factors decreased the School District's long-term liabilities by \$1,650,517. More detailed information about the School District's long-term liabilities is presented in the notes to the financial statements (Note 5 Long Term Debts) which presents total long-term debt and amounts due within one year

## **6. FACTORS BEARING ON THE FUTURE OF THE DISTRICT**

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

At the time the financial statements were prepared and audited, the School District is aware of several unsettled tax certiorari cases. While the School District has settled several significant tax certiorari cases in recent years, other cases continue to be brought forward. As noted with the inclusion of the tax certiorari exposure in our financial statements, the results of these tax certiorari cases could impact the district's financial health. However, the continued funding of the tax certiorari reserves serves to mitigate this risk.

Additionally, at the time the financial statements were prepared and audited, the district has settled contracts with all of its bargaining units. The agreement between the School District and the CSEA Clerical/AIDE contract will end in June 2020, Irvington Faculty Association will end in June 2022, Irvington Administrator Association ends in June 2024 and the CSEA Custodial Unit ends in June 2024.

In May 2019, voters approved a capital project borrowing of \$18,867,640 to improve building security, address infrastructure needs, add air conditioning to larger spaces, create energy efficiencies and modernize learning spaces. This project will be tax neutral, as the debt incurred for this project will replace expiring debt.

## **7. CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the School District and to demonstrate the School District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact:

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



**IRVINGTON UNION FREE SCHOOL DISTRICT****STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES  
JUNE 30, 2019****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

CURRENT ASSETS:	
Cash and cash equivalents - Unrestricted	\$ 6,221,464
Cash and cash equivalents - Restricted	2,935,381
State and federal aid receivable	143,822
Accounts receivable	63,632
Inventories	3,709
Due from other governments	<u>1,544,415</u>
Total current assets	<u>10,912,423</u>
NON CURRENT ASSETS:	
Net pension asset - TRS	2,646,255
Capital assets, net	<u>38,361,985</u>
Total non current assets	<u>41,008,240</u>
Total assets	<u>51,920,663</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources - pensions ERS	883,819
Deferred outflows of resources - pensions TRS	<u>14,094,095</u>
Total deferred outflows of resources	<u>14,977,914</u>

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	\$ 1,225,217
Accrued interest	196,756
Due to Teachers' Retirement System	2,866,173
Due to Employees' Retirement System	221,879
Due to other governments	190,848
Unearned revenue	34,673
Current portion of long term liabilities	<u>3,333,262</u>
Total current liabilities	<u>8,068,808</u>
LONG-TERM LIABILITIES:	
Bonds payable, net of current portion and unamortized premium	27,790,154
Net pension liability - ERS	1,203,215
Total OPEB liability	123,125,133
Judgement and claims	5,343,354
Compensated absences payable	<u>465,893</u>
Total long-term liabilities	<u>157,927,749</u>
Total liabilities	<u>165,996,557</u>
DEFERRED INFLOWS OF RESOURCES:	
Gain on debt refunding	71,235
Deferred inflows of resources - OPEB	9,749,658
Deferred inflows of resources - pensions ERS	443,858
Deferred inflows of resources - pensions TRS	<u>3,628,700</u>
Total deferred inflows of resources	<u>13,893,451</u>

**NET POSITION**

Net investment in capital assets	9,711,831
Restricted	2,935,381
Unrestricted	<u>(125,638,643)</u>
TOTAL NET POSITION	<u>\$ (112,991,431)</u>

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Expenses</u>	<u>Program Revenue</u>		Net (Expense) Revenue and Changes in <u>Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
General support	\$ 13,812,089	\$ -	\$ -	\$ (13,812,089)
Instruction	53,725,465	733,776	1,528,767	(51,462,922)
Pupil transportation	2,493,707	-	326,224	(2,167,483)
Debt service - Interest	779,619	-	-	(779,619)
Food service	<u>640,529</u>	<u>578,345</u>	<u>127,628</u>	<u>65,444</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 71,451,409</u>	<u>\$ 1,312,121</u>	<u>\$ 1,982,619</u>	<u>(68,156,669)</u>
GENERAL REVENUE:				
Real property taxes				51,392,144
Other tax items				3,791,560
Use of money and property				609,507
Miscellaneous				524,878
Unrestricted State aid				<u>3,140,830</u>
TOTAL GENERAL REVENUE				<u>59,458,919</u>
CHANGE IN NET POSITION				<u>(8,697,750)</u>
NET POSITION - beginning of year				<u>(104,293,681)</u>
TOTAL NET POSITION - end of year				<u>\$ (112,991,431)</u>

The accompanying notes are an integral part of these statements.

IRVINGTON UNION FREE SCHOOL DISTRICT

BALANCE SHEETS - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENTAL ACTIVITIES NET POSITION  
JUNE 30, 2019

	Governmental Fund Types				Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	
<b>ASSETS:</b>					
Cash and cash equivalents - Unrestricted	\$ 5,710,626	\$ 168,136	\$ 338,784	\$ 3,918	\$ 6,221,464
Cash and cash equivalents - Restricted	2,935,381	-	-	-	2,935,381
Accounts receivable	22,042	41,590	-	-	63,632
Due from other funds	610,468	3,270	-	110,794	724,532
Due from other governments	1,099,394	445,021	-	-	1,544,415
State and federal aid receivable	139,849	-	3,973	-	143,822
Inventories	-	-	3,709	-	3,709
<b>TOTAL ASSETS</b>	<b>\$ 10,517,760</b>	<b>\$ 658,017</b>	<b>\$ 346,466</b>	<b>\$ 114,712</b>	<b>\$ 11,636,955</b>
<b>LIABILITIES:</b>					
Accounts payable and accrued liabilities	\$ 1,175,242	41,116	\$ 5,404	\$ -	\$ 1,221,762
Due to other funds	111,086	616,901	-	-	727,987
Due to Teachers' Retirement System	2,866,173	-	-	-	2,866,173
Due to Employees' Retirement System	221,879	-	-	-	221,879
Due to other governments	190,848	-	-	-	190,848
Unearned revenue	-	-	34,673	-	34,673
<b>TOTAL LIABILITIES</b>	<b>4,565,228</b>	<b>658,017</b>	<b>40,077</b>	<b>-</b>	<b>5,263,322</b>
<b>FUND BALANCE:</b>					
Nonspendable	-	-	3,709	-	3,709
Restricted:					
Tax certiorari	1,513,923	-	-	-	1,513,923
Retirement contributions	50,000	-	-	-	50,000
Employee benefit accrued liabilities	434,670	-	-	-	434,670
Workers compensation	475,922	-	-	-	475,922
Capital	460,866	-	-	-	460,866
Total restricted fund balance	2,935,381	-	-	-	2,935,381
Assigned					
Other	76,509	-	302,680	114,712	493,901
Appropriated for subsequent years expenditures	422,500	-	-	-	422,500
Total assigned fund balance	499,009	-	302,680	114,712	916,401
Unassigned	2,518,142	-	-	-	2,518,142
<b>TOTAL FUND BALANCE</b>	<b>5,952,532</b>	<b>-</b>	<b>306,389</b>	<b>114,712</b>	<b>6,373,633</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 10,517,760</b>	<b>\$ 658,017</b>	<b>\$ 346,466</b>	<b>\$ 114,712</b>	<b>\$ 11,636,955</b>

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

Total governmental fund balance per above	\$ 6,373,633
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	38,361,985
Pension plans' activity required to be recorded in the government-wide statements:	
Deferred outflows or resources	14,977,914
Net pension asset	2,646,255
Net pension liability	(1,203,215)
Deferred inflows of resources	(4,072,558)
Gain on bond refunding recorded as a payment on the fund level	(71,235)
Long-term liabilities, including bonds payable, installment purchase debt, judgement and claims, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	(36,932,663)
Other post employment benefit activity required to be recorded in the government-wide statements:	
Total OPEB liability	(123,125,133)
Deferred inflows of resources	(9,749,658)
Interest payable in the government-wide statements under full accrual accounting	(196,756)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ (112,991,431)</b>

The accompanying notes are an integral part of these statements.

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Governmental Fund Types</u>				Total Governmental Funds
	<u>General</u>	Special <u>Aid</u>	School <u>Lunch</u>	Capital <u>Projects</u>	
REVENUE:					
Real property taxes	\$ 51,392,144	\$ -	\$ -	\$ -	\$ 51,392,144
Other tax items	3,791,560	-	-	-	3,791,560
Charges for services	733,776	-	-	-	733,776
Use of money and property	609,507	-	-	-	609,507
Miscellaneous	459,332	165,159	-	-	624,491
State sources	4,244,068	188,232	6,470	-	4,438,770
Federal sources	-	463,908	121,158	-	585,066
Sales - School lunch	-	-	578,345	-	578,345
	<u>61,230,387</u>	<u>817,299</u>	<u>705,973</u>	<u>-</u>	<u>62,753,659</u>
Total revenue					
EXPENDITURES:					
General support	6,805,901	-	-	-	6,805,901
Instruction	33,954,307	808,175	-	-	34,762,482
Pupil transportation	2,401,778	59,004	-	-	2,460,782
Employee benefits	13,477,548	-	-	-	13,477,548
Debt service - Principal	3,088,791	-	-	-	3,088,791
Debt service - Interest	1,129,346	-	-	-	1,129,346
Cost of sales	-	-	650,187	-	650,187
Capital outlay	-	-	-	-	-
	<u>60,857,671</u>	<u>867,179</u>	<u>650,187</u>	<u>-</u>	<u>62,375,037</u>
Total expenditures					
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>372,716</u>	<u>(49,880)</u>	<u>55,786</u>	<u>-</u>	<u>378,622</u>
OTHER SOURCES AND (USES):					
Operating transfers in	-	49,880	-	-	49,880
Operating transfers (out)	(49,880)	-	-	-	(49,880)
	<u>(49,880)</u>	<u>49,880</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other sources (uses)					
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	322,836	-	55,786	-	378,622
FUND BALANCE - beginning of year	<u>5,629,696</u>	<u>-</u>	<u>250,603</u>	<u>114,712</u>	<u>5,995,011</u>
FUND BALANCE - end of year	<u>\$ 5,952,532</u>	<u>\$ -</u>	<u>\$ 306,389</u>	<u>\$ 114,712</u>	<u>\$ 6,373,633</u>

The accompanying notes are an integral part of these statements.

## IRVINGTON UNION FREE SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

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Net changes in fund balance - Total governmental funds	\$ 378,622
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position	22,026
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(2,157,595)
Pension (expense) income resulting from the GASB 68 related actuary reporting is not recorded as an (expenditure) income in the governmental funds but is recorded in the statement of activities	497,390
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	3,088,791
Premiums from the issuance on bonds that are revenue sources in the governmental funds in the year received but are amortized on the statement of net position	358,714
Expenses related to long term tax certiorari claims in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(5,189,207)
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds as follows:	
Accrued interest	24,781
Compensated absences	(31,581)
Amortization of deferred gain on refunding	(33,768)
Change in accrued post-employment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	<u>(5,655,923)</u>
Change in net position - Governmental activities	<u>\$ (8,697,750)</u>

The accompanying notes are an integral part of these statements.

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**STATEMENTS OF NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	Private Purpose <u>Trusts</u>	<u>Agency</u>
<b>ASSETS:</b>		
Cash and cash equivalents - Unrestricted	\$ -	\$ 121,559
Cash and cash equivalents - Restricted	111,136	57,609
Due from other funds	-	3,455
Accounts receivable	<u>-</u>	<u>175</u>
 Total assets	 <u>\$ 111,136</u>	 <u>\$ 182,798</u>
 <b>LIABILITIES:</b>		
Accounts payable	\$ -	\$ 16,840
Extraclassroom activity balances	-	40,944
Other liabilities	<u>-</u>	<u>125,014</u>
 Total liabilities	 <u>\$ -</u>	 <u>\$ 182,798</u>
 <b>NET POSITION:</b>		
Reserved for private purposes	<u>\$ 111,136</u>	

The accompanying notes are an integral part of these statements.

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	Private Purpose Trusts
<b>ADDITIONS:</b>	
Contributions	\$ <u>2,400</u>
Total Additions	<u>2,400</u>
<b>DEDUCTIONS:</b>	
Scholarships and other private purposes	<u>11,750</u>
NET DECREASE	(9,350)
NET POSITION - beginning of year	<u>120,486</u>
NET POSITION - end of year	<u>\$ 111,136</u>

The accompanying notes are an integral part of these statements.

# IRVINGTON UNION FREE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

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

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

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

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

#### **Reporting Entity**

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

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

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

#### **Extraclassroom Activity Funds**

The extraclassroom activity funds of the School District represent funds of the students of the School District. The board of education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the School District's business office. The School District accounts for assets held as an agent for various student organizations in an agency fund.



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

### Joint Venture

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

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

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

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

### Basis of Presentation

#### Government-Wide Statements

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

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

#### Fund Financial Statements

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

The School District reports the following major governmental funds:

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

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

### Basis of Presentation (Continued)

#### Fund Financial Statements (Continued)

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

The School District reports the following fiduciary funds:

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

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

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

### Use of Estimates

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

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

### **Measurement Focus and Basis of Accounting**

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

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

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

### **Cash and Cash Equivalents**

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

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

### **Restricted Cash and Cash Equivalents**

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$2,935,381 within the governmental funds.

### **Property Taxes**

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

### **Accounts Receivable and Due from Other Governments**

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

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

**Inventories**

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

**Interfund transactions**

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

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

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

**Capital Assets, Net**

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

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

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

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

**Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The School District reported deferred inflow of resources of \$71,235 for a deferred gain on refunding bonds in the district-wide Statement of Net Position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The School District also reports deferred outflows of resources and deferred inflows of resources in relation to its pension and OPEB obligations. These amounts are detailed in the discussion of the School District's pension and OPEB plans in Notes 7 and 8.

**Compensated Absences**

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

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

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

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

**Total Other Post-Employment Benefits Liability**

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

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

**Encumbrances**

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

**Unearned Revenue**

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them. The School District received prepaid lunch deposits in advance in the School Lunch Fund of \$34,673. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

**Accrued Liabilities and Long-Term Obligations**

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

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

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

**Restricted Resources**

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

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

**Fund Balance/Net Position Classifications**

**Government-Wide Statements**

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

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

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

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

**Fund Balance – Reservations and Designations**

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

Non-spendable fund balance – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

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

Capital

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

Repair

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

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

**Fund Balance – Reservations and Designations (Continued)**

Workers' Compensation

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

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

Unemployment Insurance

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

Debt Service

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

Insurance

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

Liability Claims and Property Loss

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



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

**Fund Balance – Reservations and Designations (Continued)**

Tax Certiorari

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

Employee Benefit Accrued Liability

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

Retirement Contribution

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

Encumbrances

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

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School Districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2019.

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$76,510. As of June 30, 2019, the School District's encumbrances were classified as follows:

General support	\$ 75,970
Instruction	<u>540</u>
Total encumbrances	<u><u>\$ 76,510</u></u>

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

**Fund Balance – Reservations and Designations (Continued)**

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

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

Order of Fund Balance Spending Policy

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

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

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

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

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

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

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

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

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

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

- **Capital Related Differences**

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

- **Long-Term Debt Transaction Differences**

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

2. **CASH AND CASH EQUIVALENTS**

Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District’s investment policies, as discussed previously in these Notes. The School District’s aggregate bank deposits of \$10,705,419 that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2019.

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

Restricted cash consists of the following:

General fund:

Cash on deposit for reserves	
Tax certiorari	\$ 1,513,923
Retirement contributions	50,000
Employee benefit accrual liability	434,670
Workers compensation	475,922
Capital	<u>460,866</u>
Total general fund restricted cash	<u>\$ 2,935,381</u>

Trust and agency funds:

Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	<u>\$ 168,745</u>
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### 3. PARTICIPATION IN BOCES

During the year, the School District was billed \$2,759,365 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$621,501. Financial statements for BOCES are available from the BOCES administrative office.

### 4. CAPITAL ASSETS, NET

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

	July 1, 2018 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2019 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 793,200	\$ -	\$ -	\$ 793,200
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-depreciable cost	<u>\$ 793,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 793,200</u>
Capital assets that are depreciated:				
Land improvements	\$ 5,334,698	\$ -	\$ -	\$ 5,334,698
Buildings and improvements	69,514,761	-	-	69,514,761
Furniture & Equipment	<u>1,266,570</u>	<u>22,026</u>	<u>-</u>	<u>1,288,596</u>
Total depreciable historical cost	<u>76,116,029</u>	<u>22,026</u>	<u>-</u>	<u>76,138,055</u>
Less accumulated depreciation:				
Land improvements	3,820,057	262,673	-	4,082,730
Buildings and improvements	31,840,813	1,801,571	-	33,642,384
Furniture & Equipment	<u>750,805</u>	<u>93,351</u>	<u>-</u>	<u>844,156</u>
Total accumulated depreciation	<u>36,411,675</u>	<u>2,157,595</u>	<u>-</u>	<u>38,569,270</u>
Total depreciable cost, net	<u>\$ 39,704,354</u>	<u>\$ (2,135,569)</u>	<u>\$ -</u>	<u>\$ 37,568,785</u>
Total investment in capital assets	<u>\$ 40,497,554</u>	<u>\$ (2,135,569)</u>	<u>\$ -</u>	<u>\$ 38,361,985</u>

Depreciation expense for the year ended June 30, 2019, was allocated to specific functions as follows:

General support	\$ 22,839
Instruction	2,129,894
Food service	<u>4,862</u>
Total Depreciation	<u>\$ 2,157,595</u>

## 5. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid	\$ 1,129,346
Less: interest accrued in prior year	(221,537)
Less: premium amortization	(358,714)
Plus: amortization on loss on refunding	33,768
Plus: interest accrued in current year	<u>196,756</u>
Total expense	<u>\$ 779,619</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government activities:					
Bonds payable:					
General obligation debt:					
Serial bonds payable	\$ 32,460,000	\$ -	\$ 2,920,000	\$ 29,540,000	\$ 3,035,000
Unamortized premium on bonds	<u>1,643,868</u>	<u>-</u>	<u>358,714</u>	<u>1,285,154</u>	<u>-</u>
Total Bonds	34,103,868	-	3,278,714	30,825,154	3,035,000
Other liabilities:					
Net OPEB liability	\$127,169,402	\$ -	\$ 4,044,269	\$123,125,133	\$ -
Installment purchase debt	285,319	-	168,791	116,528	116,528
Judgment and claims	284,115	5,327,037	137,830	5,473,322	129,968
Net pension liability	582,746	620,469	-	1,203,215	-
Compensated absences	<u>486,078</u>	<u>31,581</u>	<u>-</u>	<u>517,659</u>	<u>51,766</u>
Total other liabilities	<u>128,807,660</u>	<u>5,979,087</u>	<u>4,350,890</u>	<u>130,435,857</u>	<u>298,262</u>
Total long-term liabilities	<u>\$162,911,528</u>	<u>\$ 5,979,087</u>	<u>\$ 7,629,604</u>	<u>\$161,261,011</u>	<u>\$ 3,333,262</u>

**5. LONG-TERM DEBT (Continued)**

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

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	June 30, 2019 <u>Balance</u>
Refunding Bond 2014	2014	2023	2.00%-5.00%	\$ 3,510,000
Refunding Bond 2015	2015	2032	2.75%-5.00%	20,360,000
Serial Bond 2015	2016	2030	2.00%-3.00%	3,495,000
Tax Certiorari Refunds	2008	2022	3.50% - 4.00%	1,440,000
Tax Certiorari Refunds	2008	2023	4.50% - 5.00%	<u>735,000</u>
Total				<u>\$ 29,540,000</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	3,035,000	1,025,556	4,060,556
2021	3,220,000	918,731	4,138,731
2022	3,360,000	773,956	4,133,956
2023	2,235,000	648,406	2,883,406
2024	1,935,000	556,931	2,491,931
2025-2029	9,890,000	1,757,963	11,647,963
2030-2032	<u>5,865,000</u>	<u>343,800</u>	<u>6,208,800</u>
Totals	<u>\$ 29,540,000</u>	<u>\$ 6,025,343</u>	<u>\$ 35,565,343</u>

**6. INTERFUND BALANCES AND ACTIVITY**

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 610,468	\$ 111,086	\$ -	\$ 49,880
Special aid fund	3,270	616,901	49,880	-
Capital fund	110,794	-	-	-
Fiduciary funds	<u>3,455</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 727,987</u>	<u>\$ 727,987</u>	<u>\$ 49,880</u>	<u>\$ 49,880</u>

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

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

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

## 7. PENSION PLANS

### New York State and Local Retirement System

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

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

#### *Contributions*

ERS is noncontributory except for employees who joined ERS after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute between 3 to 6 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2019	\$	725,344
2018	\$	751,186
2017	\$	739,554

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

At June 30, 2019, the School District reported a net pension liability of \$1,203,215 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2018. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

**7. PENSION PLANS (Continued)**

New York State and Local Retirement System (Continued)

At June 30, 2019, the School District's proportion was 0.0169818 percent, which was an decrease of .0011 percent from its proportion measured in the prior year.

For the year ended June 30, 2019, the School District recognized pension expense of \$805,849. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 236,938	\$ 80,770
Changes of Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	302,439	308,811
Changes in proportion and differences between the District's contributions and proportionate share of contributions	122,563	54,277
Contributions subsequent to the measurement date	<u>221,879</u>	<u>-</u>
	<u>\$ 883,819</u>	<u>\$ 443,858</u>

\$221,879 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2019	\$ 278,156
2020	(217,025)
2021	(5,539)
2022	162,490
2023	-
Thereafter	-
	<u>\$ 218,082</u>



## 7. PENSION PLANS (Continued)

### New York State and Local Retirement System (Continued)

#### **Actuarial Assumptions**

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	4.2 percent indexed by service
Projected COLAs	1.3% compounded annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of term</u>
Domestic Equity	36.0%	4.55%
International Equity	14.0%	6.35%
Private Equity	10.0%	7.50%
Real Estate	10.0%	5.55%
Absolute Return	2.0%	3.75%
Opportunistic Portfolio	3.0%	5.68%
Real Asset	3.0%	5.29%
Bonds, Cash & Mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation Indexed Bonds	<u>4.0%</u>	1.25%
	<u>100.0%</u>	

## 7. PENSION PLANS (Continued)

### New York State and Local Retirement System (Continued)

#### **Discount Rate**

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

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

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

	1 % Decrease <u>(6.0%)</u>	Current Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 5,260,648	\$ 1,203,215	\$ (2,205,317)

#### **Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows (in thousands):

	<u>Pension Plan's Fiduciary Net Position</u>
Total pension liability	\$ 189,803,429
Net position	<u>(182,718,124)</u>
Net pension liability (asset)	<u>\$ 7,085,305</u>
Fiduciary net position as a percentage of total pension liability	96.27%

## 7. PENSION PLANS (Continued)

### New York State Teachers' Retirement System

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

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

### *Contributions*

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

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

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

2019	\$	2,336,077
2018	\$	2,713,687
2017	\$	2,964,671

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

At June 30, 2019, the School District reported an asset of \$2,646,255 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019, the School District's proportion was 0.146342 percent, which was an increase of .00023 percent from its proportion measured the prior year.

**7. PENSION PLANS (Continued)**

New York State Teachers' Retirement System (Continued)

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

For the year ended June 30, 2019, the School District recognized pension expense of \$1,981,591. At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,977,525	\$ 358,207
Changes of Assumptions	9,250,397	-
Net difference between projected and actual earnings on pension plan investments	-	2,937,544
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	332,949
Contributions subsequent to the measurement date	<u>2,866,173</u>	<u>-</u>
	<u>\$ 14,094,095</u>	<u>\$ 3,628,700</u>

\$2,866,173 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions that will be recognized in pension expense as follows:

Plan's Year Ended June 30:	
2019	\$ 2,580,272
2020	1,728,688
2021	117,760
2022	1,722,454
2023	1,175,509
Thereafter	<u>274,539</u>
	<u>\$ 7,599,222</u>

## 7. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

#### **Actuarial Assumptions**

The total pension liability at the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. These actuarial valuations used the following actuarial assumptions:

Inflation	2.25%										
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.										
	<table><thead><tr><th><u>Service</u></th><th><u>Rate</u></th></tr></thead><tbody><tr><td>5</td><td>4.72%</td></tr><tr><td>15</td><td>3.46%</td></tr><tr><td>25</td><td>2.37%</td></tr><tr><td>35</td><td>1.90%</td></tr></tbody></table>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Projected COLAs	1.5% compounded annually										
Investment Rate of Return	7.25% compounded annually, net of pension plan investment expense, including inflation.										

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

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

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

## 7. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the measurement date of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of term
Domestic Equities	33.0%	5.80%
International Equities	16.0%	7.30%
Global Equities	4.0%	6.70%
Real Estate Equities	11.0%	4.90%
Private Equities	8.0%	8.90%
Domestic fixed Income Securities	16.0%	1.30%
Global Fixed Income Securities	2.0%	0.90%
Private Debt	1.0%	6.80%
Real Estate Debt	7.0%	2.80%
High-Yield Fixed Income Securities	1.0%	3.50%
Short-Term	<u>1.0%</u>	0.30%
	<u>100.0%</u>	

#### **Discount Rate**

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

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

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

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Proportionate Share of Net Pension Liability (Asset)	\$ 18,180,203	\$ (2,646,255)	\$ (20,093,039)

**7. PENSION PLANS (Continued)**

New York State Teachers Retirement System (Continued)

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension (asset) of the employers plan as June 30, 2018, were as follows:

	Pension Plan's Fiduciary Net Position
Total pension liability	\$ 118,107,253
Net position	<u>(119,915,518)</u>
Net pension liability	<u><u>\$ (1,808,265)</u></u>
Fiduciary net position as a percentage of total pension liability	101.53%

**8. OTHER POST EMPLOYMENT BENEFITS**

**Plan Description**

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

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

In the governmental funds, the School District recognizes the cost of providing health care insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the general fund in the year paid. Total contributions to the plan to cover the School District's share of insurance premiums for the year ended June 30, 2019 was approximately \$2,647,000.

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

Inactive employees or beneficiaries	
currently receiving benefits	257
Active employees	<u>293</u>
Total participants	<u><u>550</u></u>

## 8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

### Total OPEB Liability

The District's total OPEB liability of \$123,125,134 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017. The July 1, 2017 total OPEB liability was increased by service cost and interest, decreased by benefits payments and adjusted to reflect any material plan changes to arrive at the total OPEB liability at the measurement date. The changes in the OPEB liability are as follows:

Balance at June 30, 2017, as restated	<u>\$127,169,402</u>
Changes for the Year	
Service cost	5,850,337
Interest	3,951,188
Changes of benefit terms	-
Changes in assumptions or other inputs	-
Differences between expected and actual experience	(11,199,244)
Benefit payments	<u>(2,646,549)</u>
Net changes	<u>(4,044,268)</u>
Balance at June 30, 2018	<u>\$123,125,134</u>

### Actuarial Assumptions and Other Inputs

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

Inflation	3.0 percent per year
Discount Rate	3.5 percent as of June 30, 2019
Healthcare Cost Trend Rates	7.5 percent in 2017, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2023

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

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

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



**8. OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

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

	1% Decrease <u>(2.50%)</u>	Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Total OPEB Liability	<u>\$146,960,066</u>	<u>\$123,125,134</u>	<u>\$104,309,376</u>

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.5% decreasing to 3.50%) or 1 percentage point higher (8.50% decreasing to 5.5%) than the current healthcare cost trend rate (7.50% decreasing to 4.50%):

	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	<u>\$101,104,441</u>	<u>\$123,125,134</u>	<u>\$155,161,026</u>

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$8,302,472. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	-	43,647
Changes in assumptions	<u>-</u>	<u>9,706,011</u>
Total	<u>\$ -</u>	<u>\$ 9,749,658</u>

**8. OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

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

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2020	\$ (1,499,052)
2021	(1,499,052)
2022	(1,499,052)
2023	(1,499,052)
2024	(1,499,052)
Thereafter	<u>(2,254,398)</u>
	<u>\$ (9,749,658)</u>

**9. RISK MANAGEMENT**

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

**10. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

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

Appropriations are adopted at the program line item level.

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

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

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

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

## 11. CONTINGENCIES AND COMMITMENTS

### General Information

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

## 12. RELEVANT ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED

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

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

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	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>(Budgetary Basis)</u>	Final Budget Variance with <u>Budgetary Actual</u>
<b>REVENUE</b>				
LOCAL SOURCES:				
Real property taxes	\$ 54,645,877	\$ 51,392,144	\$ 51,392,144	\$ -
Other tax items	503,000	3,756,733	3,791,560	34,827
Charges for services	827,085	827,085	733,776	(93,309)
Use of money and property	411,525	411,525	609,507	197,982
Miscellaneous	<u>418,671</u>	<u>418,670</u>	<u>459,332</u>	<u>40,662</u>
Total local sources	56,806,158	56,806,157	56,986,319	180,162
State sources	<u>4,119,518</u>	<u>4,119,518</u>	<u>4,244,068</u>	<u>124,550</u>
Total revenue	<u>\$ 60,925,676</u>	<u>\$ 60,925,675</u>	<u>\$ 61,230,387</u>	<u>\$ 304,712</u>

(Continued)

**IRVINGTON UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>(Budgetary Basis)</u>	<u>Encumbrances</u>	Final Budget Variance with <u>Budgetary Actual</u>
<b>EXPENDITURES</b>					
GENERAL SUPPORT:					
Board of education	\$ 133,640	\$ 144,390	\$ 130,057	\$ 5,020	\$ 9,313
Central administration	359,692	359,759	359,759	-	-
Finance	630,767	575,096	558,876	-	16,220
Staff	500,408	490,635	455,469	15,032	20,134
Central services	4,955,540	4,823,504	4,375,868	55,918	391,718
Special items	<u>566,299</u>	<u>926,442</u>	<u>925,872</u>	<u>-</u>	<u>570</u>
Total general support	7,146,346	7,319,826	6,805,901	75,970	437,955
INSTRUCTION:					
Instruction, administration, and improvement	1,861,156	1,924,983	1,914,591	-	10,392
Teaching - Regular school	18,179,159	18,211,018	18,129,480	540	80,998
Programs for children with handicapping conditions	8,805,699	9,205,445	9,189,652	-	15,793
Occupational education	131,560	43,260	21,489	-	21,771
Instructional media	1,750,770	1,642,314	1,570,255	-	72,059
Pupil services	<u>3,163,802</u>	<u>3,165,742</u>	<u>3,128,840</u>	<u>-</u>	<u>36,902</u>
Total instruction	33,892,146	34,192,762	33,954,307	540	237,915
Pupil transportation	2,419,477	2,420,217	2,401,778	-	18,439
Employee benefits	13,624,069	13,555,825	13,477,548	-	78,277
Debt service - Principal	3,088,791	3,088,791	3,088,791	-	-
Debt service - Interest	<u>1,129,347</u>	<u>1,129,347</u>	<u>1,129,346</u>	<u>-</u>	<u>1</u>
Total expenditures	61,300,176	61,706,768	60,857,671	76,510	772,587
<b>OTHER FINANCING USES</b>					
Transfers to other funds	<u>48,000</u>	<u>48,000</u>	<u>49,880</u>	<u>-</u>	<u>(1,880)</u>
Total expenditures and other uses	<u>61,348,176</u>	<u>61,754,768</u>	<u>60,907,551</u>	<u>76,510</u>	<u>770,707</u>
NET CHANGE IN FUND BALANCES	<u>\$ (422,500)</u>	<u>\$ (829,093)</u>	322,836	<u>\$ (76,510)</u>	<u>\$ 1,075,419</u>
FUND BALANCE - beginning of year			<u>5,629,696</u>		
FUND BALANCE - end of year			<u>\$ 5,952,532</u>		

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
FOR THE YEAR ENDED JUNE 30, 2019**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands) *				
	2019	2018	2017	2016	2015
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>					
Proportion of the net pension liability (asset)	0.0169818%	0.0180560%	0.0172571%	0.0177130%	0.0173740%
Proportionate share of the net pension liability (asset)	\$ 1,203.2	\$ 582.7	\$ 1,621.5	\$ 2,843.0	\$ 586.9
Covered-employee payroll	\$ 5,281.3	\$ 5,229.1	\$ 5,216.4	\$ 4,619.1	\$ 4,526.5
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	22.78%	11.14%	31.08%	61.55%	12.97%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.27%	98.24%	94.71%	90.68%	97.95%

	Last 10 Fiscal Years (Dollar amounts displayed in thousands) *				
	2019	2018	2017	2016	2015
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>					
Proportion of the net pension liability (asset)	0.146342%	0.146114%	0.144890%	0.141509%	0.136039%
Proportionate share of the net pension liability (asset)	\$ (2,646.3)	\$ (1,110.6)	\$ 1,551.8	\$ (14,698.3)	\$ (15,153.9)
Covered-employee payroll	\$ 23,837.5	\$ 25,333.8	\$ 24,440.7	\$ 21,257.0	\$ 20,095.1
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.10%	-4.38%	6.35%	-69.15%	-75.41%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	100.66%	99.01%	110.46%	111.48%

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

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Years (Dollar amounts displayed in thousands) *				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 725.3	\$ 751.2	\$ 739.5	\$ 807.5	\$ 815.8
Contributions in relation to the contractually required contribution	<u>725.3</u>	<u>751.2</u>	<u>739.5</u>	<u>807.5</u>	<u>815.8</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 5,281.3	\$ 5,229.1	\$ 5,216.4	\$ 4,619.1	\$ 4,526.5
Contributions as a percentage of covered-employee payroll	13.73%	14.37%	14.18%	17.48%	18.02%

<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Years (Dollar amounts displayed in thousands) *				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,336.1	\$ 2,713.7	\$ 2,964.6	\$ 3,726.3	\$ 3,861.1
Contributions in relation to the contractually required contribution	<u>2,336.1</u>	<u>2,713.7</u>	<u>2,964.6</u>	<u>3,726.3</u>	<u>3,861.1</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 23,837.5	\$ 25,333.8	\$ 24,440.7	\$ 21,257.0	\$ 20,095.1
Contributions as a percentage of covered-employee payroll	9.80%	10.71%	12.13%	17.53%	19.21%

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



**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

(Amounts in thousands)	Last Ten Fiscal Years *	
	2019	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 5,851	\$ 5,680
Interest	3,951	3,742
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(55)
Changes in assumptions	(11,199)	-
Benefit payments	<u>(2,647)</u>	<u>(2,482)</u>
Total change in total OPEB liability	(4,044)	6,885
OPEB plan fiduciary net position	-	-
Total OPEB liability - beginning	127,169	120,284
Total OPEB liability - ending	<u>\$ 123,125</u>	<u>\$ 127,169</u>
 Covered-employee payroll	 \$ 29,374	 \$ 29,374
 Total OPEB liability as a percentage of covered- employee payroll	 419.2%	 432.9%
Notes to schedule:		
Change in significant assumptions:		
	<u>2019</u>	<u>2018</u>
Discount rate	3.50%	3.00%
Healthcare trend rate:		
Initial rate	7.50%	7.50%
Decreasing per year	0.50%	0.50%
Ultimate rate	4.50%	4.50%
Ultimate rate year	2023	2023

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

**OTHER INFORMATION (UNAUDITED)**

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET  
AND USE OF UNASSIGNED FUND BALANCE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019 (UNAUDITED)**

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**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 61,348,176
Add: Prior year's encumbrances	<u>18,684</u>
Original budget	61,366,860
Budget revision	<u>387,908</u>
Final budget	<u>\$ 61,754,768</u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2019-20 voter-approved expenditure budget	\$ 62,953,554	
Maximum allowed (4% of 2019-20 budget)		\$ 2,518,142
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law *:		
Total fund balance:	<u>\$ 5,952,532</u>	
Less:		
Committed fund balance	\$ -	
Restricted fund balance	2,935,381	
Assigned fund balance:		
Appropriated fund balance	422,500	
Encumbrances included in committed and assigned fund balance	<u>76,509</u>	
Total adjustments	<u>\$ 3,434,390</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 2,518,142</u>
Actual percentage		4.00%

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

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2019 (UNAUDITED)**

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

**IRVINGTON UNION FREE SCHOOL DISTRICT**

**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
JUNE 30, 2019 (UNAUDITED)**

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Capital assets, net		\$ 38,361,985
Deduct:		
Capital related bond anticipation notes	-	
Capital related premium on bonds payable	<u>1,285,154</u>	1,285,154
Short-term portion of capital related bonds payable	2,560,000	
Long-term portion of capital related bonds payable	24,805,000	
Less: Unspent bond proceeds	<u>-</u>	
		<u>27,365,000</u>
Net investment in capital assets		<u>\$ 9,711,831</u>

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

October 15, 2019

To the Board of Education  
Irvington Union Free School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Irvington Union Free School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 15, 2019.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

(Continued)

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

**Purpose of this Report**

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