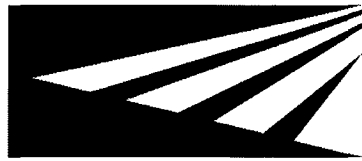


**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**TOWNS OF OYSTER BAY AND BABYLON, NEW YORK**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**IN CONNECTION WITH THE UNIFORM GUIDANCE**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
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**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
Farmingdale Union Free School District  
Towns of Oyster Bay and Babylon, New York:

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Farmingdale Union Free School District (the "District") as of and for the year ended June 30, 2019, and the related notes to 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 funds of the Farmingdale Union Free School District as of June 30, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# NawrockiSmith

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3-13 and 50-55, 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 District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melville, New York  
October 10, 2019



**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The following is a discussion and analysis of the Farmingdale Union Free School District's (the "District") financial performance as of and for the fiscal year ended June 30, 2019. 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-based 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.

**FINANCIAL HIGHLIGHTS**

- The District showed a net increase in fund balance in the General Fund with revenues exceeding expenditures in the amount of \$1,050,933. This is largely due to decreased transfers to the Capital Projects Fund and increased charges for services during the year ended June 30, 2019.
- New York State Law limits the amount of committed, assigned and unassigned fund balance, exclusive of encumbrances and amounts assigned for the subsequent year's budget, which can be retained by the General Fund to 4% of the ensuing year's budget. The District has remained within this limit. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$6,843,352 equal to the 4% limit (see page 56).
- The District has appropriated \$7,000,000 of fund balance to protect District programs from potential unforeseen increases in budgeted expenditures and maintain level tax levy.
- On the District-wide financial statements, the assets and deferred outflows of resources were less than liabilities and deferred inflows of resources at the close of its most recent fiscal year by \$164,136,001. The District's total net position decreased by \$963,046 for the year ended June 30, 2019. The unrestricted portion of net position as of June 30, 2019 was in a deficit of \$265,171,889, and is clearly the result of the long-term liability for Other Post-Employment Benefits ("OPEB") of \$295,908,725.
- In the General Fund, revenues were 1.7% above the final budget and expenditures (including amounts encumbered) were 2.0% below budget. Expenditures (and interfund transfer expenses) were down 0.2% from the prior year.
- In connection with the implementation of GASB Statement 75 regarding post-employment benefits other than pensions, the District reported a total OPEB liability of \$295,908,725. It should be noted that New York State has not authorized a reserve that would allow school districts the ability to account for this liability.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two financial statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining financial statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide financial statements.

- The *governmental funds financial statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- The *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.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

<b>Table A-1: Major Features of the District-Wide and Fund Financial Statements</b>			
	District-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instruction, special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activity monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred 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/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

## **District-Wide Financial 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 District's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 formula aid finance most of these activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental funds:** Most of the District's 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 funds financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, reconciliations of the District-wide and governmental funds financial statements are provided which explain the relationship (or differences) between them.
- **Fiduciary funds:** The District is the trustee or fiduciary, for assets that belong to others, such as the 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.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position decreased by 0.6% as detailed in Tables A-2 and A-3. The District is in a net deficit position with assets and deferred outflows of resources exceeded by liabilities and deferred inflows of resources by \$164,136,001.

<b>Table A-2: Condensed Statements of Net Position - Governmental Activities</b>				
	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 42,155,278	\$ 52,212,814	\$ (10,057,536)	(19.3)
Capital assets, net	<u>97,914,867</u>	<u>82,552,382</u>	<u>15,362,485</u>	18.6
Total assets	<u>\$ 140,070,145</u>	<u>\$ 134,765,196</u>	<u>\$ 5,304,949</u>	3.9
Deferred outflows of resources	<u>\$ 41,744,516</u>	<u>\$ 46,407,050</u>	<u>\$ (4,662,534)</u>	(10.0)
Current liabilities	\$ 16,490,967	\$ 16,041,304	\$ 449,663	2.8
Long-term liabilities	<u>319,307,708</u>	<u>314,691,013</u>	<u>4,616,695</u>	1.5
Total liabilities	<u>\$ 335,798,675</u>	<u>\$ 330,732,317</u>	<u>\$ 5,066,358</u>	1.5
Deferred inflows of resources	<u>\$ 10,151,987</u>	<u>\$ 13,612,884</u>	<u>\$ (3,460,897)</u>	(25.4)
Net position:				
Net investment in capital assets	\$ 80,479,546	\$ 61,973,788	\$ 18,505,758	29.9
Restricted	20,556,342	20,285,974	270,368	1.3
Unrestricted (deficit)	<u>(265,171,889)</u>	<u>(245,432,717)</u>	<u>(19,739,172)</u>	(8.0)
Total net position (deficit)	<u>\$ (164,136,001)</u>	<u>\$ (163,172,955)</u>	<u>\$ (963,046)</u>	(0.6)

The restricted net position balance of \$20,556,342 represents the District's reserves for capital projects, debt service, employee benefit accrued liability, unemployment insurance, workers' compensation, insurance and retirement contribution. These assets (or deferred outflows of resources) are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

Liabilities and deferred inflows of resources increased by \$1,605,461 or 0.5% from the year before, which is primarily related to the increase in the total OPEB liability, offset by the decrease in the deferred inflows of resources related to NYSERS and NYSTRS.

### Changes in Net Position

The District's fiscal year 2019 revenues totaled \$168,683,423 (See Table A-3). Real property taxes, other tax items (including STAR and PILOT) and State sources accounted for most of the District's revenue by contributing 64.1%, 11.5% and 19.3% respectively, of total revenue (See Table A-4). The remainder came from Federal sources (Medicaid), fees charged for services, insurance recoveries, operating grants, use of money and property and other miscellaneous sources.

- Revenues from real property taxes increased by 3.8% and were within the statutory New York State tax levy limit.
- STAR payments, which are included in "Other tax items", decreased 2.4% from \$16,064,529 to \$15,680,888 in 2019.
- PILOT payments, which are included in "Other tax items", increased 7.8% from \$3,502,848 to \$3,777,071 in 2019. Included in the PILOT payments are LIPA properties that issued PILOT payments equaling their abated class III tax obligations.

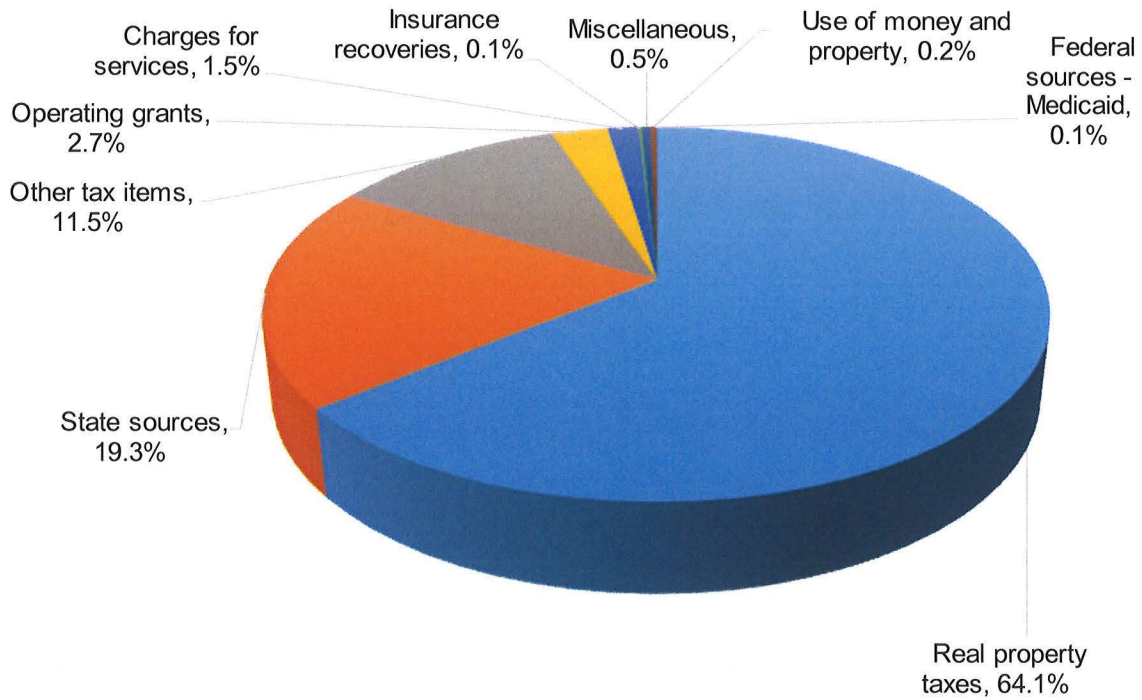
The District's fiscal year 2019 expenses totaled \$169,646,469 (See Table A-3). Of these expenses, 87.4 percent is related to general instruction and caring for and transporting students (See Table A-6).



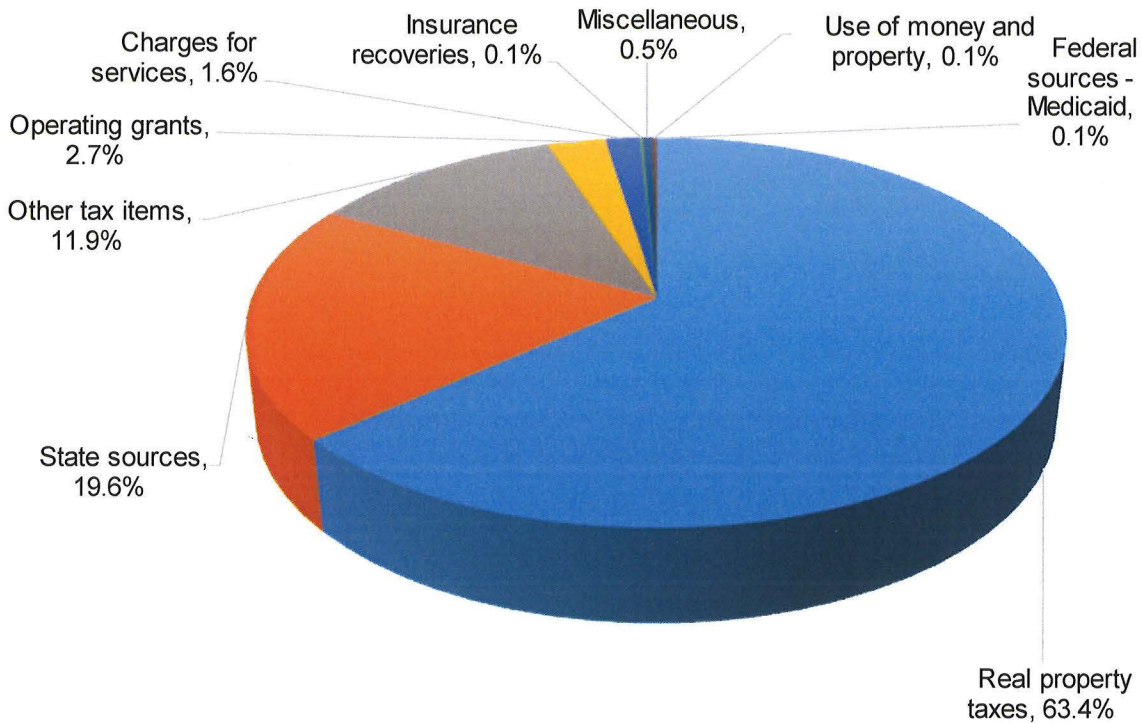
- General support expenditures decreased \$5,387,872 as a result of the combination of related governmental fund expenditures decreasing and the increased capital asset additions which are an expense on the governmental funds.
- Instruction related expenditures increased \$5,113,629 as a result of the combination of related governmental fund expenditures increasing and the allocation of employee benefits related expenditures (OPEB, pension, etc.) towards the instructional category.

	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 2,505,930	\$ 2,668,486	\$ (162,556)	(6.1)
Operating grants	4,560,898	4,407,661	153,237	3.5
General revenues:				
Real property taxes	108,232,240	104,270,674	3,961,566	3.8
Other tax items	19,457,959	19,567,377	(109,418)	(0.6)
Use of money and property	268,212	171,103	97,109	56.8
State sources	32,510,369	32,258,863	251,506	0.8
Federal sources - Medicaid	114,931	181,072	(66,141)	(36.5)
Insurance recoveries	101,437	102,254	(817)	(0.8)
Miscellaneous	931,447	747,079	184,368	24.7
Total revenues	<u>168,683,423</u>	<u>164,374,569</u>	<u>4,308,854</u>	2.6
<b>Expenses</b>				
General support	18,828,997	24,216,869	(5,387,872)	(22.2)
Instruction	139,342,761	134,229,132	5,113,629	3.8
Pupil transportation	8,919,002	8,555,746	363,256	4.2
Community services	7,400	7,300	100	1.4
Debt service - interest	366,348	476,646	(110,298)	(23.1)
School lunch program	2,181,961	2,022,977	158,984	7.9
Total expenses	<u>169,646,469</u>	<u>169,508,670</u>	<u>137,799</u>	0.1
Increase (decrease) in net position	(963,046)	(5,134,101)	4,171,055	81.2
Net position (deficit), beginning of year	<u>(163,172,955)</u>	<u>(158,038,854)</u>	<u>(5,134,101)</u>	(3.2)
Net position (deficit), end of year	<u>\$ (164,136,001)</u>	<u>\$ (163,172,955)</u>	<u>\$ (963,046)</u>	(0.6)

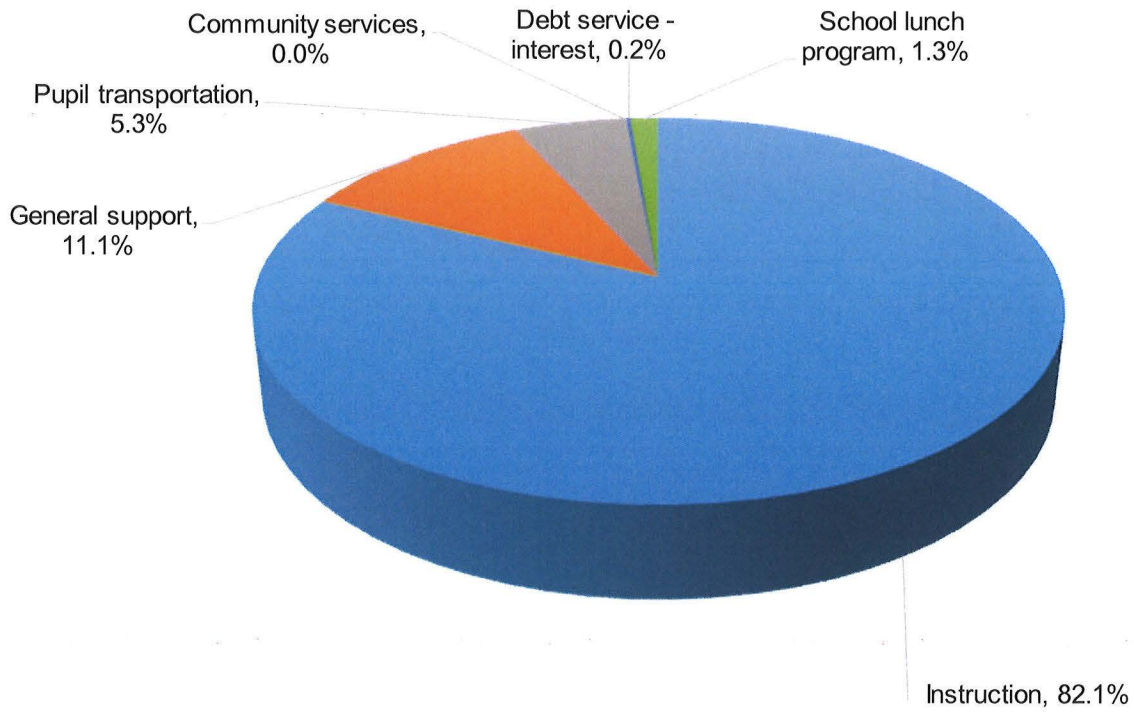
**Table A-4: Sources of Revenues for Fiscal Year 2019**



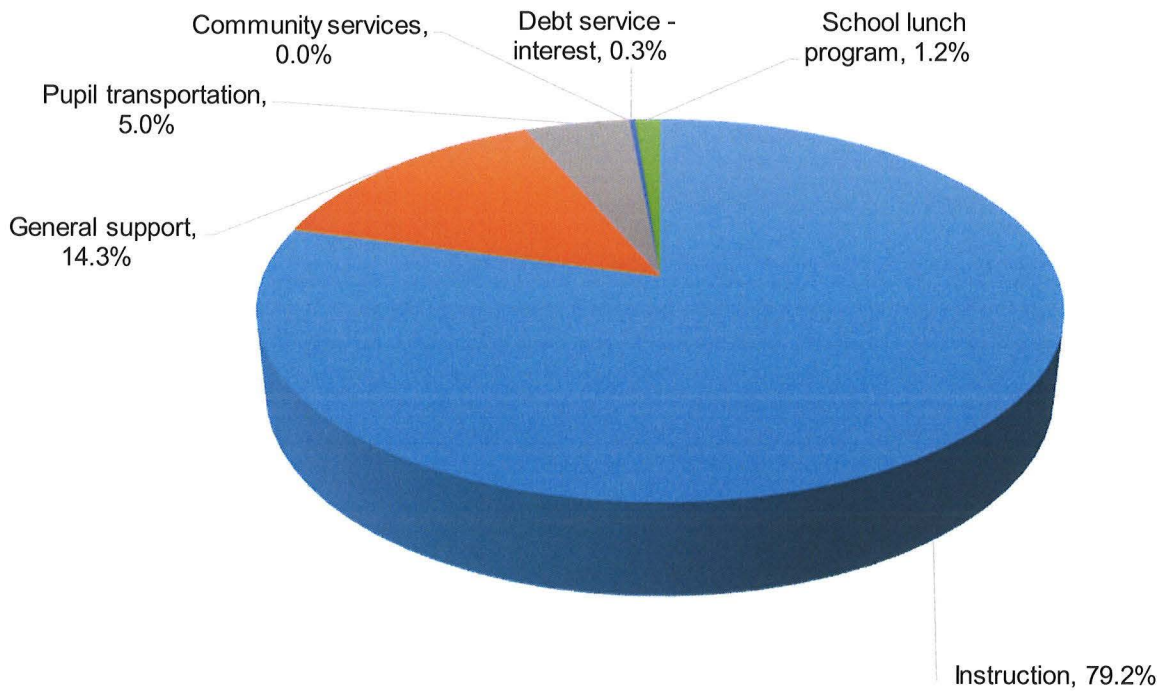
**Table A-5: Sources of Revenues for Fiscal Year 2018**



**Table A-6: Expenses for Fiscal Year 2019**



**Table A-7: Expenses for Fiscal Year 2018**



## **Governmental Activities**

Revenues for the District's governmental activities totaled \$168,683,423 while total expenses were \$169,646,469. Therefore, the decrease in net position for governmental activities was \$963,046 in 2019. The District's financial condition is generally affected by:

- Approval of the District's proposed annual budget;
- Federal and local economic conditions; and
- Contractual and legislative mandated services.

The major changes in revenues and expenses are as follows:

Revenues:

- Real property taxes increased by \$3,961,566. The voter approved tax levy increase was 2.98%, and was within the tax cap.
- Other tax items include the reimbursements received under the School Tax Relief Reimbursement Program ("STAR"). The STAR program provides tax relief to homeowners through State reimbursement to the District. Payments in lieu of taxes ("PILOTS") are also included within this category. PILOT payments increased this year due to additional properties being included within the program.
- Unrestricted State sources (aid) increased by \$251,506 as a result of increased foundation aid.

Expenses:

- General support expenses decreased \$5,387,872 as a result of decreased contract services relating to district projects, and instruction expenses increased by \$5,113,629 due to the recognition of the District's accrued pension and total OPEB liability in the full accrual financial statements.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Variances between years for the 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.

- General support expenditures were \$17,961,122, as compared to \$20,853,606 in 2018, which represents a decrease of \$2,892,484. The decrease in expenditures was a result of decreased district projects in 2019.
- Instruction related expenditures were \$97,214,283, as compared to \$93,045,641 in 2018, which represents an increase of \$4,168,642. The increase in expenditures includes contractual settlements and step obligations for fiscal 2018/19.
- Revenues associated with the School Lunch Program totaled \$2,135,782, while expenses totaled \$2,181,961, thereby resulting in an operating deficit of \$46,179.

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$22,229,268, which is a decrease of \$13,954,448 from June 30, 2018. This is predominantly the result of ongoing capital projects within the Capital Projects Fund, for which bond anticipation notes were issued subsequent to June 30, 2019. Fund balances for the District's governmental funds for the past two years were distributed as follows:

<b>Table A-8: Fund Balances - Governmental Funds</b>				
	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
<b>General Fund</b>				
Restricted:				
Capital Reserve	\$ 13,491,320	\$ 11,644,125	\$ 1,847,195	15.9
Debt Service	332,620	498,930	(166,310)	(33.3)
Employee Benefit Accrued Liability	3,541,856	2,041,856	1,500,000	73.5
Unemployment Insurance	217,144	612,060	(394,916)	(64.5)
Workers' Compensation	112,289	141,574	(29,285)	(20.7)
Insurance	409,625	406,251	3,374	0.8
Retirement Contribution	2,451,488	4,941,178	(2,489,690)	(50.4)
Assigned:				
Appropriated for subsequent year's expenditures	7,000,000	5,500,000	1,500,000	27.3
Encumbrances	1,400,020	2,334,510	(934,490)	(40.0)
Unassigned	<u>6,843,352</u>	<u>6,628,297</u>	<u>215,055</u>	<u>3.2</u>
Total General Fund	<u>35,799,714</u>	<u>34,748,781</u>	<u>1,050,933</u>	<u>3.0</u>
<b>School Lunch Fund</b>				
Nonspendable:				
Inventory	35,258	44,069	(8,811)	(20.0)
Assigned:				
School Lunch Fund	<u>496,941</u>	<u>534,309</u>	<u>(37,368)</u>	<u>(7.0)</u>
Total School Lunch Fund	<u>532,199</u>	<u>578,378</u>	<u>(46,179)</u>	<u>(8.0)</u>
<b>Capital Projects Fund</b>				
Assigned:				
Capital Projects Fund	-	856,557	(856,557)	(100.0)
Unassigned	<u>(14,102,645)</u>	<u>-</u>	<u>(14,102,645)</u>	<u>(100.0)</u>
Total Capital Projects Fund	<u>(14,102,645)</u>	<u>856,557</u>	<u>(14,959,202)</u>	<u>(1,746.4)</u>
Total fund balance	<u>\$ 22,229,268</u>	<u>\$ 36,183,716</u>	<u>\$ (13,954,448)</u>	<u>(38.6)</u>

### **General Fund Budgetary Highlights**

Reference is made to the supplementary schedule on page 50 which presents adopted and final budget amounts, as well as actual results for the District's General Fund.

- The District proposed a budget to the community making Budget/Program adjustments to minimize program/tax impact while maintaining an adequate fund balance.
- Actual revenues were approximately \$4,900,000 more than budget due to more revenues than anticipated in some categories and a transfer of approximately \$2,200,000 from the Capital Projects Fund.
- Actual expenditures (with encumbrances) were approximately \$3,400,000 less than budget due to leave replacements, staff variations and related benefits. Encumbrances decreased approximately \$934,000 due to the timing of purchase orders issued for contractual related work that was to take place subsequent to the end of the fiscal year.

As of June 30, 2019, the District's unassigned fund balance was \$6,843,352, which was within the allowable 4% of the subsequent year's budget (\$171,083,800) as promulgated by New York State (see page 56). The following is a reconciliation of the General Fund's unassigned fund balance for the year ended June 30, 2019:

Unassigned fund balance, beginning of year	\$ 6,628,297
Add:	
Net change in fund balance	1,050,933
Prior-year appropriated fund balance	5,500,000
Prior-year encumbrances	2,334,510
Board approved use of Employee Benefit Accrued Liability Reserve	178,627
Board approved use of Debt Service Reserve	166,310
Reduction of Unemployment Insurance Reserve	400,000
Reduction of Retirement Contribution Reserve	2,530,734
Reduction of Workers Compensation Reserve	30,461
Less:	
Current-year appropriated fund balance	(7,000,000)
Current-year encumbrances	(1,400,020)
Board approved transfer to the Capital Reserve (including interest)	(1,847,195)
Board approved transfer to the Employee Benefit Accrued Liability Reserve (including interest)	(1,678,627)
Interest on Unemployment Insurance Reserve	(5,084)
Interest on Workers' Compensation Reserve	(1,176)
Interest on Insurance Reserve	(3,374)
Interest on Retirement Contribution Reserve	(41,044)
	<u>\$ 6,843,352</u>

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

By the end of 2019, the District had invested \$97,914,867 net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative spaces. Included within capital assets was \$25,105,550 of construction-in-progress, which is primarily made up of Bond 2016's athletic field's project, the high school maintenance building and parking lot and District-wide window and bathroom projects.

	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 3,738,074	\$ 3,738,074	\$ -	0.0
Construction-in-progress	25,105,550	15,491,868	9,613,682	62.1
Buildings and building improvements	64,916,682	59,949,729	4,966,953	8.3
Furniture and equipment	4,154,561	3,372,711	781,850	23.2
Totals	<u>\$ 97,914,867</u>	<u>\$ 82,552,382</u>	<u>\$ 15,362,485</u>	18.6

## Long-Term Debt

At year-end, the District had \$23,822,725 outstanding in general obligation bonds and other long-term debt.

**Table A-10:** Outstanding Long-Term Debt

	<u>6/30/19</u>	<u>6/30/18</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds payable, inclusive of premiums	\$ 4,612,617	\$ 6,798,927	\$ (2,186,310)	(32.2)
Energy performance contract debt payable	12,822,704	13,779,667	(956,963)	(6.9)
Workers' compensation claims payable	1,332,487	889,539	442,948	49.8
Compensated absences	<u>5,054,917</u>	<u>4,837,432</u>	<u>217,485</u>	4.5
Totals	<u>\$ 23,822,725</u>	<u>\$ 26,305,565</u>	<u>\$ (2,482,840)</u>	(9.4)

## FACTORS BEARING ON THE FUTURE OF DISTRICT

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:

- Contracts between the District and all of its bargaining units are set to expire at the end of the 2019/20 school year. The results of contract negotiations can impact the District's future financial condition depending on a number of factors, primarily the tax cap calculation.
- The "Tax Levy Limitation Law" which was enacted on June 24, 2011 restricts the amount of property taxes that may be levied by or on behalf of a school district in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the Law has made budgetary decisions more difficult. For the upcoming 2020/21 budget year, the end of year forecast for the CPI is projected at approximately 1.5%. As the CPI is an integral part of the tax cap calculation, this will impact the allowable levy increase for 2020/21, unless the District pursues an override of the property tax cap.
- As state aid is a significant source of revenue for the District, future political machinations could potentially impact future budgets.
- Pension contribution rates for the Teachers' Retirement System and Employees' Retirement System are anticipated to decrease in 2019/20. However, this could change in future years.
- Subsequent to June 30, 2019, the District issued bond anticipation notes in the amount of approximately \$18 million in connection with the athletics fields projects. This note will be due in September 2020, at which time the District plans to issue the full \$36 million bond that was previously approved by the public in October 2016.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Farmingdale Union Free School District  
District Offices  
Attn: Assistant to the Superintendent for Business  
50 Van Cott Avenue  
Farmingdale, NY 11735  
(516) 434-5120

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

<b>ASSETS</b>	
Unrestricted cash	\$ 6,700,675
Receivables:	
State and federal aid	4,653,977
Property taxes	1,773,953
Other	936,450
Other assets	282,367
Inventories	35,258
Restricted cash	20,600,535
Proportionate share of net pension asset	7,172,063
Capital assets:	
Non-depreciable	28,843,624
Depreciable, net of accumulated depreciation of \$60,477,644	69,071,243
Total assets	140,070,145
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows from pensions	41,744,516
Total deferred outflows of resources	41,744,516
<b>LIABILITIES</b>	
Payables:	
Accounts payable	3,385,439
Accrued interest payable	95,138
Accrued liabilities	737,021
Due to other governments	342
Due to fiduciary funds	682
Due to teachers' retirement system	7,309,438
Due to employees' retirement system	612,872
Retainage payable	361,986
Unearned revenues:	
Driver's education fees	37,455
School lunch sales received in advance	60,379
Long-term liabilities, due within one year:	
Bonds payable, inclusive of premiums	2,271,310
Energy performance contract debt payable	980,164
Workers' compensation claims payable	133,249
Compensated absences	505,492
Long-term liabilities, due after one year:	
Bonds payable, inclusive of premiums	2,341,307
Energy performance contract debt payable	11,842,540
Workers' compensation claims payable	1,199,238
Compensated absences	4,549,425
Proportionate share of net pension liability	3,466,473
Other postemployment benefits obligation	295,908,725
Total liabilities	335,798,675
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from pensions	10,151,987
Total deferred inflows of resources	10,151,987
<b>NET POSITION</b>	
Net investment in capital assets	80,479,546
Restricted:	
Capital Reserve	13,491,320
Debt Service	332,620
Employee Benefit Accrued Liability	3,541,856
Unemployment Insurance	217,144
Workers' Compensation	112,289
Insurance	409,625
Retirement Contribution	2,451,488
Unrestricted	(265,171,889)
Total net position	\$ (164,136,001)

The accompanying notes to financial statements are an  
integral part of this statement.



**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

		<b>Program Revenues</b>		<b>Net (Expense)</b>
	<b>Expenses</b>	<b>Charges for</b>	<b>Operating</b>	<b>Revenue and</b>
	<b>Expenses</b>	<b>Services</b>	<b>Grants</b>	<b>Changes in</b>
	<b>Expenses</b>	<b>Services</b>	<b>Grants</b>	<b>Net Position</b>
Functions and programs:				
General support	\$ 18,828,997	\$ 129,934	\$ 396,336	\$ (18,302,727)
Instruction	139,342,761	1,080,922	3,297,139	(134,964,700)
Pupil transportation	8,919,002	6,596	20,119	(8,892,287)
Community services	7,400	-	-	(7,400)
Debt service - interest	366,348	-	-	(366,348)
School lunch program	2,181,961	1,288,478	847,304	(46,179)
<b>Total functions and programs</b>	<b>\$ 169,646,469</b>	<b>\$ 2,505,930</b>	<b>\$ 4,560,898</b>	<b>(162,579,641)</b>
General revenues:				
Real property taxes				108,232,240
Other tax items				19,457,959
Use of money and property				268,212
State sources				32,510,369
Federal sources - medical assistance				114,931
Insurance recoveries				101,437
Miscellaneous				931,447
<b>Total general revenues</b>				<b>161,616,595</b>
Change in net position				(963,046)
Total net position, beginning of year				(163,172,955)
Total net position, end of year				<b>\$ (164,136,001)</b>

The accompanying notes to financial statements are an  
integral part of this statement.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<u>Special Revenue Funds</u>				<b>Total Governmental Funds</b>
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
<b>ASSETS</b>					
Unrestricted cash	\$ 5,760,346	\$ -	\$ 870,270	\$ 70,059	\$ 6,700,675
Receivables:					
State and federal aid	2,096,320	2,495,042	62,615	-	4,653,977
Property taxes	1,773,953	-	-	-	1,773,953
Due from other funds	16,105,405	-	-	-	16,105,405
Other	935,633	-	817	-	936,450
Other assets	282,367	-	-	-	282,367
Inventories	-	-	35,258	-	35,258
Restricted cash	20,556,342	44,193	-	-	20,600,535
<b>Total assets</b>	<b>\$ 47,510,366</b>	<b>\$ 2,539,235</b>	<b>\$ 968,960</b>	<b>\$ 70,059</b>	<b>\$ 51,088,620</b>
<b>LIABILITIES</b>					
Payables:					
Accounts payable	\$ 2,442,151	\$ 188,387	\$ 8,470	\$ 746,431	\$ 3,385,439
Accrued liabilities	373,167	6,000	33,286	-	412,453
Due to other governments	-	-	342	-	342
Due to other funds	-	2,344,848	334,284	13,426,273	16,105,405
Due to fiduciary funds	682	-	-	-	682
Due to teachers' retirement system	7,309,438	-	-	-	7,309,438
Due to employees' retirement system	612,872	-	-	-	612,872
Unearned revenues:					
Driver's education fees	37,455	-	-	-	37,455
School lunch sales received in advance	-	-	60,379	-	60,379
Foster tuition	356,228	-	-	-	356,228
Cash surrender value of life insurance contracts	254,091	-	-	-	254,091
Workers' compensation claims payable	118,685	-	-	-	118,685
Compensated absences	205,883	-	-	-	205,883
<b>Total liabilities</b>	<b>11,710,652</b>	<b>2,539,235</b>	<b>436,761</b>	<b>14,172,704</b>	<b>28,859,352</b>
<b>FUND BALANCE</b>					
Fund balance:					
Nonspendable	-	-	35,258	-	35,258
Restricted	20,556,342	-	-	-	20,556,342
Assigned	8,400,020	-	496,941	-	8,896,961
Unassigned	6,843,352	-	-	(14,102,645)	(7,259,293)
<b>Total fund balance</b>	<b>35,799,714</b>	<b>-</b>	<b>532,199</b>	<b>(14,102,645)</b>	<b>22,229,268</b>
<b>Total liabilities and fund balance</b>	<b>\$ 47,510,366</b>	<b>\$ 2,539,235</b>	<b>\$ 968,960</b>	<b>\$ 70,059</b>	<b>\$ 51,088,620</b>

The accompanying notes to financial statements are an integral part of this statement.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

Total Fund Balance - Governmental Funds \$ 22,229,268

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets:		
Non-depreciable	\$ 28,843,624	
Depreciable	129,548,887	
Accumulated depreciation	<u>(60,477,644)</u>	97,914,867

Proportionate share of long-term asset and liability, and deferred outflows and inflows of resources associated with participation in the State retirement systems are not current financial resources or obligations and are not reported in the governmental funds:

Proportionate share of net pension asset	7,172,063	
Deferred outflows of resources - pension related	41,744,516	
Proportionate share of net pension liability	(3,466,473)	
Deferred inflows of resources - pension related	<u>(10,151,987)</u>	35,298,119

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:

Bonds payable, inclusive of premiums and discounts	(4,612,617)	
Energy performance contract debt payable	(12,822,704)	
Workers' compensation claims payable	(1,332,487)	
Retainage payable	(361,986)	
Total OPEB liability	(295,908,725)	
Compensated absences payable	<u>(5,054,917)</u>	(320,093,436)

Revenue that was not accrued on the fund financial statements because it does not meet the availability criteria under the modified accrual basis of accounting is included in the Statement of Net Position:

Charges for services	356,228	
Use of money and property	<u>254,091</u>	610,319

Interest payable applicable to the District's activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position.

(95,138)

Net Position - Governmental Activities

\$ (164,136,001)

The accompanying notes to financial statements are an integral part of this statement.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Special Revenue Funds</u>				Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	
<b>REVENUES</b>					
Real property taxes	\$ 108,232,240	\$ -	\$ -	\$ -	\$ 108,232,240
Other tax items	19,457,959	-	-	-	19,457,959
Charges for services	1,010,127	-	-	-	1,010,127
Intergovernmental revenue	494,853	-	-	-	494,853
Use of money and property	265,648	-	-	-	265,648
State sources	32,510,369	1,517,649	31,558	-	34,059,576
Federal sources	114,931	1,966,634	815,746	-	2,897,311
Local sources	-	229,311	-	-	229,311
Sales	-	-	1,288,478	-	1,288,478
Insurance recoveries	101,437	-	-	-	101,437
Miscellaneous	931,447	-	-	-	931,447
Total revenues	<u>163,119,011</u>	<u>3,713,594</u>	<u>2,135,782</u>	<u>-</u>	<u>168,968,387</u>
<b>EXPENDITURES</b>					
Current -					
General support	17,961,122	-	-	-	17,961,122
Instruction	93,326,403	3,887,880	-	-	97,214,283
Pupil transportation	8,661,941	-	-	-	8,661,941
Community services	7,400	-	-	-	7,400
Employee benefits	39,446,808	173,069	241,699	-	39,861,576
Cost of sales	-	-	1,940,262	-	1,940,262
Capital outlay	-	-	-	13,732,929	13,732,929
Debt service -					
Principal	2,976,963	-	-	-	2,976,963
Interest	566,359	-	-	-	566,359
Total expenditures	<u>162,946,996</u>	<u>4,060,949</u>	<u>2,181,961</u>	<u>13,732,929</u>	<u>182,922,835</u>
Excess (deficiency) of revenues over (under) expenditures	<u>172,015</u>	<u>(347,355)</u>	<u>(46,179)</u>	<u>(13,732,929)</u>	<u>(13,954,448)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,226,273	347,355	-	1,000,000	3,573,628
Transfers out	(1,347,355)	-	-	(2,226,273)	(3,573,628)
Total other financing sources (uses)	<u>878,918</u>	<u>347,355</u>	<u>-</u>	<u>(1,226,273)</u>	<u>-</u>
Change in fund balance	1,050,933	-	(46,179)	(14,959,202)	(13,954,448)
Fund balance, beginning of year	34,748,781	-	578,378	856,557	36,183,716
Fund balance, end of year	<u>\$ 35,799,714</u>	<u>\$ -</u>	<u>\$ 532,199</u>	<u>\$ (14,102,645)</u>	<u>\$ 22,229,268</u>

The accompanying notes to financial statements are an integral part of this statement.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balance - Governmental Funds \$ (13,954,448)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:

Capital outlay	\$ 18,031,210	
Depreciation expense	(2,566,670)	
Retirement of partially depreciated capital assets	(102,055)	15,362,485

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Charges for services	(287,528)	
Use of money and property	2,564	(284,964)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Repayment of bond principal	2,020,000	
Repayment of energy performance contract debt payable	956,963	2,976,963

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Other postemployment benefits	(5,377,307)	
Workers' compensation claims payable	(442,948)	
Amortization of bond issue premiums and discounts, net	166,310	
Compensated absences payable	(217,485)	
Retainage payable	(202,481)	
Accrued interest costs	33,701	(6,040,210)

Changes in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Proportionate share of the net pension asset	4,075,238	
Deferred outflows of resources from pensions	(4,662,534)	
Proportionate share of the net pension liability	(1,896,473)	
Deferred inflows of resources from pensions	3,460,897	977,128

Change in Net Position - Governmental Activities \$ (963,046)

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2019**

	<u>Permanent Trust</u>	<u>Scholarship Trusts</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash:			
Unrestricted	\$ -	\$ -	\$ 334,413
Restricted	-	64,354	228,948
Receivables	-	-	16,326
Investments	18,026	-	-
Due from other funds	-	-	682
	<u>18,026</u>	<u>64,354</u>	<u>580,369</u>
Total assets	<u>\$ 18,026</u>	<u>\$ 64,354</u>	<u>\$ 580,369</u>
<b>LIABILITIES</b>			
Extraclassroom activity balances	\$ -	\$ -	\$ 228,948
Other liabilities	-	-	351,421
	<u>-</u>	<u>-</u>	<u>580,369</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 580,369</u>
<b>NET POSITION</b>			
Restricted:			
Endowment scholarships	<u>18,026</u>	<u>64,354</u>	
Total net position	<u>18,026</u>	<u>64,354</u>	
Total liabilities and net position	<u>\$ 18,026</u>	<u>\$ 64,354</u>	

The accompanying notes to financial statements are an  
integral part of this statement.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Permanent Trust</b>	<b>Scholarship Trusts</b>
<b>ADDITIONS</b>		
Contributions	\$ -	\$ 32,234
Transfer from Permanent Trust	-	1,000
Investment earnings:		
Interest	1,010	180
Unrealized gain	168	-
	1,178	33,414
Total additions		
<b>DEDUCTIONS</b>		
Scholarships and awards	-	37,450
Transfer to Scholarship Trust	1,000	-
	1,000	37,450
Total deductions		
Change in net position	178	(4,036)
Net position, beginning of year	17,848	68,390
Net position, end of year	\$ 18,026	\$ 64,354

The accompanying notes to financial statements are an  
integral part of this statement.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Farmingdale Union Free School District (the "District") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government 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. Significant accounting principles and policies used 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. Board members have authority to make decisions, power to appoint management and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the District. 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 such criteria the District has determined there are no component units to be included within their reporting entity.

**B. 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 elsewhere in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

**C. Public library**

The public library jointly shares the services of the District Treasurer. The District does not appoint trustees for library purposes but collects taxes on the Library's behalf. See Note 13 for additional disclosure.

**D. Joint venture**

The District is a component district in the Nassau Board of Cooperative Educational Services ("BOCES"). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs that 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.

During the year, the District was billed \$12,673,069 for BOCES administrative and program costs (\$607,188 of which relate to administrative costs).

The District's share of BOCES aid relating solely to administrative and program costs amounted to \$1,556,191.

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

E. Basis of presentation

1. District-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These financial 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 (sources), intergovernmental revenues, and other exchange and nonexchange 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 Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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.

2. Fund financial statements

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

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

Special Aid Fund: Used to account for proceeds received from State and federal grants that are restricted for educational programs.

School Lunch Fund: Used to account for child nutrition activities whose funds are restricted as to use.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of District facilities.

The District reports the following fiduciary funds:

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

There are two classes of fiduciary funds:

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

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

#### F. Measurement focus and basis of accounting

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

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

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

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

G. Property taxes

Real property taxes, for the Town of Oyster Bay residents, are levied annually by the Board of Education during September and become a lien on October 1<sup>st</sup> and April 1<sup>st</sup>. This portion of the District's tax levy is collected by the Town of Oyster Bay and remitted to the District.

Uncollected real property taxes have been enforced by 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 the following April 1<sup>st</sup>.

Real property taxes, for the Town of Babylon residents, are levied annually by the Board of Education no later than November 1<sup>st</sup> and become a lien on December 1<sup>st</sup>. This portion of the District's tax levy is collected by the Town of Babylon ("Town") along with the respective Town and Suffolk County levies. These tax collections are remitted to the District and Town Comptrollers until their respective tax levies are satisfied in accordance with the Suffolk County Tax Act. All subsequent tax collections are remitted by the Town to Suffolk County which in turn is responsible for any uncollected taxes.

H. 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.

I. Interfund transactions

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

Advances to/from other funds represent loans to other funds which are not expected to be repaid within the subsequent year. The advances are offset by nonspendable fund balance in the fund financial statements, which indicates that the funds are not "available" for appropriation and are not expendable available financial resources.

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

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

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

J. 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 encumbrances, compensated absences, potential contingent liabilities, useful lives of long-lived assets, the proportionate share of net pension assets and liabilities, and the total OPEB liability.

K. Cash and cash equivalents/investments

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

New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies; obligations of the State and its municipalities and school districts and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations (if permitted by the District's policy).

Investments are stated at fair value.

L. Accounts receivable

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

M. 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.

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 may be 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 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.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

N. Other assets/restricted assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the District-wide financial statements as their use is limited by applicable bond covenants.

In the District-wide financial statements, bond discounts and premiums, and any prepaid bond issuance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

O. Capital assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 1975. For assets acquired prior to June 30, 1975, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Land and construction-in-progress are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and building improvements	\$ 50,000	Straight line	50 years
Site improvements	\$ 25,000	Straight line	20 years
Furniture and equipment	\$ 1,000	Straight line	5-20 years

P. Deferred outflows of resources

In addition to assets, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension systems (NYSTRS and NYSERS Systems) and OPEB subsequent to the measurement date.

Q. Deferred inflows of resources

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has an item that qualifies for reporting in this category. This item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability (NYSTRS and NYSERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

R. Unearned revenues

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

S. Vested employee benefits - compensated absences

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

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

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 Pronouncements, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the 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.

T. Other benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure (see Note 11 for more information).

U. 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 RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

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

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

As of June 30, 2019, the District does not have any outstanding RAN's, TAN's, BAN's or deficiency notes.

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

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

W. Equity classifications

District-wide financial statements

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

1. Net investment in capital assets: Consists of capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
2. Restricted net position: Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position: Reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Fund financial statements

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

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes inventory recorded in the School Lunch Fund of \$35,258.
2. Restricted - 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 established the following restricted fund balances:

Capital Reserve

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

The District received voter approval to establish a capital reserve fund in 2015 at a maximum amount not to exceed \$20,000,000 (including accumulated interest of \$252,068). \$13,491,320 is currently in the Capital Reserve, \$6,500,000 has been transferred to the Capital Projects Fund and \$260,748 remains to be reserved.

Debt Service

According to General Municipal Law §6-l, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of school district property or capital improvement. This reserve is accounted for in the General Fund.



### Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

### Unemployment Insurance

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

### Workers' Compensation

According to General Municipal Law §6-j, 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 the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

### Insurance

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

### Retirement Contribution

According to General Municipal Law §6-r, 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.

3. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2019.
4. Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint 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 also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.
5. Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and is deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts have been restricted or assigned.

Fund balances for all governmental funds as of June 30, 2019 were distributed as follows:

	General	School Lunch	Capital Projects	Total Governmental Funds
Nonspendable:				
Inventory	\$ -	\$ 35,258	\$ -	\$ 35,258
Total nonspendable	-	35,258	-	35,258
Restricted:				
Capital Reserve	13,491,320	-	-	13,491,320
Debt Service	332,620	-	-	332,620
Employee Benefit Accrued Liability	3,541,856	-	-	3,541,856
Unemployment Insurance	217,144	-	-	217,144
Workers' Compensation	112,289	-	-	112,289
Insurance	409,625	-	-	409,625
Retirement Contribution	2,451,488	-	-	2,451,488
Total restricted	20,556,342	-	-	20,556,342
Assigned:				
Appropriated for subsequent year's expenditures	7,000,000	-	-	7,000,000
Encumbrances	1,400,020	-	-	1,400,020
School Lunch Fund	-	496,941	-	496,941
Total assigned	8,400,020	496,941	-	8,896,961
Unassigned	6,843,352	-	(14,102,645)	(7,259,293)
Total	\$ 35,799,714	\$ 532,199	\$ (14,102,645)	\$ 22,229,268

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school 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, encumbrances and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

As of June 30, 2019, the Capital Projects Fund had a deficit fund balance of \$14,102,645. The District will be issuing serial bonds in the upcoming fiscal years which will eliminate the deficit fund balance.

#### Order of use of fund balance

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

## 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 financial statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the District-wide financial statements, 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. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental funds Balance Sheet, as applied to the reporting of capital assets and long-term liabilities, including pensions.

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

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

#### 1. Long-term revenue/expense differences

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

#### 2. Capital related differences

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

3. Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund 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.

4. Pension differences

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

5. OPEB differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

3. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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 program line item level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments are 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.

The following supplemental appropriations occurred during the year:

District-wide security initiatives	\$	835,000
AP exams		114,160
Other student fees		48,545
Summer drivers' education tuition		47,080
Miscellaneous		<u>1,900</u>
	\$	<u>1,046,685</u>

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. The General Fund is the only fund with a legally approved budget for the year ended June 30, 2019.

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

## Encumbrances

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

#### 4. **CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS**

The District's aggregate bank balances, including balances not covered by depository insurance at year-end, are collateralized as follows:

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 38,448,698
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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 as of year-end includes \$20,600,535 within the governmental funds and \$293,302 in the fiduciary funds.

#### Investment and deposit policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, State and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Official of the District.

#### Interest rate risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### Credit risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts
- Certificates of deposit
- Obligations of the United States Treasury and United States agencies
- Obligations of New York State and its localities

## Custodial credit risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies
- Obligations issued or fully insured or guaranteed by New York State and its localities
- Obligations issued by other than New York State in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

## **5. INVESTMENTS**

The District has few investments (primarily donated scholarship funds) and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value.

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the District's investments are valued based on Level 1 of the hierarchy.

The following is a description of the valuation methodologies used for investments measured at fair value:

Cash and cash equivalents: Valued at cost plus accrued interest, which approximates fair market value.

Common stocks and mutual funds: Valued at the net assets value ("NAV") of shares held at year end. The NAV is the closing price reported on the open market on which the securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

	<u>Cost</u>	<u>Fair Value</u>
Domestic fixed income	\$ 15,415	\$ 18,026

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 does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

At year-end, the District held \$18,026 in investments consisting of various investments in securities issued by the United States and its agencies.

## 6. RECEIVABLES

Receivables at year end are as follows:

### A. State and federal aid

State and federal aid receivables at June 30, 2019, consisted of the following:

General Fund:

BOCES aid	\$ 1,161,257
New York State Aid - excess cost aid	900,036
New York State Aid - general aid	35,027

Special Aid Fund:

State and federal grants	2,495,042
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School Lunch Fund:

School breakfast, lunch and snack reimbursement	62,615
	<u>\$ 4,653,977</u>

### B. Taxes receivable

Taxes receivables at June 30, 2019, consisted of the following:

General Fund:

Town of Oyster Bay - uncollected taxes	<u>\$ 1,773,953</u>
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District management has deemed the amounts to be fully collectible.

## 7. CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 3,738,074	\$ -	\$ -	\$ 3,738,074
Construction-in-progress	15,491,868	16,687,281	(7,073,599)	25,105,550
Total nondepreciable assets	19,229,942	16,687,281	(7,073,599)	28,843,624
Capital assets that are depreciated:				
Buildings and building improvements	114,342,487	5,003	6,770,120	121,117,610
Furniture and equipment	7,224,114	1,338,926	(131,763)	8,431,277
Total depreciable assets	121,566,601	1,343,929	6,638,357	129,548,887
Less accumulated depreciation:				
Buildings and building improvements	54,392,758	2,025,035	(216,865)	56,200,928
Furniture and equipment	3,851,403	541,635	(116,322)	4,276,716
Total accumulated depreciation	58,244,161	2,566,670	(333,187)	60,477,644
Total capital assets, net	<u>\$ 82,552,382</u>	<u>\$ 15,464,540</u>	<u>\$ (102,055)</u>	<u>\$ 97,914,867</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 273,930
Instruction	2,278,835
Pupil transportation	13,905
	<u>\$ 2,566,670</u>

## 8. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable	\$ 6,300,000	\$ -	\$ 2,020,000	\$ 4,280,000	\$ 2,105,000
Unamortized bond premiums	498,927	-	166,310	332,617	166,310
Total bonds payable	6,798,927	-	2,186,310	4,612,617	2,271,310
Energy performance contract debt payable	13,779,667	-	956,963	12,822,704	980,164
Workers' compensation claims payable	889,539	546,143	103,195	1,332,487	133,249
Compensated absences	4,837,432	217,485	-	5,054,917	505,492
Total long-term liabilities	<u>\$ 26,305,565</u>	<u>\$ 763,628</u>	<u>\$ 3,246,468</u>	<u>\$ 23,822,725</u>	<u>\$ 3,890,215</u>

Additions and deletions to compensated absences are shown net since it is impracticable to determine these amounts separately. The General Fund is typically used to liquidate the liabilities above.



The following is a summary of long-term indebtedness:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/2019	
Refunding serial bonds	04/06/10	07/15/20	1.50 - 5.00%	\$ 1,560,000	
Refunding serial bonds	03/15/12	09/15/20	2.00 - 5.00%	2,720,000	
				<u>\$ 4,280,000</u>	
Energy Performance Contract	06/05/15	12/05/31	2.41%	<u>\$ 12,822,704</u>	
	<u>Serial Bonds</u>		<u>Energy Performance Contract</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>					
2020	\$ 2,105,000	\$ 151,350	\$ 980,164	\$ 303,157	\$ 3,539,671
2021	2,175,000	53,375	1,003,929	279,393	3,511,697
2022	-	-	1,028,269	255,052	1,283,321
2023	-	-	1,053,200	230,122	1,283,322
2024	-	-	1,078,735	204,587	1,283,322
2025-2029	-	-	5,798,902	617,706	6,416,608
2030-2031	-	-	1,879,505	45,477	1,924,982
	<u>\$ 4,280,000</u>	<u>\$ 204,725</u>	<u>\$ 12,822,704</u>	<u>\$ 1,935,494</u>	<u>\$ 19,242,923</u>

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

Interest paid	\$ 566,359
Less interest accrued in the prior year	(128,839)
Plus interest accrued in the current year	95,138
Less amortization of premiums/discounts	<u>(166,310)</u>
Total interest expense	<u>\$ 366,348</u>

**Bonds payable** - The District borrows money in order to acquire equipment or for capital construction and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities bear interest at various rates from 1.50% to 5.00% and have maturity dates in 2021.

**Energy performance contract payable** - During 2015, the District entered into a \$15,885,003 contractual agreement to install energy saving equipment and/or to upgrade existing facilities to enhance performance. The terms of the contract provide for repayment over fifteen years, with semi-annual installments aggregating \$1,283,322 per annum. Payments include interest at 2.41%. The contract further provides that the savings in energy costs resulting from this modernization will equal or exceed the lease payment terms. The balance due at June 30, 2019 was \$12,822,704.

**Other long-term debt** - Liabilities for workers' compensation are liquidated through future budgetary appropriations in the General Fund. The liabilities for compensated absences are liquidated through future budgetary appropriation in the funds that gave rise to the liability, with the majority being liquidated through the General Fund.

## 9. PENSION PLANS

### General information

The District participates in the New York State Teachers' Retirement System ("NYSTRS") and the New York State and Local Employees' Retirement System ("NYSERS"). These are cost-sharing, multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability

### Provisions and administration

A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law ("NYSRSSL"). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in NYSTRS. 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report, which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

NYSERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL governs obligations of employers and employees to contribute, and benefits to employees. 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. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php).

### Funding policies

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

The District share of the required contributions, based on covered payroll for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

<u>Year</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2019	\$ 2,470,589	\$ 6,331,397
2018	2,507,646	7,566,812
2017	2,513,894	8,357,988

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

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2018 for NYSTRS and March 31, 2019 for NYSERS. 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 NYSTRS and NYSERS Systems in reports provided to the District:

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2019	June 30, 2018
Net pension asset/(liability)	\$ (3,466,473)	\$ 7,172,063
District's portion of the Plan's total net pension asset/(liability)	0.048925%	0.396627%
Change in proportion since the prior measurement date	0.000275%	(0.011843%)

For the year ended June 30, 2019, the District recognized pension expense of \$2,826,115 for NYSERS and \$5,717,286 for NYSTRS. At June 30, 2019, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources - NYSERS</u>	<u>Deferred Outflows of Resources - NYSTRS</u>	<u>Deferred Inflows of Resources - NYSERS</u>	<u>Deferred Inflows of Resources - NYSTRS</u>
Difference between expected experience and actual experience	\$ 682,621	\$ 5,359,625	\$ (232,698)	\$ (970,837)
Changes of assumptions	871,330	25,071,065	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	(889,689)	(7,961,536)
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,167,484	928,092	(90,580)	(6,647)
Employer contributions subsequent to the measurement date	612,872	7,051,427	-	-
Total	<u>\$ 3,334,307</u>	<u>\$ 38,410,209</u>	<u>\$ (1,212,967)</u>	<u>\$ (8,939,020)</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the year ended June 30:</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2020	\$ 1,135,807	\$ 7,339,873
2021	(372,347)	5,031,850
2022	163,904	665,803
2023	581,104	5,014,953
2024	-	3,457,323
Thereafter	-	909,960

Actuarial assumptions

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

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.00%	7.25%
Salary scale	4.20%	*Rates of increase differ based on service
Decrement tables	April 1, 2010 to March 31, 2015 System's Experience	July 1, 2009 to June 30, 2014 System's Experience
Inflation rate	2.50%	2.25%

\*The salary scale used for NYSTRS changes based upon levels of service as defined below:

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

For NYSTRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For NYSERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

For NYSTRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For NYSERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

	NYSERS		NYSTRS	
	Target allocation	Long-term rate	Target allocation	Long-term rate
Measurement date	March 31, 2019	March 31, 2019	June 30, 2018	June 30, 2018
Asset type				
Absolute return strategies	2.00%	3.75%	-	-
Bonds and mortgages	17.00%	1.31%	-	-
Cash	1.00%	(0.25%)	-	-
Domestic equity	36.00%	4.55%	33.00%	5.80%
Domestic fixed income	-	-	16.00%	1.30%
Global equities	-	-	4.00%	6.70%
Global fixed income	-	-	2.00%	0.90%
High-yield fixed income	-	-	1.00%	3.50%
Inflation-indexed bonds	4.00%	1.25%	-	-
International equity	14.00%	6.35%	16.00%	7.30%
Opportunistic portfolio	3.00%	5.68%	-	-
Private debt	-	-	1.00%	6.80%
Private equity	10.00%	7.50%	8.00%	8.90%
Real assets	3.00%	5.29%	-	-
Real estate debt	-	-	7.00%	2.80%
Real estate equities	10.00%	5.55%	11.00%	4.90%
Short-term	-	-	1.00%	0.30%
	<u>100.00%</u>		<u>100.00%</u>	

#### Discount rate

The discount rate used to calculate the total pension asset/(liability) was 7.0% for NYSERS and 7.25% for NYSTRS. 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 asset/(liability).

#### Sensitivity of the proportionate share of the net pension asset/(liability) to the discount rate assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for NYSERS and 7.25% for NYSTRS, 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 NYSERS and 6.25% for NYSTRS) or 1 percentage point higher (8.0% for NYSERS and 8.25% for NYSTRS) than the current rate:

<u>NYSERS</u>	<u>1% Decrease (6.00%)</u>	<u>Current assumption (7.00%)</u>	<u>1% Increase (8.00%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (15,155,973)	\$ (3,466,473)	\$ 6,353,536
<u>NYSTRS</u>	<u>1% Decrease (6.25%)</u>	<u>Current assumption (7.25%)</u>	<u>1% Increase (8.25%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (49,273,243)	\$ 7,172,063	\$ 54,457,544

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)		
	<u>NYSERS</u>	<u>NYSTRS</u>	<u>Total</u>
Valuation date	April 1, 2018	June 30, 2017	
Employers' total pension liability	\$ 189,803,429	\$ 118,107,254	\$ 307,910,683
Plan net position	<u>182,718,124</u>	<u>119,915,518</u>	<u>302,633,642</u>
Employers' net pension asset/(liability)	<u>\$ (7,085,305)</u>	<u>\$ 1,808,264</u>	<u>\$ (5,277,041)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	96.27%	101.53%	98.29%

Payables to the pension plan

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the system in September, October and November 2020 through a State aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid NYSTRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the NYSTRS System. Accrued employer retirement contributions as of June 30, 2019 amounted to \$7,051,427.

For NYSERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid NYSERS covered wages multiplied by the employer's contribution rate, by tier. Accrued employer retirement contributions as of June 30, 2019 amounted to \$612,872. Employee contributions are remitted monthly.

**10. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS**

	Interfund		Interfund	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 16,105,405	\$ 682	\$ 2,226,273	\$ 1,347,355
Special Aid Fund	-	2,344,848	347,355	-
School Lunch Fund	-	334,284	-	-
Capital Projects Fund	-	13,426,273	1,000,000	2,226,273
Fiduciary Funds	682	-	-	-
Totals	<u>\$ 16,106,087</u>	<u>\$ 16,106,087</u>	<u>\$ 3,573,628</u>	<u>\$ 3,573,628</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

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

**11. OTHER POST-EMPLOYMENT BENEFITS ("OPEB")**

A. General information about the OPEB plan

Plan description

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

Benefits provided

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

Employees covered by benefit terms

As of July 1, 2017, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	579
Active plan members	<u>760</u>
Total plan members	<u><u>1,339</u></u>

B. Total OPEB liability

The District's total OPEB liability of \$295,908,725 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

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, with update procedures used to roll forward the total OPEB liability to the measurement date, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00% average, including inflation
Discount rate	3.50%
Healthcare cost trend rates	8.0% for 2017, decreasing 0.5% per year to an ultimate rate of 5.0% in 2023
Retirees' share of benefit-related costs	0% to 20% of projected health insurance premiums for retirees

The discount rate was based on the June 30, 2018 S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017.

C. Changes in the total OPEB liability

Balance as of June 30, 2018	<u>\$ 290,531,418</u>
<u>Changes for the year -</u>	
Service cost	2,948,627
Interest	10,035,481
Benefit payments	<u>(7,606,801)</u>
Net changes	<u>5,377,307</u>
Balance as of June 30, 2019	<u><u>\$ 295,908,725</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	<u>1% Decrease (2.50%)</u>	<u>Current assumption (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB liability as of June 30, 2019	\$ 362,360,623	\$ 295,908,725	\$ 246,764,094

Sensitivity of the total OPEB liability to changes in 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 one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current discount rate:



	1% Decrease (7.00% decreasing to 4.00%)	Current assumption (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
Total OPEB liability as of June 30, 2019	\$ 240,343,999	\$ 295,908,725	\$ 377,303,716

D. OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$12,984,108.

As of June 30, 2019, the District did not report any deferred outflows of resources or deferred inflows of resources related to the total OPEB liability.

**12. RISK MANAGEMENT**

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 a combination of self-insurance reserves and commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

The District participates in New York Schools Insurance Reciprocal ("NYSIR"), a non-risk-retained public entity risk pool for its District property and liability insurance coverage. 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 in excess of certain defined limits, 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. General Fund liabilities only include amounts for reported claims and do not include claims which were incurred on or before year end but not reported ("IBNR").

Claims activity is summarized below:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Year
Incurred but not reported for the fiscal years ended June 30:				
2019	\$ 889,539	\$ 546,143	\$ 103,195	\$ 1,332,487
2018	879,216	584,383	574,060	889,539
2017	973,891	431,127	525,802	879,216

The District has not purchased any annuity contracts.

**13. CONTINGENCIES AND COMMITMENTS**

Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. During the fiscal year ended June 30, 2019, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General Fund	
General support	\$ 1,044,679
Instruction	355,129
Pupil transportation	<u>212</u>
	<u>\$ 1,400,020</u>

Government 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 years' experience, the District's administration believes disallowances, if any, would be immaterial.

Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years through at least June 15, 2020, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2 percent, plus the inflation factor (but not less than 0 percent), whichever is less, with some exceptions. The New York State Comptroller set the allowable levy growth factor for local governments for fiscal years beginning July 1, 2018 at 1.02 (before exemptions). School districts can exceed the tax levy limit by a 60% vote of the governing body, subject to voter approval.

Litigation

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

Library operations

The District collects property taxes on behalf of the Farmingdale Public Library (the "Library"). Under the terms of the agreement, the District has agreed to levy taxes on behalf of the Library and any payment to be remitted directly from the District to the Library according to a time schedule established in the agreement. The District owns the building the Library occupies and has accounted for the building within capital assets. Carrying value amounts to \$4,779,201 as of June 30, 2019. In addition, the District also holds title to the land on which the Library occupies, carrying value amounts to \$1,295,000. Certain costs are incurred by the District, however they are not material to the financial statements.

**14. TAX ABATEMENTS**

The District's property taxes were reduced by \$9,991,816 under agreements entered into by Nassau County and the Town of Babylon. Of the amount reduced, \$2,357,602 and \$1,419,469 were collected via PILOT payments from Nassau County and the Town of Babylon, respectively. Taxes from Nassau County and the Town of Babylon in the amounts of \$4,719,135 and \$1,495,610, respectively, were abated from the District's property taxes.

**15. FUTURE ACCOUNTING STANDARDS**

The District will evaluate the impact each of these upcoming pronouncements may have on its financial statements and will implement them as applicable and when material. The following is a list of GASB pronouncements issued but not yet effective:

<u>GASB Statement No.</u>	<u>GASB Accounting Standard</u>	<u>Effective Fiscal Year</u>
Statement No. 84	Fiduciary Activities	June 30, 2020
Statement No. 87	Leases	June 30, 2021
Statement No. 89	Accounting For Interest Cost Incurred Before The End Of A Construction Period	June 30, 2021

The District has studied these upcoming pronouncements and is not anticipating any material impacts to the financial statements as presented.

**16. SUBSEQUENT EVENTS**

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of October 10, 2019 which is the date the financial statements were available to be issued, noting the following:

On September 19, 2019, the District issued a Bond Anticipation Note in the amount of \$17,810,252. The note matures on September 18, 2020, and bears an interest rate of 1.24%.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Year-end Encumbrances	Variance Better (Worse)
<b>REVENUES</b>					
Local sources:					
Real property taxes	\$ 123,823,161	\$ 108,142,273	\$ 108,232,240		\$ 89,967
Other tax items	3,265,841	18,946,729	19,457,959		511,230
Charges for services	380,000	559,980	1,010,127		450,147
Intergovernmental revenue	300,000	300,000	494,853		194,853
Use of money and property	230,000	230,000	265,648		35,648
Insurance recoveries	110,000	110,000	101,437		(8,563)
Miscellaneous	200,000	231,705	931,447		699,742
Total local sources	128,309,002	128,520,687	130,493,711		1,973,024
State sources	31,748,422	31,748,422	32,510,369		761,947
Federal sources	150,000	150,000	114,931		(35,069)
Total revenues	160,207,424	160,419,109	163,119,011		2,699,902
<b>OTHER FINANCING SOURCES</b>					
Transfers in	-	-	2,226,273		2,226,273
Total revenues and other financing sources	160,207,424	160,419,109	165,345,284		4,926,175
<b>EXPENDITURES</b>					
General support:					
Board of Education	107,362	106,724	91,025	\$ -	15,699
Central administration	444,375	406,557	404,303	-	2,254
Finance	1,385,979	1,228,328	1,056,654	52,840	118,834
Staff	1,306,058	1,358,265	1,190,490	-	167,775
Central services	13,250,851	15,365,253	13,608,403	991,839	765,011
Special items	1,900,000	1,849,500	1,610,247	-	239,253
Total general support	18,394,625	20,314,627	17,961,122	1,044,679	1,308,826
Instruction:					
Instruction, administration and improvement	8,199,964	8,591,570	8,466,612	19,185	105,773
Teaching - regular school	47,008,055	47,273,094	46,553,462	186,833	532,799
Programs for children with handicapping conditions	24,599,315	25,932,911	25,542,924	3,600	386,387
Teaching - special school	234,287	282,799	233,217	-	49,582
Instructional media	5,294,871	5,641,726	5,364,721	97,424	179,581
Pupil services	7,005,091	7,362,716	7,165,467	48,087	149,162
Total instruction	92,341,583	95,084,816	93,326,403	355,129	1,403,284
Pupil transportation	8,579,000	8,950,636	8,661,941	212	288,483
Community services	68,300	27,214	7,400	-	19,814
Employee benefits	43,645,104	39,650,649	39,446,808	-	203,841
Debt service:					
Principal	2,976,963	2,976,963	2,976,963	-	-
Interest	736,359	736,359	566,359	-	170,000
Total expenditures	166,741,934	167,741,264	162,946,996	1,400,020	3,394,248
<b>OTHER FINANCING USES</b>					
Transfers out	1,300,000	1,347,355	1,347,355	-	-
Total expenditures and other financing uses	168,041,934	169,088,619	164,294,351	\$ 1,400,020	3,394,248
Net change in fund balance	<u>\$ (7,834,510)</u>	<u>\$ (8,669,510)</u>	1,050,933		<u>\$ 8,320,423</u>
Fund balance, beginning of year			34,748,781		
Fund balance, end of year			<u>\$ 35,799,714</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.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS**

Measurement date	June 30, 2019	June 30, 2018
Total OPEB Liability		
Service cost	\$ 2,948,627	\$ 2,862,745
Interest	10,035,481	9,852,428
Benefit payments	<u>(7,606,801)</u>	<u>(7,363,384)</u>
Net change in total OPEB liability	5,377,307	5,351,789
Total OPEB liability - beginning of year	<u>290,531,418</u>	<u>285,179,629</u>
Total OPEB liability - end of year	<u><u>\$ 295,908,725</u></u>	<u><u>\$ 290,531,418</u></u>
Covered payroll	\$ 70,052,388	\$ 70,052,388
Total OPEB liability as a percentage of covered payroll	422.41%	414.73%

**Note to Required Supplementary Information**

Ten years of historical information was not available upon implementation of GASB Statement No. 75. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits, as New York State currently does not allow school districts to establish this type of trust. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSERS**  
**LAST TEN FISCAL YEARS\***  
**(Dollar amounts in thousands)**

	2019	2018	2017	(A) 2016	2015	2014	**2013	**2012	**2011	**2010
District's proportionate share of the net pension liability	0.04892%	0.04865%	0.04893%	0.05326%	0.05525%	0.07390%	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ (3,466)	\$ (1,570)	\$ (4,598)	\$ (8,549)	\$ (1,866)	\$ (2,497)	N/A	N/A	N/A	N/A
District's covered payroll	\$ 18,375	\$ 16,915	\$ 16,539	\$ 16,163	\$ 16,290	\$ 15,106	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of covered payroll	18.87%	9.28%	27.80%	52.89%	11.45%	16.53%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%	N/A	N/A	N/A	N/A

\* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

(A) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

Not Available = N/A

**\*\*Note to Required Supplementary Information**

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

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY) - NYSTRS**  
**LAST TEN FISCAL YEARS\***  
**(Dollar amounts in thousands)**

	2019	(A) 2018	(B) 2017	2016	2015	2014	**2013	**2012	**2011	**2010
District's proportionate share of the net pension asset/(liability)	0.39663%	0.40742%	0.40847%	0.40894%	0.41909%	0.41698%	N/A	N/A	N/A	N/A
District's proportionate share of the net pension asset/(liability)	\$ 7,172	\$ 3,097	\$ (4,375)	\$ 46,684	\$ 46,684	\$ 2,745	N/A	N/A	N/A	N/A
District's covered payroll	\$ 77,212	\$ 71,314	\$ 81,207	\$ 57,387	\$ 44,738	\$ 61,402	N/A	N/A	N/A	N/A
District's proportionate share of the net pension asset/(liability) as a percentage of covered payroll	9.29%	4.34%	5.39%	81.35%	104.35%	4.47%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset/(liability)	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%	N/A	N/A	N/A	N/A

\* The amounts presented for each fiscal year were determined (bi-annually) as of June 30.

(A) The discount rate used to calculate the total pension asset was decreased from 7.5% to 7.25% effective with the June 30, 2017 measurement date.

(B) The discount rate used to calculate the total pension liability was decreased from 8.0% to 7.5% effective with the June 30, 2016 measurement date.

Not Available = N/A

**\*\*Note to Required Supplementary Information**

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

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**FARMINGDALE UNION FREE SCHOOL DISTRICT  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - NYSERS  
LAST TEN FISCAL YEARS  
(Dollar amounts in thousands)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>
Contractually required contribution	\$ 2,471	\$ 2,508	\$ 2,514	\$ 2,902	\$ 3,391	\$ 2,828	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	2,471	2,508	2,514	2,902	3,391	2,828	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
District's covered payroll	\$ 18,419	\$ 17,012	\$ 16,539	\$ 16,163	\$ 16,290	\$ 15,106	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	13.41%	14.74%	15.20%	17.95%	20.82%	18.72%	N/A	N/A	N/A	N/A

Not Available = N/A

**\*\*Note to Required Supplementary Information**

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



**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - NYSTRS**  
**LAST TEN FISCAL YEARS**  
**(Dollar amounts in thousands)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>
Contractually required contribution	\$ 6,331	\$ 7,567	\$ 8,358	\$ 10,768	\$ 10,060	\$ 7,270	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	<u>6,331</u>	<u>7,567</u>	<u>8,358</u>	<u>10,768</u>	<u>10,060</u>	<u>7,270</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
District's covered payroll	\$ 59,618	\$ 77,212	\$ 71,314	\$ 81,207	\$ 57,387	\$ 44,738	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	N/A	N/A	N/A	N/A

Not Available = N/A

**\*\*Note to Required Supplementary Information**

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

**FARMINGDALE UNION FREE SCHOOL DISTRICT  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

**Change from adopted budget to final budget:**

Adopted budget	\$ 165,707,424	
Add: Prior year's encumbrances	<u>2,334,510</u>	
Original budget		\$ 168,041,934
Budget revisions:		
District-wide security initiatives	835,000	
AP exams	114,160	
Other student fees	48,545	
Summer drivers' education tuition	47,080	
Miscellaneous	<u>1,900</u>	<u>1,046,685</u>
Final budget		<u><u>\$ 169,088,619</u></u>
 <b>§1318 of real property tax law limit calculation:</b>		
2019-20 voter-approved expenditure budget		<u><u>\$ 171,083,800</u></u>
Maximum allowed (4% of total 2019-20 budget)		<u><u>\$ 6,843,352</u></u>
 Fund balance subject to §1318 of real property tax law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 8,400,020	
Unassigned fund balance	<u>6,843,352</u>	\$ 15,243,372
 Less:		
Appropriated fund balance	7,000,000	
Encumbrances	<u>1,400,020</u>	<u>8,400,020</u>
Fund balance subject to §1318 of real property tax law		<u><u>\$ 6,843,352</u></u>
Actual percentage		<u><u>4.00%</u></u>

FARMINGDALE UNION FREE SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2019

Project Title	Expenditures					Methods of Financing					Fund Balance June 30, 2019
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	
Unassigned - Capital Reserve Excess	\$ -	\$ 39,452	\$ -	\$ -	\$ -	\$ 39,452	\$ -	\$ -	\$ 39,452	\$ 39,452	\$ 39,452
Howitt West Window/Curtain Wall Replacement	2,397,974	2,628,238	2,628,238	-	2,628,238	-	-	-	2,628,238	2,628,238	-
Northside Window Replacement Project	500,980	954,309	954,309	-	954,309	-	-	-	954,309	954,309	-
Woodward Parkway Window Replacement Project	424,020	934,869	797,816	115,591	913,407	21,462	-	-	934,869	934,869	21,462
Howitt East Masonry Repair (exterior)	1,340,692	1,339,524	1,339,524	-	1,339,524	-	-	-	1,339,524	1,339,524	-
Woodward Parkway Masonry Repair (exterior)	952,121	1,128,273	1,123,270	5,003	1,128,273	-	-	-	1,128,273	1,128,273	-
Howitt East Masonry Repair (interior)	841,539	674,827	674,827	-	674,827	-	-	-	674,827	674,827	-
Woodward Parkway Masonry Repair (interior)	237,901	184,248	184,248	-	184,248	-	-	-	184,248	184,248	-
Howitt West Café Roof	191,900	169,183	169,183	-	169,183	-	-	-	169,183	169,183	-
Northside Roof Replacement	1,207,841	46,855	46,855	-	46,855	-	-	-	46,855	46,855	-
Howitt Aquatic Center*	1,743,250	16,806,478	-	697,591	697,591	16,108,887	-	-	-	-	(697,591)
Howitt Athletic Complex*	10,604,176	14,017,152	2,930,499	10,630,496	13,560,995	456,157	-	-	-	-	(13,560,995)
High School Athletic Fields*	2,460,300	2,460,300	2,340,804	23,485	2,364,289	96,011	-	-	-	-	(2,364,289)
Albany Avenue Athletic Fields*	466,100	466,100	21,258	-	21,258	444,842	-	-	-	-	(21,258)
Northside Athletic Fields*	476,720	479,970	24,490	4,040	28,530	451,440	-	-	-	-	(28,530)
Saltzman East Memorial Athletic Fields*	986,480	986,480	852,526	3,900	856,426	130,054	-	-	-	-	(856,426)
Woodward Parkway Athletic Fields*	783,520	783,520	621,898	31,609	653,507	130,013	-	-	-	-	(653,507)
Howitt East Bathroom Project	227,852	232,957	-	67,591	67,591	165,366	-	-	232,957	232,957	165,366
Albany Avenue Bathroom Project	1,117,863	1,124,243	-	289,933	289,933	834,310	-	-	1,124,243	1,124,243	834,310
Woodward Parkway Bathroom Project	569,430	568,560	-	161,424	161,424	407,136	-	-	568,560	568,560	407,136
Farmingdale High School Bathroom Project	867,515	876,175	-	147,149	147,149	729,026	-	-	876,175	876,175	729,026
Northside Bathroom Project	357,536	360,431	-	121,204	121,204	239,227	-	-	360,431	360,431	239,227
Saltzman East Memorial Bathroom Project	1,016,707	1,020,737	-	191,784	191,784	828,953	-	-	1,020,737	1,020,737	828,953
Howitt West Bathroom Project	849,004	852,809	-	77,825	77,825	774,984	-	-	852,809	852,809	774,984
Farmingdale High School Maintenance Building Parking Lot	742,960	1,204,339	-	1,164,304	1,164,304	40,035	-	-	1,204,339	1,204,339	40,035
Totals	\$ 31,354,381	\$ 50,340,029	\$ 14,709,745	\$ 13,732,929	\$ 28,442,674	\$ 21,897,355	\$ -	\$ -	\$ 14,340,029	\$ 14,340,029	\$ (14,102,645)

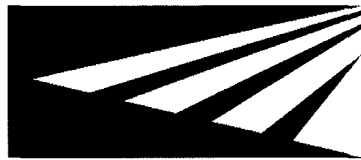
\* Funding for these projects will be paid through future debt issuances.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**NET INVESTMENT IN CAPITAL ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Capital assets, net		\$ 97,914,867
Deduct:		
Short-term portion of bonds payable, net	\$ (2,186,310)	
Long-term portion of bonds payable, net	(2,426,307)	
Short-term portion of installment purchase debt payable	(956,963)	
Long-term portion of installment purchase debt payable	<u>(11,865,741)</u>	<u>(17,435,321)</u>
Net investment in capital assets		<u>\$ 80,479,546</u>

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
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**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**  
**ON EXTRACLASSROOM ACTIVITY FUNDS FINANCIAL STATEMENTS**

To the Board of Education of the  
Farmingdale Union Free School District  
Towns of Oyster Bay and Babylon, New York:

We have audited the accompanying statement of cash receipts and disbursements of the various Extraclassroom Activity Funds of the Farmingdale Union Free School District (the "District") for the year ended June 30, 2019, and the related note to financial statement, which collectively comprise the financial statements of the District's Extraclassroom Activity Funds.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is 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 opinion.

# NawrockiSmith

## ***Opinion***

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of the Farmingdale Union Free School District for the year ended June 30, 2019 in accordance with the basis of accounting described in Note 1.

## ***Basis of Accounting***

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

Melville, New York  
October 10, 2019

A handwritten signature in black ink that reads "NawrockiSmith LLP". The signature is written in a cursive, flowing style.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balances July 1, 2018	Receipts	Disbursements	Cash Balances June 30, 2019
High School:				
Ambassadors Club	\$ 510.12	\$ 618.00	\$ 827.96	\$ 300.16
Art Adventures	65.98	-	-	65.98
Art Honor Society Club	330.24	1,458.81	1,072.31	716.74
Art Photo Developing Club	11.46	-	-	11.46
ASL Honor Society Club	931.02	4,814.94	5,037.80	708.16
Auto Tech Club	2,883.06	2,969.63	3,314.62	2,538.07
Bridging the Gap	3,486.57	11,679.40	5,268.82	9,897.15
Business Honor Society Club	498.23	825.40	726.76	596.87
Carpentry Club	1,788.61	1,163.00	1,040.00	1,911.61
Catering Club	6,399.82	-	-	6,399.82
Challenge Day	500.00	300.00	-	800.00
Child Lab Study Program	225.75	750.00	778.75	197.00
Class of 2018	19.02	-	19.02	-
Class of 2019	9,153.68	33,674.95	42,828.63	-
Class of 2020	1,199.89	55,540.07	55,162.85	1,577.11
Class of 2021	901.67	16,577.70	16,598.30	881.07
Class of 2022	-	1,349.54	743.54	606.00
Class of 2023	-	2,671.35	-	2,671.35
Daler Press Club	1,101.34	30.00	102.38	1,028.96
DECA	2,574.61	20,720.25	20,222.97	3,071.89
Digitech	118.00	120.00	229.66	8.34
Field Trips	621.67	23,504.65	21,683.60	2,442.72
French Honor Society Club	1,519.71	5,595.50	6,649.62	465.59
Gay Straight Alliance	-	158.00	-	158.00
Go Green Club	262.52	-	262.52	-
Green and White Shop	1,500.00	35,740.60	35,740.60	1,500.00
Hi-Life	37,152.07	17,741.43	33,997.51	20,895.99
History Club	304.01	-	39.50	264.51
Interact Club	198.85	4,275.00	4,333.84	140.01
Italian Honor Society Club	450.67	13,647.75	13,994.87	103.55
Key Club	1,367.26	1,784.97	2,352.99	799.24
Knitting Club	172.81	-	172.81	-
Life Skills Club	3,499.67	1,513.07	607.38	4,405.36
Literary Magazine Club	1,729.14	635.00	523.58	1,840.56
Music - Band	2,661.44	101,605.26	87,475.22	16,791.48
Music - Chorus	997.94	24,199.60	25,104.22	93.32
Music - Orchestra	2,357.13	1,340.00	1,932.04	1,765.09
Music - Symphonic Band	842.14	2,986.00	2,984.02	844.12
Music - Women's Choir	505.51	-	425.00	80.51
National Honor Society	1,649.23	4,123.00	4,627.76	1,144.47
Paper Lion	154.47	-	-	154.47
Playcrafters	16,175.49	23,055.05	15,317.12	23,913.42
SADD	298.17	1,170.00	606.78	861.39
Sales Tax	103.71	3,544.02	3,068.92	578.81
School Beautification Club	7,164.22	454.30	7,618.52	-
Science Club - Envirothon	212.18	448.42	-	660.60
Science Club - Quiz Bowl	0.28	-	0.28	-
Science Club - Vex Robotics	1,510.02	5,286.60	6,194.17	602.45
Science Olympiad	102.96	800.00	593.60	309.36
Shared Decision Making	1,533.76	35.00	132.78	1,435.98
SMILE	1,290.63	2,666.00	1,948.69	2,007.94
Spanish Honor Society Club	380.84	10,068.21	9,624.48	824.57
Student Government Association	2,485.99	8,986.00	9,555.39	1,916.60
Student Guidance Club	3,319.81	3,000.00	3,139.07	3,180.74
Student Sports Activity Council	16,297.60	79,145.51	65,625.48	29,817.63
Technology Honor Society Club	702.54	2,275.75	1,476.73	1,501.56
Thespian Club	282.92	1,472.00	915.35	839.57
Tri-M Honor Society Club	2,317.98	9,774.00	9,807.40	2,284.58
Varsity Leaders Club	77.22	45.00	46.00	76.22
Wellness Committee Club	25.64	-	-	25.64
	<u>\$ 144,927.27</u>	<u>\$ 546,338.73</u>	<u>\$ 532,552.21</u>	<u>\$ 158,713.79</u>

The accompanying note is an integral  
part of this financial statement.



**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**(continued)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Cash Balances July 1, 2018</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash Balances June 30, 2019</b>
Middle School:				
Anziano Memorial Scholarship	\$ 1,081.39	\$ -	\$ 100.00	\$ 981.39
Art Adventure Club	1,274.00	-	-	1,274.00
Bridging the Gap Foundation	4,695.20	1,733.17	354.18	6,074.19
Daler Buddies	168.66	-	-	168.66
Field Trips-6th Grade	-	12,306.00	12,184.00	122.00
Field Trips-7th Grade	-	3,311.37	3,311.37	-
Field Trips-8th Grade	-	13,195.00	13,195.00	-
Fitness Club	8,315.00	9,075.00	8,309.17	9,080.83
Fitness for Africa Booster	30.00	-	-	30.00
Friends Shared Decision Making	114.10	1,150.00	50.84	1,213.26
Garden Club	-	2,208.75	1,143.80	1,064.95
Honor Society Club	159.66	4,916.00	4,639.89	435.77
Howitt Players Club	5,678.96	15,456.03	15,716.02	5,418.97
Languages Around the World	88.76	-	-	88.76
Lions Den	5,566.31	4,794.04	6,577.36	3,782.99
Most Valuable Kids	88.35	-	88.35	-
Music Department	-	8,987.00	8,556.72	430.28
Newsday Future Corps Club	67.92	554.00	581.76	40.16
Read-A-Thon	-	1,739.25	1,702.00	37.25
Sculpture Club	48.77	-	-	48.77
Sales Tax	956.68	1,795.66	1,647.85	1,104.49
Snack Pack Program	591.11	787.00	794.86	583.25
Student Government	2,080.93	24,849.00	19,705.71	7,224.22
Team 67	-	285.00	285.00	-
Wellness Committee	-	264.96	21.04	243.92
Wildlife Warriors Club	2,552.64	-	1,399.04	1,153.60
Yearbook	8,653.17	2,350.00	3,379.73	7,623.44
	<u>\$ 42,211.61</u>	<u>\$ 109,757.23</u>	<u>\$ 103,743.69</u>	<u>\$ 48,225.15</u>

The accompanying note is an integral  
part of this financial statement.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**(continued)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balances July 1, 2018	Receipts	Disbursements	Cash Balances June 30, 2019
Elementary Schools:				
<u>Albany Avenue</u>				
Bridging the Gap	\$ 3,286.00	\$ 1,464.67	\$ 3,374.63	\$ 1,376.04
Horizons	-	5,280.00	5,280.00	-
Grade 1	-	4,935.00	4,935.00	-
Grade 2	-	11,829.92	11,829.92	-
Grade 3	-	6,754.39	6,754.39	-
Grade 4	-	14,163.00	14,163.00	-
Grade 5	4,851.29	17,274.32	17,169.96	4,955.65
<b>TOTAL ALBANY AVENUE</b>	<b>8,137.29</b>	<b>61,701.30</b>	<b>63,506.90</b>	<b>6,331.69</b>
<u>Saltzman Memorial</u>				
Bridging the Gap	1,403.88	1,544.18	945.40	2,002.66
Field trips	-	2,267.00	2,267.00	-
Grade 1	-	1,438.40	1,438.40	-
Grade 2	-	2,347.00	2,347.00	-
Grade 3	-	6,675.00	6,675.00	-
Grade 4	-	2,405.50	2,405.50	-
Grade 5	-	23,849.80	23,849.80	-
<b>TOTAL SALTZMAN MEMORIAL</b>	<b>1,403.88</b>	<b>40,526.88</b>	<b>39,928.10</b>	<b>2,002.66</b>
<u>Woodward Parkway</u>				
Bridging the Gap	1,924.20	1,721.99	2,259.25	1,386.94
Field Trips	-	9,140.01	9,140.01	-
Kindergarten	-	2,986.52	2,986.52	-
Grade 1	-	2,592.00	2,592.00	-
Grade 2	-	3,510.00	3,510.00	-
Grade 3	-	10,587.20	10,587.20	-
Grade 4	-	4,712.60	4,712.60	-
Grade 5	-	14,857.92	14,857.92	-
<b>TOTAL WOODWARD PARKWAY</b>	<b>1,924.20</b>	<b>50,108.24</b>	<b>50,645.50</b>	<b>1,386.94</b>
<u>Northside</u>				
Bridging the Gap	3,747.08	7,305.62	1,134.50	9,918.20
Field Trips	38.00	34,667.50	32,335.50	2,370.00
<b>TOTAL NORTHSIDE</b>	<b>3,785.08</b>	<b>41,973.12</b>	<b>33,470.00</b>	<b>12,288.20</b>
	<b>\$ 15,250.45</b>	<b>\$ 194,309.54</b>	<b>\$ 187,550.50</b>	<b>\$ 22,009.49</b>

The accompanying note is an integral part of this financial statement.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**NOTE TO FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Farmingdale Union Free School District (the "District").

The accounts of the Extraclassroom Activity Funds of the District are maintained on a cash basis, and the Statement of Cash Receipts and Disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under accounting principles generally accepted in the United States of America, and which may be material in amount, are not recognized in the accompanying financial statement.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Pass - Through Grantor/ Cluster Title/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b><u>U.S. Department of Education</u></b>			
<u>Passed Through Programs From:</u>			
New York State Department of Education			
Special Education Cluster:			
IDEA, Part B, Section 611, Special Education Grants to States	84.027A	0032-19-0471	\$ 1,259,319
IDEA, Part B, Section 619, Special Education Preschool Grants	84.173A	0033-19-0471	<u>79,386</u>
			1,338,705
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0011-19-2066	28,236
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-18-1715	20,686
ESEA, Title I, Part A, Grants to Local Educational Agencies	84.010A	0021-19-1715	349,441
Grants And Programs For Career And Technical Education	84.048A	8000-18-0091	961
Grants And Programs For Career And Technical Education	84.048A	8000-19-0091	17,036
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-18-1715	8,753
ESEA, Title II, Part A, Improving Teacher Quality State Grants	84.367A	0147-19-1715	122,927
ESEA, Title III, Part A, Immigrant Education	84.365A	0149-18-1715	15,892
ESEA, Title III, Part A, Immigrant Education	84.365A	0149-19-1715	7,784
ESEA, Title III, Part A, English Language Acquisition Grants	84.365A	0293-18-1715	11,394
ESEA, Title III, Part A, English Language Acquisition Grants	84.365A	0293-19-1715	24,999
ESEA, Title IV, Student Support And Academic Enrichment Program	84.424A	0204-19-1715	<u>19,820</u>
<b>Total U.S. Department of Education</b>			<u>1,966,634</u>
<b><u>U.S. Department of Agriculture</u></b>			
<u>Direct Program:</u>			
Surplus Food	10.550	N/A	51,803
<u>Passed Through Programs From:</u>			
New York State Office of General Services			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	103,918
National School Lunch Program	10.555	N/A	<u>660,025</u>
<b>Total U.S. Department of Agriculture</b>			<u>815,746</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>\$ 2,782,380</u>

The accompanying notes should be read  
in conjunction with this schedule.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Farmingdale Union Free School District (the "District") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance of the District.

**2. BASIS OF ACCOUNTING**

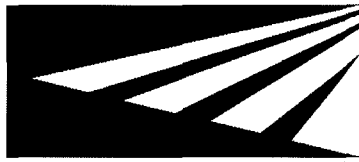
Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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

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

**3. INDIRECT COSTS**

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



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**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 of the  
Farmingdale Union Free School District  
Towns of Oyster Bay and Babylon, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and fiduciary funds of the Farmingdale Union Free School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 10, 2019.

***Internal Control Over Financial Reporting***

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

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

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

# NawrockiSmith

## ***Compliance and Other Matters***

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

## ***Purpose of this Report***

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

Melville, New York  
October 10, 2019

A handwritten signature in black ink that reads "Nawrocki Smith" followed by a stylized flourish or initials.



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

To the Board of Education of the  
Farmingdale Union Free School District  
Towns of Oyster Bay and Babylon, New York:

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

We have audited the Farmingdale Union Free School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



# NawrockiSmith

## ***Report on Internal Control Over Compliance***

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

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

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

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

Melville, New York  
October 10, 2019



**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. Summary Of Auditor's Results:**

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies or material weaknesses were reported during the audit of the financial statements.
3. No instances of noncompliance were disclosed during the audit of the financial statements.
4. No significant deficiencies or material weaknesses were reported during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs that are required to be reported in accordance with section 2 CFR 200.516 (a) of the Uniform Guidance, were disclosed during the audit.
7. The programs tested as a major program included:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
	<u>U.S. Department of Education</u>
84.027A	IDEA, Part B, Section 611, Special Education Grants to States
84.173A	IDEA, Part B, Section 619, Special Education Preschool Grants

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Auditee was determined to be a low-risk auditee.

**2. Findings - Financial Statement Audit**

None reported.

**3. Findings And Questioned Costs - Major Federal Award Programs Audit**

None reported.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Findings - Financial Statement Audit**

None reported.

**Findings And Questioned Costs - Major Federal Award Programs Audit**

None reported.

**FARMINGDALE UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

This section presents our findings and recommendations resulting from the audit of the financial statements of the Farmingdale Union Free School District as of and for the year ended June 30, 2019, as well as the status of recommendations made in connection with prior audits of the financial statements.

**CURRENT YEAR RECOMMENDATION:**

None reported.

**PRIOR YEAR RECOMMENDATION:**

None reported.