

**WYANDANCH UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

WYANDANCH UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Wyandanch Union Free School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 fiduciary fund of the Wyandanch Union Free School District as of June 30, 2018, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, Wyandanch Union Free School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 16 and 57 through 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wyandanch Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018, on our consideration of the Wyandanch Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Wyandanch Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 1, 2018

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- The District's total net position, as reflected in the District-Wide Financial Statements, decreased by \$9,763,956. This was due to expenses exceeding revenues based on the accrual basis of accounting.
- The District's expenses for the year, as reflected in the District-Wide Financial Statements, totaled \$82,083,917. Of this amount, \$6,494,011 was offset by operating grants, capital grants, and charges for services. General revenues of \$66,198,223 amount to 91.07% of total revenues.
- The general fund's total fund balance decreased by \$3,295,044. This was due to an excess of expenditures and other financing uses over revenues and other financing sources based on the modified accrual basis of accounting.
- Federal and state aid recorded in the general fund increased by \$596,170 to \$42,225,681 from \$41,629,511.
- The District continued to offer all core instructional programs.
- The District maintained its Moody's rating of Baa3.
- On May 15, 2018, the proposed 2018 - 2019 general fund budget in the amount of \$71,318,257 was authorized by the District's residents. This is a 3.76% increase from the prior year. The District did not exceed the property tax cap enacted by the NYS Legislature.
- This year the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the restatement of opening Net Position (Deficit) to reflect the total OPEB liability, rather than the net OPEB liability. The total OPEB liability at June 30, 2018 was \$112,282,168.

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- The District overexpended their total budgeted appropriations by \$1,296,989, which is not permitted by Education Law, §1718. They also over budgeted their total revenues in the amount of \$1,343,885. As a result of the District overspending the total budget and overbudgeting the revenues, the District ended the 2018 fiscal year with a negative unassigned fund balance of \$1,185,812.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.
 - The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
 - *Fiduciary Funds Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of the 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 and a section of other supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

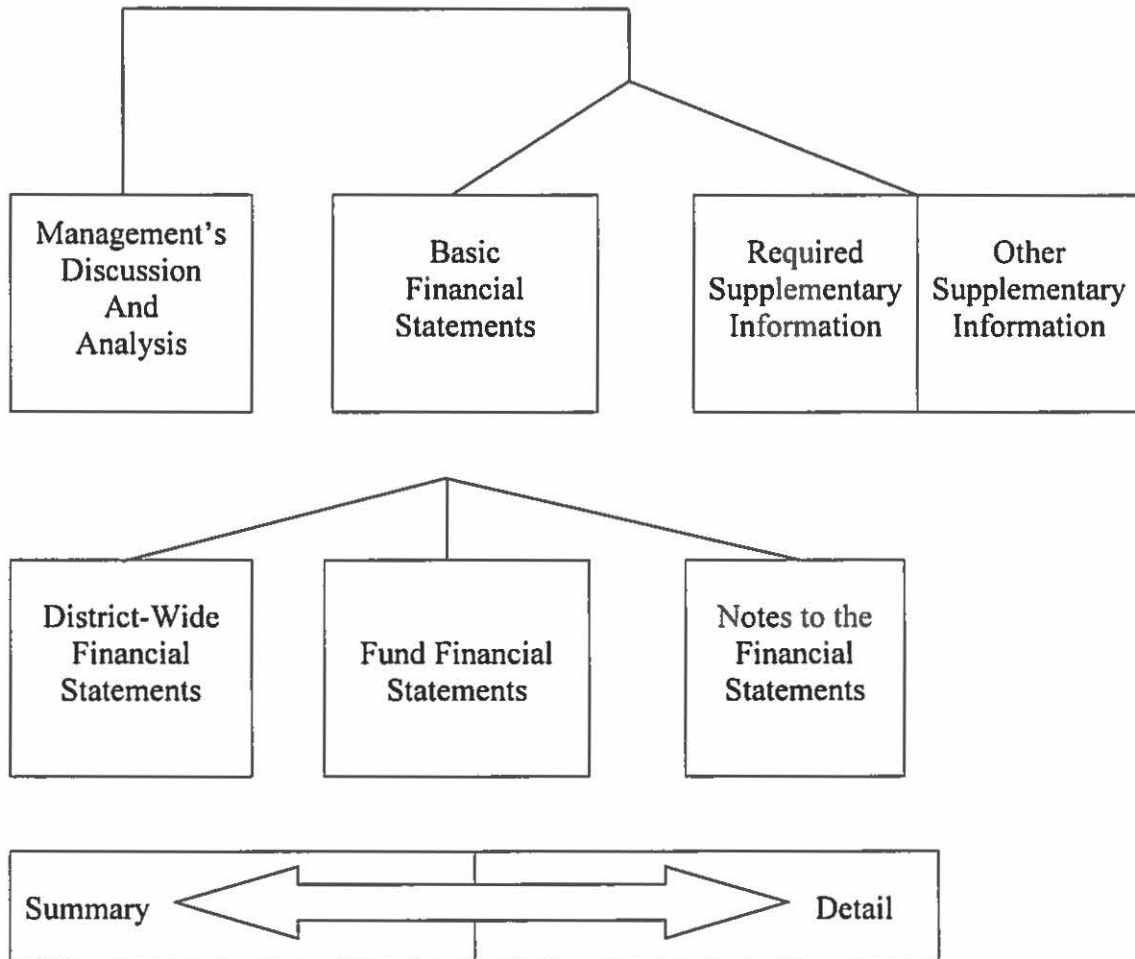


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and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

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

A) District-Wide Statements

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

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

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

In the District-Wide Financial Statements, the District's activities are shown as *Governmental activities*. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

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

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

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - *Net investment in capital assets*;

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation;
- *Unrestricted net position* is net position that does not meet any of the above restrictions.

B) Fund Financial Statements

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

The District has two kinds of funds:

i) Governmental funds

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

ii) Fiduciary funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's total net deficit increased by \$9,763,956 in the fiscal year ended June 30, 2018 as detailed in Table A-3.

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

	Fiscal Year 2018	Fiscal Year 2017*	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets	\$ 10,842,781	\$ 12,334,305	\$ (1,491,524)	(12.09%)
Capital assets, net	38,494,561	38,964,785	(470,224)	(1.21%)
Net pension asset - proportionate share - teachers' retirement system	1,113,909	-	1,113,909	N/A
Total assets	50,451,251	51,299,090	(847,839)	(1.65%)
Deferred outflows of resources	17,292,523	16,658,018	634,505	3.81%
Total assets and deferred outflows of resources	<u>\$ 67,743,774</u>	<u>\$ 67,957,108</u>	<u>\$ (213,334)</u>	(0.31%)
Other liabilities	\$ 8,201,948	\$ 6,319,501	\$ 1,882,447	29.79%
Long-term liabilities	138,356,276	135,757,853	2,598,423	1.91%
Total liabilities	146,558,224	142,077,354	4,480,870	3.15%
Deferred inflows of resources	6,354,264	1,284,512	5,069,752	394.68%
Total liabilities and deferred inflows of resources	<u>152,912,488</u>	<u>143,361,866</u>	<u>9,550,622</u>	6.66%
Net position				
Net investment in capital assets	20,608,123	19,974,828	633,295	3.17%
Restricted	1,653,152	1,651,500	1,652	0.10%
Unrestricted (deficit)	(107,429,989)	(97,031,086)	(10,398,903)	(10.72%)
Total net position (deficit)	<u>(85,168,714)</u>	<u>(75,404,758)</u>	<u>(9,763,956)</u>	12.95%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 67,743,774</u>	<u>\$ 67,957,108</u>	<u>\$ (213,334)</u>	(0.31%)

*Long-term liabilities and unrestricted net position for 2017 have been restated for the implementation of GASB Statement No. 75. See Footnote 15 for further information.

Current assets and other assets decreased by \$1,491,524 from 2017 to 2018 primarily due to the decrease in state and federal aid receivable, taxes receivable and due from other governments offset by an increase in cash.

Capital assets (net of depreciation) decreased by \$470,224. This is primarily due to current depreciation expense in excess of capital asset additions.

The District reported a net pension asset – proportionate share for the teachers' retirement system in the amount of \$1,113,909 as a result of the actuarial valuation provided by the state. In the prior year it reported a net pension liability for the teachers' retirement system.

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Deferred outflows of resources increased by \$634,505. This represents contributions to the State Retirement Systems subsequent to the measurement date and actuarial adjustments at the plan level that will be amortized in future years.

Other liabilities increased by \$1,882,447. This is primarily attributable to increases in accounts payable, accrued liabilities, and due to other governments offset by decreases in due to teachers' retirement system.

Long-term liabilities increased by \$2,598,423, which was primarily attributable to increases in the District's total other post-employment benefit obligations offset by a decrease in in the net pension liability – proportionate share – employees' retirement system, bonds payable, and energy performance contract.

Deferred inflows of resources increased by \$5,069,752 primarily due to an increase in deferred inflows for pensions and other post-employment benefits obligation. Deferred inflows of resources are actuarial adjustments at the plan level that will be amortized in future years.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$633,295 primarily due to reduction in the principal balance of related debt, net of current year depreciation expense offset by the building and building improvements, furniture and equipment, and vehicle additions.

Restricted net position relates to the balance of the District's reserves: workers' compensation, and retirement contribution. Restricted net position increased by \$1,652. Changes to reserves are discussed further in Management's Discussion and Analysis Section 5, General Fund Budgetary Highlights.

The unrestricted net position (deficit) at June 30, 2018 of (\$107,429,989) relates to the balance of the District's net position. The unrestricted net position (deficit) increased by (\$10,398,903). Overall, the net deficit increased by \$9,763,956. These changes are primarily a result of the increases in the total OPEB obligation.

B) Changes in Net Position

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

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	\$ 572,702	\$ 394,447	\$ 178,255	45.19%
Operating grants	5,902,056	5,237,660	664,396	12.68%
Capital grants	19,253	653,021	(633,768)	(97.05%)
General revenues				
Real property taxes and other tax items	23,396,639	22,654,422	742,217	3.28%
State and federal sources	42,225,681	41,629,511	596,170	1.43%
Use of money and property	62,388	60,507	1,881	3.11%
Other	513,515	579,216	(65,701)	(11.34%)
Total revenues	72,692,234	71,208,784	1,483,450	2.08%
Expenses				
General support	11,508,513	10,549,004	959,509	9.10%
Instruction	61,441,872	54,409,259	7,032,613	12.93%
Pupil transportation	6,071,690	4,263,438	1,808,252	42.41%
Debt service - interest	917,978	1,079,609	(161,631)	(14.97%)
Food service program	2,143,864	1,841,377	302,487	16.43%
Total expenses	82,083,917	72,142,687	9,941,230	13.78%
Increase (decrease) in net position	(9,391,683)	(933,903)	(8,457,780)	905.64%
Other changes in fund balance (See Note 19)	(372,273)	-	(372,273)	N/A
Net change in net position	\$ (9,763,956)	\$ (933,903)	\$ (8,830,053)	945.50%

Information for 2017 was not restated because the information necessary was not readily available. The cumulative effect of applying the change in accounting principle is shown as an adjustment to the beginning net position (deficit) in 2018. See Note 15 for more information.

The District's fiscal year 2018 revenues totaled \$72,692,234 (See Table A-4). Real property taxes and other tax items, and state sources accounted for most of the District's revenue by contributing 32.19% and 58.09%, respectively of total revenue. (See Table A-5). The remainder came from fees charged for services, operating grants, capital grants, use of money and property, and other miscellaneous sources.

The District's revenues increased by \$1,483,450 or 2.08%. Real property taxes and other tax items increased by \$742,217, due to an increase in the levy. State and federal sources increased by \$596,170 primarily as a result of an increase in excess cost aid and lottery aid. The total cost of all programs and services totaled \$82,083,917 for fiscal year 2018. These expenses are predominantly related to general instruction, which account for 74.85% of district expenses. (See Table A-6). The District's general support activities accounted for 14.02% of total costs.

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The District's expenses for the year increased \$9,941,230 or 13.78%, which is primarily attributable to increases in general instruction and pupil transportation.

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

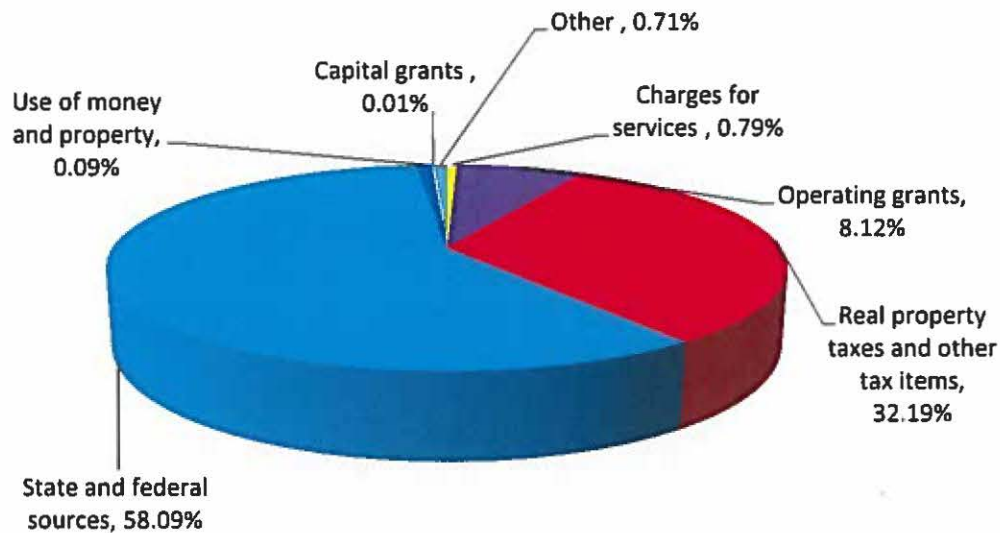
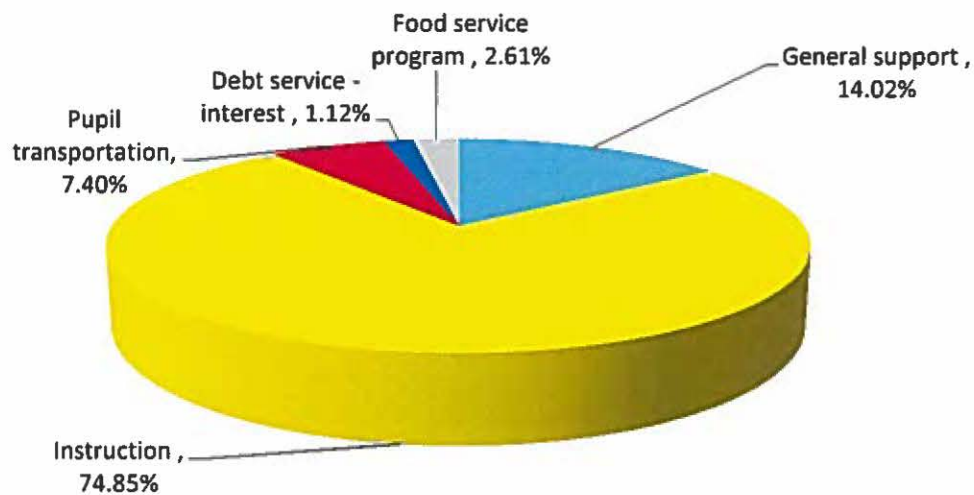


Table A-6: Expenses for Fiscal Year 2018 (See Tables A-4 and A-7)



**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

C) Governmental Activities

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

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
General Support	\$ 11,508,513	\$ 10,549,004	\$ 11,002,460	\$ 10,207,335
Instruction	61,441,872	54,409,259	57,568,195	50,300,126
Pupil Transportation	6,071,690	4,263,438	5,991,368	4,243,454
Debt Service - Interest	917,978	1,079,609	917,978	1,079,609
Food Service Program	2,143,864	1,841,377	109,905	27,035
Total	<u>\$ 82,083,917</u>	<u>\$ 72,142,687</u>	<u>\$ 75,589,906</u>	<u>\$ 65,857,559</u>

- The cost of all governmental activities this year was \$82,083,917. (Statement of Activities, Expenses column-see Exhibit 3)
- The users of the District's programs financed \$572,702 of the cost. (Statement of Activities, Charges for Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with grants of \$5,921,309. (Statement of Activities, Operating and Capital Grants column – see Exhibit 3)
- Most of the District's net costs of \$75,589,906 were financed by District taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3).

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

As of June 30, 2018, the District's combined governmental funds reported a total fund balance of \$1,921,514, which is a decrease of \$3,761,573 from the prior year. This decrease is due to a decrease in the fund balance in the general fund and capital projects fund offset by an increase in the school lunch fund.

A summary of the change in fund balance for all funds is as follows:

	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Total Percentage Change
General Fund				
Restricted for retirement contribution	\$ 701,301	\$ 700,600	\$ 701	0.10%
Restricted for workers' compensation	951,851	950,900	951	0.10%
Assigned-designated for subsequent year's expenditures	877,611	433,632	443,979	102.39%
Assigned-general support	85,923	44,800	41,123	91.79%
Assigned-instruction	135,462	24,850	110,612	445.12%
Unassigned	(1,185,812)	2,706,598	(3,892,410)	(143.81%)
Total fund balance - general fund	<u>\$ 1,566,336</u>	<u>\$ 4,861,380</u>	<u>\$ (3,295,044)</u>	(67.78%)
School Lunch Fund				
Nonspendable - inventory	\$ 13,218	\$ 7,619	\$ 5,599	73.49%
Assigned	342,294	200,715	141,579	70.54%
Total fund balance - school lunch fund	<u>\$ 355,512</u>	<u>\$ 208,334</u>	<u>\$ 147,178</u>	70.65%
Capital Projects Fund				
Restricted - unspent bond proceeds	\$ -	\$ 613,373	\$ (613,373)	(100.00%)
Unassigned	(334)	-	(334)	N/A
Total fund balance - capital projects fund	<u>\$ (334)</u>	<u>\$ 613,373</u>	<u>\$ (613,707)</u>	(100.05%)
Total Fund Balance - All funds	<u>\$ 1,921,514</u>	<u>\$ 5,683,087</u>	<u>\$ (3,761,573)</u>	(66.19%)

The decrease in the fund balance for the general fund of \$3,295,044 is due to the District overspending the budget and overbudgeting revenues and expenditures and other financing uses exceeding revenues and other financing uses.

The increase in fund balance for the school lunch fund of \$147,178 is the operating surplus of the program for the current year.

The decrease in fund balance for the capital projects fund of \$613,707 can be attributed to current year transfers out to the general fund for completed capital projects along with expenditures exceeding revenues.

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2017-2018 Budget

The District's voter approved general fund adopted budget for the year ended June 30, 2018 was \$68,730,714. This amount was increased by encumbrances carried forward from the prior year and budget revisions in the amount of \$69,650, which resulted in a final budget of \$68,800,364. The majority of the funding was from real property taxes and other tax items in the amount of \$22,893,286, and state aid in the amount of \$43,150,000.

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

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

Opening, Unassigned Fund Balance	\$ 2,706,598
Revenues Under Budget	(1,343,885)
Expenditures and Encumbrances Over Budget	(1,296,989)
Interest Allocation to Reserves	(1,652)
Assigned, Appropriated for June 30, 2019 Budget	(877,611)
Other Changes in Fund Balance	<u>(372,273)</u>
Closing, Unassigned Fund Balance	<u><u>\$ (1,185,812)</u></u>

Opening, Unassigned Fund Balance

The opening, unassigned fund balance represents the fund balance retained by the District as of June 30, 2017 that was not restricted or assigned for subsequent year's taxes. The unassigned fund balance was under the 4% limitation of the 2017-18 budget in compliance with New York State Real Property Tax Law.

Revenues Under Budget

The total revenues under budget in the amount of \$1,343,885 were primarily due to a negative variance in state sources (see Supplemental Schedule #1).

Expenditures and Encumbrances Over Budget

The District overspent the appropriated budget for the 2018 fiscal year. The expenditures and encumbrances over budget in the amount of \$1,296,989 were primarily attributable to expenditure in programs for handicapping condition of \$1,125,195, pupil transportation of \$582,296, and employee benefits of \$624,333 (see Supplemental Schedule #1).

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Interest Allocation to Reserves

Revenues such as interest earned in the general fund are allocated to the reserves and, therefore, decrease the unassigned portion of the fund balance in the general fund.

The interest allocated to reserves is as follows:

Retirement contribution	\$ 701
Workers' compensation	951
	<u>\$ 1,652</u>

Assigned, Appropriated Fund Balance

The assigned, appropriated fund balance of \$877,611 as of June 30, 2018 is the amount the District has chosen to use to partially fund its operating budget for 2018-2019.

Other Changes in Fund Balance

Other changes in fund balance represents a write-off of the Community School Grant receivable for from the 2017 fiscal year. See Note 19 for further information.

Closing, Unassigned Fund Balance

The closing, unassigned fund balance deficit was \$1,185,812 as of June 30, 2018 due to the District overspending the budget.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment, vehicles and various building additions and renovations that are currently in progress during the fiscal year 2018. See Note 8 for more information. A summary of the District's capital assets net of depreciation is as follows:

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Category	Fiscal Year 2018	Fiscal Year 2017	Increase / (Decrease)	Percentage Change
Land & land improvements	\$ 13,511,418	\$ 13,370,811	\$ 140,607	1.05%
Construction in progress	-	19,252	(19,252)	(100.00%)
Buildings & building improvements	39,480,693	39,461,046	19,647	0.05%
Furniture & equipment	2,930,013	9,529,324	(6,599,311)	(69.25%)
Vehicles	2,390,269	1,500,312	889,957	59.32%
Subtotal	58,312,393	63,880,745	(5,568,352)	(8.72%)
Less: accumulated depreciation	19,817,832	24,915,960	(5,098,128)	(20.46%)
Total net capital assets	\$ 38,494,561	\$ 38,964,785	\$ (470,224)	(1.21%)

B) Long-Term Debt

At June 30, 2018, the District had total bonds payable of \$15,640,000. The bonds were issued for district-wide projects. The decrease in outstanding debt represents payments of principal.

A summary of outstanding serial bond debt at June 30, 2018 and 2017 is as follows:

	2018	2017	Increase (Decrease)
Serial Bonds 2011	\$ 875,000	\$ 1,080,000	\$ (205,000)
Serial Bonds 2012	2,890,000	3,125,000	(235,000)
Serial Bonds 2012	11,875,000	12,845,000	(970,000)
Total	\$ 15,640,000	\$ 17,050,000	\$ (1,410,000)

At June 30, 2018, the District had total energy performance contracts payable of \$2,246,438. A decrease in outstanding energy performance contracts payable represents payments of principal of \$306,892. A summary of outstanding energy performance contracts at June 30, 2018 and 2017 is as follows:

	2018	2017	Increase (Decrease)
Energy Performance -2008	\$ 2,246,438	\$ 2,553,330	\$ (306,892)
Total	\$ 2,246,438	\$ 2,553,330	\$ (306,892)

See Note 12 for further detail on long-term debt disclosures.

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- A) The voters approved the general fund budget in the amount of \$71,318,257 for the fiscal year 2018-2019. This represented a 3.76% increase for the year, or \$2,587,543.

**WYANDANCH UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- B)** The District overexpended their total budgeted appropriations by \$1,296,989, which is not permitted by Education Law, §1718. They also over budgeted their total revenues in the amount of \$1,343,885. As a result of the District overspending the total budget and overbudgeting the revenues, the District ended the 2018 fiscal year with a negative unassigned fund balance of \$1,185,812.
- C)** The national economy continues to have a negative impact on virtually every municipal budget. A result could be that state aid to the District could be negatively impacted in amount and/or timing.
- D)** The District has been encountering an increase in student enrollment trend. If this continues the District will require a proportional increase in revenue in order to maintain programs.
- E)** The NYS Legislature introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Wyandanch Union Free School District
Mr. Idowu Ogundipe
School Business Official
1445 Straight Path Road
Wyandanch, New York 11798-8800
(631) 870-0405

WYANDANCH UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	
Current Assets	
Cash and cash equivalents	
Unrestricted	\$ 2,890,895
Restricted	1,653,152
Receivables	
State and federal aid	3,000,997
Due from other governments	2,812,546
Due from fiduciary funds	425,209
Accounts receivable	46,764
Inventories	13,218
Non Current Assets	
Capital assets	
Not being depreciated	12,681,917
Being depreciated, net of accumulated depreciation	25,812,644
Net pension asset - proportionate share - teachers' retirement system	1,113,909
TOTAL ASSETS	<u>50,451,251</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>17,292,523</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 67,743,774</u>
LIABILITIES	
Payables	
Accounts payable	\$ 3,053,469
Accrued liabilities	1,163,945
Accrued interest payable	196,574
Due to other governments	686,303
Due to teachers' retirement system	2,771,315
Due to employees' retirement system	239,824
Compensated absences payable	83,431
Unearned credits	
Collections in advance	7,087
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,460,000
Energy performance contract	324,416
Due and payable after one year	
Bonds payable	14,180,000
Energy performance contract	1,922,022
Compensated absences payable	3,444,257
Claims payable	3,940,003
Total other post-employment benefits obligation	112,282,168
Net pension liability - proportionate share - employees' retirement system	803,410
TOTAL LIABILITIES	<u>146,558,224</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	6,195,440
Other post-employment benefits obligation	158,824
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,354,264</u>
NET POSITION	
Net investment in capital assets	<u>20,608,123</u>
Restricted	
Retirement contribution	701,301
Workers' compensation	951,851
	<u>1,653,152</u>
Unrestricted (deficit)	<u>(107,429,989)</u>
TOTAL NET POSITION (DEFICIT)	<u>(85,168,714)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 67,743,774</u>

**WYANDANCH UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
FUNCTIONS / PROGRAMS					
General support	\$ (11,508,513)	\$ 506,053	\$ -	\$ -	\$ (11,002,460)
Instruction	(61,441,872)		3,854,424	19,253	(57,568,193)
Pupil transportation	(6,071,690)		80,322		(5,991,368)
Debt service-interest	(917,978)				(917,978)
Food service program	(2,143,864)	66,649	1,967,310		(109,905)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ (82,083,917)</u>	<u>\$ 572,702</u>	<u>\$ 5,902,056</u>	<u>\$ 19,253</u>	<u>(75,589,906)</u>
GENERAL REVENUES					
Real property taxes					19,832,748
Other real property tax items					3,563,891
Use of money and property					62,388
Sale of property and compensation for loss					133,249
Miscellaneous					380,266
State and federal sources					42,225,681
TOTAL GENERAL REVENUES					<u>66,198,223</u>
CHANGE IN NET POSITION					(9,391,683)
OTHER CHANGES IN NET POSITION (SEE NOTE 19)					
Write-off of Community School Grant receivable					(372,273)
NET CHANGE IN NET POSITION					<u>(9,763,956)</u>
TOTAL NET POSITION - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 15E)					<u>(75,404,758)</u>
TOTAL NET POSITION - END OF YEAR					<u>\$ (85,168,714)</u>

WYANDANCH UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents					
Unrestricted	\$ 2,777,312	\$ -	\$ 112,407	\$ 1,176	\$ 2,890,895
Restricted	1,653,152				1,653,152
Receivables					
State and federal aid	1,437,566	1,423,595	139,836		3,000,997
Due from other governments	2,512,546			300,000	2,812,546
Due from other funds	1,940,046		143,589		2,083,635
Accounts receivable	46,764				46,764
Inventories			13,218		13,218
TOTAL ASSETS	<u>\$ 10,367,386</u>	<u>\$ 1,423,595</u>	<u>\$ 409,050</u>	<u>\$ 301,176</u>	<u>\$ 12,501,207</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Payables					
Accounts payable	\$ 2,840,167	\$ 196,484	\$ 16,818	\$ -	\$ 3,053,469
Accrued liabilities	1,120,611	6,778	36,556		1,163,945
Due to other governments	686,220		83		686,303
Due to other funds	143,589	1,213,327		301,510	1,658,426
Due to teachers' retirement system	2,771,315				2,771,315
Due to employees' retirement system	239,824				239,824
Compensated absences	83,431				83,431
Unearned credits					
Collections in advance		7,006	81		7,087
TOTAL LIABILITIES	<u>7,885,157</u>	<u>1,423,595</u>	<u>53,538</u>	<u>301,510</u>	<u>9,663,800</u>
DEFERRED INFLOWS OF RESOURCES					
Tuition due from other districts	915,893				915,893
FUND BALANCES					
Nonspendable: inventory			13,218		13,218
Restricted					
Retirement contribution	701,301				701,301
Workers' compensation	951,851				951,851
Assigned					
Appropriated fund balance	877,611				877,611
Unappropriated fund balance	221,385		342,294		563,679
Unassigned (deficit)	(1,185,812)			(334)	(1,186,146)
TOTAL FUND BALANCES	<u>1,566,336</u>	<u>-</u>	<u>355,512</u>	<u>(334)</u>	<u>1,921,514</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 10,367,386</u>	<u>\$ 1,423,595</u>	<u>\$ 409,050</u>	<u>\$ 301,176</u>	<u>\$ 12,501,207</u>

**WYANDANCH UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Governmental Fund Balances	\$	1,921,514
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.		915,893
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The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 58,312,393	
Accumulated depreciation	(19,817,832)	38,494,561

Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to:

Deferred outflows related to pension		17,292,523
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Certain disbursements previously expended in the governmental funds and invested with the pension system are treated as long-term assets and increase net position. The teachers' retirement system pension asset-proportionate share amounted to:		1,113,909
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Deferred inflows of resources - The Statement of Net Position recognizes revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. These amounts will be amortized in future years.

Deferred inflows related to pension	\$ (6,195,440)	
Deferred inflows related to other post-employment benefits obligation	(158,824)	(6,354,264)

Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:

Accrued interest on bonds and energy performance contract.		(196,574)
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Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable	\$ (15,640,000)	
Energy performance contract	(2,246,438)	
Compensated absences payable	(3,444,257)	
Claims payable	(3,940,003)	
Total other post-employment benefits obligation	(112,282,168)	
Net pension liability - proportionate share - employees' retirement system	(803,410)	(138,356,276)

Total Net Position	\$	(85,168,714)
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WYANDANCH UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 19,832,748	\$ -	\$ -	\$ -	\$ 19,832,748
Other real property tax items	3,563,891				3,563,891
Charges for services	141,661				141,661
Use of money and property	62,328		60		62,388
Sale of property and compensation for loss	133,249				133,249
Miscellaneous	380,266				380,266
State sources	41,565,198	1,927,924	47,576	19,253	43,559,951
Federal sources	660,483	2,006,822	1,919,734		4,587,039
Sales - school lunch			66,649		66,649
TOTAL REVENUES	66,339,824	3,934,746	2,034,019	19,253	72,327,842
EXPENDITURES					
General support	8,718,358				8,718,358
Instruction	37,705,461	3,947,144			41,652,605
Pupil transportation	5,012,168	80,322			5,092,490
Employee benefits	15,689,183		319,641		16,008,824
Debt service - principal	1,716,892				1,716,892
Debt service - interest	941,186				941,186
Cost of sales			1,567,200		1,567,200
Capital outlay				19,587	19,587
TOTAL EXPENDITURES	69,783,248	4,027,466	1,886,841	19,587	75,717,142
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,443,424)	(92,720)	147,178	(334)	(3,389,300)
OTHER FINANCING SOURCES AND (USES)					
Operating transfers in	613,373	92,720			706,093
Operating transfers (out)	(92,720)			(613,373)	(706,093)
TOTAL OTHER FINANCING SOURCES AND (USES)	520,653	92,720	-	(613,373)	-
OTHER CHANGES IN FUND BALANCE (SEE NOTE 19)					
Write-off of Community School Grant receivable	(372,273)				(372,273)
NET CHANGE IN FUND BALANCES	(3,295,044)	-	147,178	(613,707)	(3,761,573)
FUND BALANCES - BEGINNING OF YEAR	4,861,380	-	208,334	613,373	5,683,087
FUND BALANCES - END OF YEAR	\$ 1,566,336	\$ -	\$ 355,512	\$ (334)	\$ 1,921,514

**WYANDANCH UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances \$ (3,761,573)

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

Long-Term Revenue and Expense Differences

Deferred inflows of resources - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. The difference in the revenues recognized under the full accrual method for the year ended June 30, 2018 364,394

Claims payable in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Claims payable for the year ended June 30, 2018 changed by (51,889)

In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the year ended June 30, 2018 changed by: (63,856)

Changes in the proportionate share of net pension asset/(liability), and total other post-employment benefits obligation and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of Changes in the proportionate share of net pension asset/(liability), and total other post-employment benefits obligation

Teachers' retirement system	\$ (276,255)	
Employees' retirement system	(31,565)	
Other post-employment benefits obligation	<u>(7,213,089)</u>	(7,520,909)

Capital Related Differences

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

Depreciation expense	\$ (1,720,622)	
Capital outlays	<u>1,250,398</u>	(470,224)

Long-Term Debt Differences

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2017 to June 30, 2018 changed by 23,209

Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,410,000

Repayment of energy performance contract is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 306,892

Change in Net Position \$ (9,763,956)

**WYANDANCH UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents - restricted	\$ 619,489
Other receivables	824
TOTAL ASSETS	<u>\$ 620,313</u>
Due to governmental funds	\$ 425,209
Extraclassroom activity balance	71,913
Other liabilities	123,191
TOTAL LIABILITIES	<u>\$ 620,313</u>

**WYANDANCH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Wyandanch Union Free School District (the “District”) have been prepared in conformity with generally accepted accounting principles (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 District are described below:

A) Reporting entity:

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

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of an entity that is included in the District’s reporting entity.

Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office. The District reports these assets held as an agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund.

**WYANDANCH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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B) Joint venture:

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

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

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

C) Basis of presentation:

i) District-Wide Financial Statements:

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

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**WYANDANCH UNION FREE SCHOOL DISTRICT
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ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

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

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

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

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The District reports the following fiduciary fund:

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. The District has the following fiduciary fund:

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

D) Measurement focus and basis of accounting:

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

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The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within six months after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, net pension liabilities and other post-employment benefit obligations 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.

E) Real property taxes:

i) Calendar:

Real property taxes are levied annually by the Board of Education no later than October 31st. Taxes are collected by the Town of Babylon and remitted to the District.

ii) Enforcement:

Uncollected real property taxes are subsequently enforced by Suffolk County ("the County") in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than June 30th.

F) Restricted resources:

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

G) Interfund transactions:

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

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

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

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

I) Cash and cash equivalents:

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

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

J) Receivables:

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

K) Inventories and prepaid items:

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

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current

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asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2018.

L) Capital assets:

Capital assets are reflected in the District-wide financial statements. Capital assets are reported at actual cost, for acquisitions subsequent to June 30, 2000. For assets acquired prior to June 30, 2000, estimated historical costs based on professional third-party information are utilized. Donated assets are reported at estimated fair market value at the time received.

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

	Threshold	Method	Useful Life
Building & building Improvements	\$1,000	Straight-line	50 years
Land improvements	\$1,000	Straight-line	20 years
Furniture & equipment	\$1,000	Straight-line	5 -8 years
Vehicles	\$1,000	Straight-line	8 years

M) Collections in advance:

Collections in advance are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. collections in advance arise when the District receives resources before it has legal claim to them, as when school lunch sales are paid in advance or grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. The District had \$7,006 of collections in advance for money received in advance before expenditures were incurred for the special aid fund and \$81 received in advance for meals that have not yet been purchased in the school lunch fund at June 30, 2018.

N) Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. The amount relates to pensions reported in the District-Wide Statement of Net Position and is detailed further in Note 13.

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 represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are related to pensions and the other post-

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employment benefits liability reported in the District-Wide Statement of Net Position and are detailed further in Notes 13 and 15.

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflow of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows of resources are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows or resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

O) Vested employee benefits:

Compensated absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements may require these termination payments to be paid in the form of non-elective contributions into the employees' 403(b) plan.

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the District-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the Fund Financial Statements only, the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis. The liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

P) Other benefits:

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

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District's employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) as specified in negotiated labor contracts and individual employee contracts.

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

Q) Short-term debt:

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

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

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

The District has issued and redeemed TANs totaling \$12,000,000 in the fiscal year ended June 30, 2018. See Note 11 for further detail.

R) Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, compensated absences, net pension liabilities, and total other post-employment benefit obligations that will be paid from governmental funds, are reported as a liability in the fund's 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.

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

S) Equity classifications:

i) District-Wide Financial Statements:

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

Net investment in capital assets consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions 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 or 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 District.

ii) Fund Financial Statements:

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

- 1) 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. Non-spendable fund balance includes the inventory recorded in the school lunch fund in the amount of \$13,218.
- 2) 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 District has classified the following as restricted:

Retirement Contribution Reserve

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

Workers' Compensation Reserve

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Workers' compensation reserve (GML§6-m), must be 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 appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the general fund under restricted fund balance.

- 3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e. Board of Education). The District has no committed fund balances as of June 30, 2018.
- 4) **Assigned fund balance** – Includes amounts that subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes Board designations and encumbrances not classified as restricted or committed at the end of the fiscal year.
- 5) **Unassigned fund balance** – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

The unassigned deficit fund balance in the general fund of \$1,185,812 was due to the District overspending the 2017/2018 budget. The District overexpended their appropriations by \$1,296,989 which is not permitted by Education Law, §1718. They also over budgeted revenues in the amount of \$1,343,885. This resulted in the District reporting expenditures and other uses of \$69,875,968 and revenues and other sources of \$66,953,197.

The unassigned deficit fund balance in the capital projects fund of \$334 will be eliminated once the District receives reimbursement from the general fund.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation.

**WYANDANCH UNION FREE SCHOOL DISTRICT
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Fund Balance Classification

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

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

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (i.e. expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

T) New accounting standards:

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2018: Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The adoption of this Statement resulted in the restatement of certain items pertaining to the June 30, 2017 District-Wide Financial Statements. Refer to Note 15 for more information.

U) Future changes in accounting standards:

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal year ended June 30, 2019, which provides guidance for the reporting of certain legally enforceable liabilities associated with the retirement of a tangible capital asset.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the fiscal year ended June 30, 2020. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported.

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2021. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is

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NOTES TO FINANCIAL STATEMENTS
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required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

These are the statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:

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

(A) Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of the District's governmental funds differ from "net Position" of governmental activities reported in the Statement of Net Position. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

(B) Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities:

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

(i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

(ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on Governmental Fund Financial Statements and the gain or loss on the sale of assets reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the Fund Financial Statements and depreciation expense on those items as recorded in the Statement of Activities.

**WYANDANCH UNION FREE SCHOOL DISTRICT
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(iii) Long-term debt differences:

Long-term debt differences occur because both interest and principal payments are recorded as expenditures in the Fund Financial 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.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

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

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

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

B) Encumbrances:

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

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NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as either:

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

All of the District's aggregate bank balances were covered by depository insurance or collateralized with securities held by the pledging financial institution in the District's name at year end.

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

Restricted cash:

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 at June 30, 2018 included \$1,653,152 within the governmental funds for general reserve purposes and \$619,489 in the fiduciary fund.

B) Investments:

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

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NOTE 5 – PARTICIPATION IN BOCES:

During the year ended June 30, 2018, the District was billed \$11,729,345 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,430,414. Financial statements for the BOCES are available from the BOCES administrative office located at 507 Deer Park Avenue, Huntington Station, NY, 11746.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

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

General Fund	
Excess cost aid	\$ 1,425,795
Medicaid	11,771
Total-General Fund	<u>1,437,566</u>
Special Aid Fund	
Federal and state grants	1,423,595
School Lunch Fund	
Lunch - federal and state	<u>139,836</u>
Total-All Funds	<u>\$ 3,000,997</u>

District's management has deemed the amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

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

General Fund	
BOCES aid	\$ 1,430,414
Tuition & health service billings - other districts	738,789
ERS and TAN interest billings - Wyandanch Library	<u>343,343</u>
Total	<u>2,512,546</u>
Capital Fund	
Grant	<u>300,000</u>
Total-All Funds	<u>\$ 2,812,546</u>

District's management has deemed the amounts to be fully collectible.

WYANDANCH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 - CAPITAL ASSETS:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,681,917	\$ -	\$ -	\$ 12,681,917
Construction in progress	19,252		(19,252)	-
Total capital assets not being depreciated	<u>12,701,169</u>	<u>-</u>	<u>(19,252)</u>	<u>12,681,917</u>
Capital assets being depreciated:				
Building & building improvements	39,461,046	395	19,252	39,480,693
Land improvements	688,894	140,607		829,501
Furniture and equipment	9,529,324	219,439	(6,818,750)	2,930,013
Vehicles	1,500,312	889,957		2,390,269
Total capital assets being depreciated	<u>51,179,576</u>	<u>1,250,398</u>	<u>(6,799,498)</u>	<u>45,630,476</u>
Less accumulated depreciation:				
Building & building improvements	13,859,780	748,636		14,608,416
Land improvements	684,368	129,854		814,222
Furniture and equipment	8,923,760	266,443	(6,818,750)	2,371,453
Vehicles	1,448,052	575,689		2,023,741
Total accumulated depreciation	<u>24,915,960</u>	<u>1,720,622</u>	<u>(6,818,750)</u>	<u>19,817,832</u>
Total capital assets being depreciated, net	<u>26,263,616</u>	<u>(470,224)</u>	<u>19,252</u>	<u>25,812,644</u>
Capital assets, net	<u>\$ 38,964,785</u>	<u>\$ (470,224)</u>	<u>\$ -</u>	<u>\$ 38,494,561</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,302,495
General support	243,967
Food service program	45,447
Transportation	128,713
	<u>\$ 1,720,622</u>

**WYANDANCH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$ 1,940,046	\$ 143,589	\$ 613,373	\$ 92,720
Special aid fund		1,213,327	92,720	
School lunch fund	143,589			
Capital projects fund		301,510		613,373
Total government activities	2,083,635	1,658,426	706,093	706,093
Fiduciary agency fund		425,209		
Totals	<u>\$ 2,083,635</u>	<u>\$ 2,083,635</u>	<u>\$ 706,093</u>	<u>\$ 706,093</u>

The District typically transfers from the general fund to the special aid fund to fund the District's share of summer school handicap expenses required by law and State Supported schools for the blind and deaf. The District transferred from the capital projects fund to the general fund to return unspent funds for completed projects.

The 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.

NOTE 10 – DUE TO OTHER GOVERNMENTS:

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

General Fund:	
Tuition reimbursements	\$ 686,220
School Lunch Fund	
Sales tax payable	<u>83</u>
Total - All Funds	<u>\$ 686,303</u>

**WYANDANCH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 11 – SHORT-TERM LIABILITIES:

Transactions in short-term debt for the year are summarized below:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN	6/22/2018	1.51%	<u>\$ -</u>	<u>\$ 12,000,000</u>	<u>\$ 12,000,000</u>	<u>\$ -</u>

The District obtained the \$12,000,000 tax anticipation notes from the City of Buffalo due to the favorable interest rates as opposed to another financial institution. Interest on short-term debt for the year amounted to \$167,107. This debt was issued for interim financing of general fund operations.

NOTE 12 – LONG-TERM LIABILITIES:

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long -term debt:					
Serial bonds	\$ 17,050,000		\$ 1,410,000	\$ 15,640,000	\$ 1,460,000
Energy performance contract	2,553,330		306,892	2,246,438	324,416
Other long-term liabilities:					
Compensated absences payable	3,380,401	\$ 147,287	83,431	3,444,257	
Claims payable	3,888,114	417,876	365,987	3,940,003	
Total other post-employment benefits *	105,227,903	9,139,134	2,084,869	112,282,168	
Net pension liability-proportionate share	3,658,105		2,854,695	803,410	
Total long-term liabilities	<u>\$ 135,757,853</u>	<u>\$ 9,704,297</u>	<u>\$ 7,105,874</u>	<u>\$ 138,356,276</u>	<u>\$ 1,784,416</u>

*Beginning balance as restated.

The general fund has typically been used to liquidate long-term liabilities such as compensated absences, bonds payable, energy performance contract, claims payable, total other post-employment benefits and net pension liability.

**WYANDANCH UNION FREE SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

A) Bond payable:

Existing serial bond obligations are comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Serial bond	8/25/2011	8/25/2022	2.00-3.125%	\$ 875,000
Serial bond	8/25/2012	8/25/2027	2.25-4.18%	2,890,000
Serial bond	12/15/2012	12/15/2027	3.50-4.00%	11,875,000
				<u>\$ 15,640,000</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,460,000	\$ 576,769	\$ 2,036,769
2020	1,505,000	522,734	2,027,734
2021	1,560,000	466,254	2,026,254
2022	1,620,000	407,178	2,027,178
2023	1,440,000	349,422	1,789,422
2024 - 2028	8,055,000	862,989	8,917,989
	<u>\$ 15,640,000</u>	<u>\$ 3,185,346</u>	<u>\$ 18,825,346</u>

B) Energy performance contract

The following is a summary of debt for energy performance contract:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Energy performance contract	7/16/2008	7/16/2023	5.71%	<u>\$ 2,246,438</u>

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

**WYANDANCH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Fiscal Year Ended June 30,	Principal	Interest	Total
2019	\$ 324,416	\$ 128,272	\$ 452,688
2020	342,940	109,747	452,687
2021	362,522	90,166	452,688
2022	383,222	69,466	452,688
2023	405,104	47,584	452,688
2024	428,234	24,453	452,687
	\$ 2,246,438	\$ 469,688	\$ 2,716,126

C) Long-term interest

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

	Total
Interest paid	\$ 774,080
Less interest accrued in the prior year	(219,783)
Plus interest accrued in the current year	196,574
Total expense	\$ 750,871

NOTE 13 – PENSION PLANS:

A) Plan description and benefits provided:

i) Teachers' Retirement System

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

**WYANDANCH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

ii) Employees' Retirement System

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

B) Funding policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3.5% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.
2. New York State Employees' Retirement System
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

**WYANDANCH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

	<u>NYSERS</u>	<u>NYSTRS</u>
2018	\$ 893,306	\$ 2,463,553
2017	\$ 947,518	\$ 2,712,843
2016	\$ 719,986	\$ 2,931,635

C) Pension assets, liabilities, pension expense, and deferred outflows and inflows of resources related to pensions:

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Net pension asset/(liability)	\$ (803,410)	\$ 1,113,909
District's portion of the Plan's total net pension asset/(liability)	0.0248931%	0.146548%
Change in proportion since prior measurement date	0.0022929%	0.003272%

For the year ended June 30, 2018, the District recognized pension expense of \$2,731,311 for TRS and pension expense of \$1,009,575 for ERS. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 286,550	\$ 916,474	\$ 236,794	\$ 434,300
Changes of assumptions	532,727	\$ 11,334,243		
Net difference between projected and actual earnings on pension plan investments	1,166,889		2,303,322	2,623,578
Changes in proportion and differences between the District's contributions and proportionate share of contributions	166,938	185,325	25,768	571,678
District's contributions subsequent to the measurement date	239,824	2,463,553		
	<u>\$ 2,392,928</u>	<u>\$ 14,899,595</u>	<u>\$ 2,565,884</u>	<u>\$ 3,629,556</u>

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

	<u>ERS</u>	<u>TRS</u>
Plan Year ended:		
2018	\$ -	\$ 188,583
2019	210,279	2,929,505
2020	169,619	2,076,724
2021	(544,233)	463,533
2022	(248,445)	2,070,481
Thereafter		1,077,660
	<u>\$ (412,780)</u>	<u>\$ 8,806,486</u>

Actuarial Assumptions

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

**WYANDANCH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.00%	7.25%
Salary scale	3.80%	4.72%-1.90%
Cost of living adjustments	1.3% annually	1.5% annually
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%

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

For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections 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 investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

**WYANDANCH UNION FREE SCHOOL DISTRICT
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Valuation date	ERS		TRS	
	April 1, 2017		June 30, 2016	
Asset Type	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36%	4.55%	35%	5.90%
International equity	14%	6.35%	18%	7.40%
Private equity	10%	7.50%	8%	9.00%
Real Estate	10%	5.55%	11%	4.30%
Absolute return strategies	2%	3.75%		
Opportunistic portfolio	3%	5.68%		
Real assets	3%	5.29%		
Bond and mortgages	17%	1.31%		
Cash	1%	-0.25%		
Inflation-indexed bonds	4%	1.25%		
Domestic fixed income securities			16%	1.60%
Global fixed income securities			2%	1.30%
High-yield fixed income securities			1%	3.90%
Mortgages			8%	2.80%
Short-term			1%	0.60%
	100%		100%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

**WYANDANCH UNION FREE SCHOOL DISTRICT
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ERS	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
District's proportionate share of the net pension asset/(liability)	\$ (6,078,816)	\$ (803,410)	\$ 3,659,373

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension asset/(liability)	\$ (19,189,357)	\$ 1,113,909	\$ 18,116,886

Pension Plan Fiduciary Net Position

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

	(Dollars in thousands)	
	ERS	TRS
Valuation date	April 1, 2017	June 30, 2016
Employers' total pension liability	\$ (183,400,590)	\$ (114,708,261)
Plan fiduciary net position	180,173,145	115,468,360
Employers' net pension asset/(liability)	<u>\$ (3,227,445)</u>	<u>\$ 760,099</u>

Ratio of plan fiduciary net position to the employers' total pension asset/(liability)	98.24%	100.66%
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Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$239,824.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$2,771,315.

**WYANDANCH UNION FREE SCHOOL DISTRICT
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NOTE 14 – OTHER RETIREMENT PLANS:

A) Tax sheltered annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2018 were \$0 and \$947,688, respectively.

NOTE 15 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A) General Information about the OPEB Plan:

Plan Description

The District's OPEB Plan (the "Plan"), defined as a single employer defined benefit plan, primarily provides post-employment health insurance coverage to retired employees and their eligible dependents in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program (NYSHIP), and are administered by Empire BlueCross BlueShield, United Healthcare, Beacon Health Options, Inc., CVS/Caremark and Medicare. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The Plan provides medical, dental and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute between 85% and 100% of premiums for retirees, between 0% and 100% of the premiums for family, and 0% of the premiums for surviving spouses, depending on the coverage selected and date of retirement. The District recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For fiscal year 2018, the District contributed an estimated \$2,084,869 to the Plan, including \$2,084,869 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the "pay as you go" method.

**WYANDANCH UNION FREE SCHOOL DISTRICT
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Employees Covered by Benefit Terms

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	174
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	419
	<u>593</u>

B) Total OPEB Liability:

The District's total OPEB liability of \$112,282,168 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

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

Inflation	2.60%
Discount rate	3.00%
Healthcare cost trend rates	7.50% for 2017, decreasing .5% per year to an ultimate rate of 4.50% for 2023
Retirees' share of benefit-related costs	0% to 15% of projected health and dental insurance premiums for retirees, 0% to 100% for family, and 100% for surviving spouse.

The discount rate was based on a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale 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 plan sponsor. The Plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

**WYANDANCH UNION FREE SCHOOL DISTRICT
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C) Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at June 30, 2017	<u>\$ 105,227,903</u>
Changes for the fiscal year:	
Service cost	6,008,125
Interest	3,306,039
Changes of benefit terms	-
Differences between expected and actual experience	(175,030)
Changes in assumptions or other inputs	-
Benefit payments	<u>(2,084,869)</u>
Net changes	<u>7,054,265</u>
Balance at June 30, 2018	<u><u>\$ 112,282,168</u></u>

The change in actuarial cost method increased the liability by about 8%.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current discount rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Total OPEB liability	<u>\$ 133,813,784</u>	<u>\$ 112,282,168</u>	<u>\$ 95,266,908</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 (6.50%) or 1-percentage-point higher (8.50%) than the current healthcare cost trend rates:

**WYANDANCH UNION FREE SCHOOL DISTRICT
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	1% Decrease (6.50% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.50% decreasing to 4.50%)	1% Increase (8.50% decreasing to 5.50%)
Total OPEB liability	<u>\$ 91,675,907</u>	<u>\$ 112,282,168</u>	<u>\$ 139,801,262</u>

D) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$9,297,958. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (158,824)
Changes of assumptions or other inputs	-	-
	<u>\$ -</u>	<u>\$ (158,824)</u>

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

Fiscal Year ended June 30:	
2019	\$ (16,206)
2020	(16,206)
2021	(16,206)
2022	(16,206)
2023	(16,206)
Thereafter	(77,794)
	<u>\$ (158,824)</u>

**WYANDANCH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

E) RESTATEMENT OF NET POSITION:

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The implementation of GASB Statement No. 75 resulted in the reporting of total OPEB liability related to the District's OPEB Plan. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	\$ 5,299,392
Removal of beginning net OPEB liability	24,523,753
Addition of beginning total OPEB liability	<u>(105,227,903)</u>
Net position (deficit) beginning of year, as restated	<u>\$ (75,404,758)</u>

NOTE 16 – RISK MANAGEMENT:

A) General:

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

B) Risk retention:

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

The District has established a self-insured plan for risks associated with Workers' Compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims which were incurred on or before year-end but not paid. Liabilities do not include an amount for unpaid claims which were incurred on or before year but not reported (IBNR). As of June 30, 2018, the District has recorded potential workers' compensation claims of \$3,940,003, and has a reserve for workers' compensation in the general fund of \$951,851.

**WYANDANCH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Claims activity for the current and preceding year is summarized below:

	2018	2017
Unpaid and unreported claims at beginning of year	\$3,888,114	\$3,779,785
Incurred claims and claims adjustment expense	417,876	\$625,607
Claims payments	(365,987)	(517,278)
Unpaid and unreported claims at year end	<u>\$3,940,003</u>	<u>\$3,888,114</u>

NOTE 17 – TAX ABATEMENTS:

The Suffolk County Industrial Development Agency, established by Article 18A of the General Municipal Law of New York State, under the authority of General Municipal Law Section 911-A, entered into a tax abatement program for the purpose of economic development, and general prosperity and economic welfare of the county. The District's property tax revenue was reduced by \$1,327,930 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$1,232,829 as of June 30, 2018.

NOTE 18 – COMMITMENTS AND CONTINGENCIES:

A) Grants:

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

B) Litigation:

As of June 30, 2018, litigation has commenced in NYC Supreme Court attempting to recoup \$630,400 for tuition payments of children placed by the New York City foster care system in the District for the 2007-2008 through 2013-2014 school year, pursuant to Education Law 3202(4)(a). The District is also in settlement discussions with a buildings and grounds employee for back pay with a board of education approved amount of \$30,000.

C) Encumbrances:

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

General Fund	
General support	\$ 85,923
Instruction	135,462
Total	<u>\$ 221,385</u>

**WYANDANCH UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

D) Operating leases:

The District is committed under a non-cancelable operating leases, primarily for a bus lease. Lease expenditures for the year ending June 30, 2018 were \$107,940. The following is a summary of obligations of government activities under operating lease payments:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 107,940
2020	44,975
Total Lease Payments	<u>\$ 152,915</u>

NOTE 19 – OTHER CHANGES IN FUND BALANCE AND NET POSITION:

Other changes in fund balance and net position in the amount of \$372,273 represents a write-off for the Community School Grant receivable for portable classrooms from the 2017 fiscal year. This claim was denied because the costs associated with the portable classrooms were expensed prior to the fund cycle of 8/1/17 to 6/30/18.

NOTE 20 – SUBSEQUENT EVENTS:

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the District through the date of this report and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements, except for the following:

The District issued \$12,000,000 in tax anticipation notes on July 19, 2018 with a stated interest rate of 2.50%, maturing on June 21, 2019.

SUPPLEMENTARY INFORMATION

**WYANDANCH UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Real property taxes	\$ 21,593,286	\$ 21,593,286	\$ 19,832,748	\$ (1,760,538)
Other real property tax items	1,300,000	1,300,000	3,563,891	2,263,891
Charges for services	400,000	400,000	141,661	(258,339)
Use of money and property	50,000	50,000	62,328	12,328
Sale of property and compensation for loss	200,000	200,000	133,249	(66,751)
Miscellaneous	170,000	170,000	380,266	210,266
State sources				
Basic formula	41,139,996	41,139,996	26,914,020	(14,225,976)
Excess cost aid	-	-	7,565,571	7,565,571
Lottery aid	-	-	5,302,656	5,302,656
BOCES aid	1,538,903	1,538,903	1,430,414	(108,489)
Textbook aid	52,639	52,639	41,880	(10,759)
Computer software/hardware aid	218,462	218,462	80,254	(138,208)
Library A/V Loan Program Aid	-	-	11,565	11,565
Other state aid	200,000	200,000	218,838	18,838
Federal sources				
Medicaid	100,000	100,000	102,622	2,622
QZAP reimbursement of interest on bonds	598,000	598,000	557,861	(40,139)
Other Financing Sources				
Transfers from other funds	735,796	735,796	613,373	(122,423)
TOTAL REVENUES AND OTHER SOURCES	<u>68,297,082</u>	<u>68,297,082</u>	<u>66,953,197</u>	<u>\$ (1,343,885)</u>
Appropriated fund balance	<u>433,632</u>	<u>433,632</u>		
Appropriated reserves	<u>69,650</u>	<u>69,650</u>		
TOTAL REVENUES & APPROPRIATED FUND BALANCE & RESERVES	<u>\$ 68,800,364</u>	<u>\$ 68,800,364</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

WYANDANCH UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General support					
Board of education	\$ 166,174	\$ 166,174	\$ 104,279	\$ -	\$ 61,895
Central administration	398,316	398,316	414,579		(16,263)
Finance	992,220	992,220	952,749	61,392	(21,921)
Staff	1,031,889	1,031,889	920,747		111,142
Central services	5,395,273	5,473,573	5,706,647	24,531	(257,605)
Special items	815,928	815,928	619,357		196,571
Instructional					
Instruction, adm. & imp.	3,803,729	3,845,387	3,927,291		(81,904)
Teaching - regular school	15,177,923	15,159,910	14,900,490	135,283	124,137
Programs for children with handicapping conditions	12,502,816	12,500,516	13,625,534	179	(1,125,197)
Occupational education	736,025	736,025	675,949		60,076
Teaching special schools	498,000	491,400	375,616		115,784
Instructional media	1,863,314	1,857,169	1,716,823		140,346
Pupil services	2,940,063	2,933,963	2,483,758		450,205
Pupil transportation	4,429,872	4,429,872	5,012,168		(582,296)
Employee benefits	15,137,850	15,064,850	15,689,183		(624,333)
Debt service					
Debt service principal	1,716,892	1,716,892	1,716,892		-
Debt service interest	944,080	937,280	941,186		(3,906)
TOTAL EXPENDITURES	68,550,364	68,551,364	69,783,248	221,385	(1,453,269)
Other Financing Uses					
Transfers to other funds	250,000	249,000	92,720		156,280
TOTAL EXPENDITURES AND OTHER USES	\$ 68,800,364	\$ 68,800,364	69,875,968	\$ 221,385	\$ (1,296,989)
NET CHANGE IN FUND BALANCES			(2,922,771)		
FUND BALANCES - BEGINNING OF YEAR			4,861,380		
OTHER CHANGES IN FUND BALANCE (SEE NOTE 19)					
Write-off of Community School Grant receivable			(372,273)		
FUND BALANCES- END OF YEAR			\$ 1,566,336		

Note to Required Supplementary Information

Budget Basis of Accounting

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

**WYANDANCH UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Total OPEB Liability	
Service cost	\$ 6,008,125
Interest	3,306,039
Changes of benefit terms	-
Differences between expected and actual experience	(175,030)
Changes of assumptions or other inputs	-
Benefit payments	<u>(2,084,869)</u>
Net change in total OPEB liability	7,054,265
Total OPEB liability - beginning	105,227,903
Total OPEB liability - ending	<u>\$ 112,282,168</u>
Covered-employee payroll	\$ 28,788,925
Total OPEB liability as a percentage of covered-employee payroll	390.02%

Notes to Schedule:*Trust Assets*

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75 to pay related benefits.

The amounts presented for the fiscal year were determined as of the measurement date of the plan.

**WYANDANCH UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY)/ASSET
FOR THE FISCAL YEARS ENDED JUNE 30, ***

NYSERS Pension Plan				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension (liability)/asset	0.0248931%	0.0226002%	0.0221470%	0.0230620%
District's proportionate share of the net pension (liability)/asset	\$ (803,410)	\$ (2,123,564)	\$ (3,554,657)	\$ 779,090
District's covered payroll	\$ 6,770,675	\$ 6,283,675	\$ 6,019,416	\$ 5,676,813
District's proportionate share of the net pension (liability)/asset as a percentage of its covered - employee payroll	11.87%	33.79%	59.05%	13.72%
Plan fiduciary net position as a percentage of the total pension (liability)/asset	98.24%	94.70%	90.68%	97.95%
NYSTRS Pension Plan				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension (liability)/asset	0.146548%	0.143276%	0.136161%	0.143949%
District's proportionate share of the net pension (liability)/asset	\$ 1,113,909	\$ (1,534,541)	\$ 14,142,825	\$ 16,035,034
District's covered payroll	\$ 24,143,552	\$ 22,779,777	\$ 21,263,526	\$ 20,246,756
District's proportionate share of the net pension (liability)/asset as a percentage of its covered -employee payroll	4.61%	6.74%	66.51%	79.20%
Plan fiduciary net position as a percentage of the total pension (liability)/asset	100.66%	99.01%	110.46%	110.46%

* The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

**WYANDANCHI UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30,**

NYSERS Pension Plan										
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 893,306	\$ 947,518	\$ 719,986	\$ 1,250,413	\$ 1,137,445	\$ 943,217	\$ 888,272	\$ 742,678	\$ 628,997	\$ 569,718
Contributions in relation to the contractually required contribution	893,306	947,518	719,986	1,250,413	1,137,445	943,217	888,272	742,678	628,997	569,718
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 6,871,536	\$ 6,226,666	\$ 6,031,333	\$ 5,886,995	\$ 5,725,174	\$ 5,849,958	\$ 5,969,122	\$ 5,846,471	\$ 5,758,830	\$ 5,812,013
employee payroll	13.00%	15.22%	11.94%	21.24%	19.87%	16.12%	14.88%	12.70%	10.92%	9.80%
NYSTRS Pension Plan										
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 2,463,553	\$ 2,712,843	\$ 2,931,635	\$ 3,763,235	\$ 3,658,839	\$ 2,620,430	\$ 2,257,144	\$ 1,881,797	\$ 1,876,852	\$ 1,810,856
Contributions in relation to the contractually required contribution	2,463,553	2,712,843	2,931,635	3,763,235	3,658,839	2,620,430	2,257,144	1,881,797	1,876,852	1,810,856
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 25,914,142	\$ 24,143,552	\$ 22,779,777	\$ 21,263,526	\$ 20,246,756	\$ 18,317,489	\$ 19,117,974	\$ 20,373,423	\$ 19,290,974	\$ 17,252,988
Contributions as a percentage of covered employee payroll	9.51%	11.24%	12.87%	17.70%	18.07%	14.31%	11.81%	9.24%	9.73%	10.50%

**WYANDANCH UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 68,730,714
Add: Prior year's encumbrances	<u>69,650</u>
Original Budget	\$ 68,800,364
Add: Budget Revisions	<u>-</u>
Final Budget	<u><u>\$ 68,800,364</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 voter approved expenditure budget	<u>\$ 71,318,257</u>
Maximum allowed (4% of 2018-2019 budget)	<u>\$ 2,852,730</u>
General fund fund balance subject to Section 1318 of Real Property Tax Law	
Assigned fund balance	\$ 1,098,996
Unassigned fund balance	<u>(1,185,812)</u>
Total unrestricted fund balance	<u>(86,816)</u>
Less:	
Appropriated fund balance	\$ 877,611
Encumbrances	<u>221,385</u>
Total adjustments	<u>1,098,996</u>
General fund fund balance subject to Section 1318 of Real Property Tax Law	<u><u>\$ (1,185,812)</u></u>
Actual percentage	-1.66%

WYANDANCH UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
AS OF JUNE 30, 2018

Project Title	Proj. #	Expenditures and Transfers to Date						Methods of Financing				Fund Balance June 30, 2018	
		Original Appropriation	Revised Appropriation	Current Year		Total	Unexpended Balance	Proceeds of Obligations	Local Sources				
				Prior Year's	Capital Outlay				Transfers	State Aid	Total		
QZAB-High School Project D	002029	\$ 45,210	\$ 55,132	\$ 55,132	\$ -	\$ 1,588	\$ 56,720	\$ -	\$ 56,720	\$ -	\$ -	\$ 56,720	\$ -
Portable Construction 011001	011001	665,150	1,146,808	1,146,639	169		1,146,808		372,273		774,366	1,146,639	(169) *
Bond proceeds not allocated to projects	999999					611,785	611,785	-	611,785			611,785	-
LFH/MLK Playground	000002	300,000	300,000	280,747	19,253		300,000			300,000		300,000	-
Bus Garage Sewer	007010	10,500	10,500	10,500	56		10,556	(56)	10,500			10,500	(56) *
LFH/MLK Sewer		31,500	31,500	31,500	109		31,609	(109)	31,500			31,500	(109) *
		\$ 1,052,360	\$ 1,543,940	\$ 1,524,518	\$ 19,587	\$ 613,373	\$ 2,157,478	\$ (165)	\$ 1,082,778	\$ 300,000	\$ 774,366	\$ 2,157,144	\$ (334)

* The deficit fund balance will be eliminated once the District receives reimbursement from the general fund.

**WYANDANCH UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Capital assets, net		\$ 38,494,561
Deduct:		
Short-term bonds payable	\$ 1,460,000	
Long-term bonds payable	<u>14,180,000</u>	15,640,000
Short-term energy performance contract payable	324,416	
Long-term energy performance contract payable	<u>1,922,022</u>	<u>2,246,438</u>
Net investment in capital assets		<u><u>\$ 20,608,123</u></u>

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

To the Board of Education
Wyandanch Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of the Wyandanch Union Free School District, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Wyandanch Union Free School District's basic financial statements, and have issued our report thereon dated October 1, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

We consider the deficiency described in the accompanying schedule of findings to be a material weakness (2018 – 001).

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified a certain deficiency in internal control, described in the accompanying schedule of findings as #2018-001, that we consider to be a material weakness.

Compliance and Other Matters

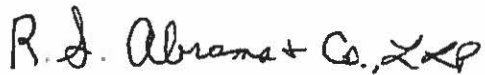
As part of obtaining reasonable assurance about whether the Wyandanch Union Free School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item (#2018-001).

District's Response to Findings

The Wyandanch Union Free School District's response to the findings identified in our audit is described in their corrective action plan. The Wyandanch Union Free School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



R.S. Abrams & Co., LLP
Islandia, NY
October 1, 2018

**WYANDANCH UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENT FINDING #2018-001

BUDGET MONITORING

Material Weakness

- Criteria:** To verify that the District properly established and enforced controls to monitor the voter approved budget.
- Condition:** During our audit we noted the District overexpended their total budgeted appropriations by \$1,296,838, which is not permitted by Education Law, §1718. They also over budgeted their total revenues in the amount of \$1,343,885. As a result of the District overspending the total budget the District ended the 2018 fiscal year with a deficit unassigned fund balance of \$1,185,812.
- Cause:** The District did not receive revenues from state aid sources as estimated for approximately \$1,358,000. The expenditures were over expended due to additional claims for worker's compensation claims for approximately \$496,000, rate increases in health insurance benefits for approximately \$310,000, and additional expenditures with BOCES for transportation and special education for approximately \$582,000 and \$1,125,000, respectively, which were not included in the District's budget.
- Effect:** The District's reported a deficit unassigned fund balance of \$1,185,812 and overspent its voter approved budget which is not permitted per Education Law, §1718.
- Recommendation:** We recommend the District establish and enforce controls to monitor the budget more closely throughout the year and ensure the District is complying with all State Education rules and regulations. In addition, we recommend the District review their budgeting procedures to ensure that the revenue and expenditure budgets are an accurate and a realistic reflection of the District's needs and resources to fund the educational programs.
- Response:** The District response is included in their corrective action plan.