

**VALLEY STREAM UNION FREE SCHOOL DISTRICT #24
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Valley Stream Union Free School District #24

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 Valley Stream Union Free School District #24 as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Valley Stream Union Free School District #24 as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 3 through 14 and 47 through 51, 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 Valley Stream Union Free School District #24's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2019, on our consideration of the Valley Stream Union Free School District #24's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Valley Stream Union Free School District #24'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 Valley Stream Union Free School District #24's internal control over financial reporting and compliance.

R. S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 16, 2019

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Valley Stream Union Free School District Twenty-Four's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019 in comparison with the year ended June 30, 2018, with emphasis on the current year. This should be read in conjunction with the financial statements and notes, which immediately follow this section.

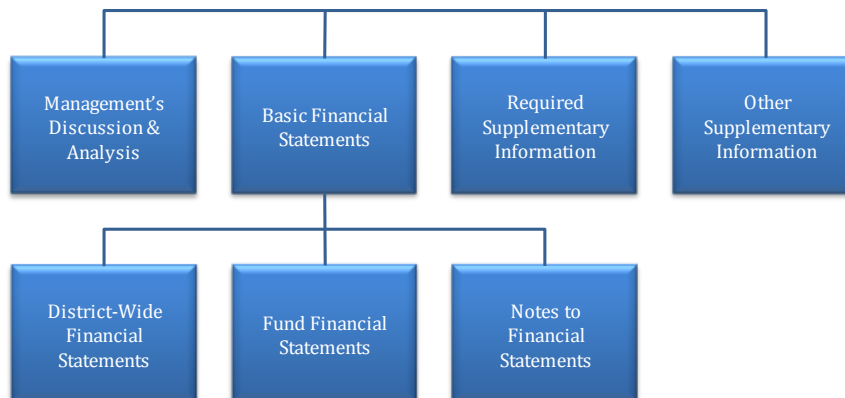
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$420,768. This was due to an excess of revenues over expenses based on the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$29,869,067. Of this amount, \$1,426,471 was offset by program charges for services, operating and capital grants. General revenues of \$28,863,364 amount to 95.29% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$1,083,877. This was due to an excess of revenues over expenditures and other uses based on the current financial resources measurement focus and the modified accrual basis of accounting.
- On November 21, 2018, the District entered into an energy performance contract in the amount of \$2,611,364. The contract bears an interest rate of 3.56% and matures November 15, 2033. The District has begun work on the project and as of June 30, 2019, 68% of the work has been completed.
- The District's 2019 property tax levy of \$20,602,290 was a 2.37% increase over the 2018 tax levy, which was equal to the District's property tax cap.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. District-Wide Financial Statements

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

Governmental Funds

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by \$420,768 between fiscal year 2019 and 2018. The increase is due to revenues in excess of expenses based on the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2019	2018	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 11,504,190	\$ 9,953,497	\$ 1,550,693	15.58 %
Capital Assets, Net	10,624,271	8,527,453	2,096,818	24.59 %
Net Pension Asset -				
Proportionate Share	1,527,678	642,512	885,166	137.77 %
Total Assets	<u>23,656,139</u>	<u>19,123,462</u>	<u>4,532,677</u>	23.70 %
Deferred Outflows of Resources	<u>8,797,171</u>	<u>9,590,327</u>	<u>(793,156)</u>	(8.27)%
Liabilities				
Current and Other Liabilities	2,710,429	2,703,267	7,162	0.26 %
Long-Term Liabilities	5,036,151	2,486,224	2,549,927	102.56 %
Net Pension Liability -				
Proportionate Share	468,364	199,662	268,702	134.58 %
Total OPEB Obligation	<u>27,012,000</u>	<u>35,894,312</u>	<u>(8,882,312)</u>	(24.75)%
Total Liabilities	<u>35,226,944</u>	<u>41,283,465</u>	<u>2,825,791</u>	(14.67)%
Deferred Inflows of Resources	<u>11,937,428</u>	<u>2,562,154</u>	<u>9,375,274</u>	365.91 %

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Net Position (Deficit)				
Net Investment in Capital Assets	\$ 8,071,934	\$ 7,607,255	\$ 464,679	6.11 %
Restricted	5,519,035	4,686,058	832,977	17.78 %
Unrestricted (Deficit)	<u>(28,302,031)</u>	<u>(27,425,143)</u>	<u>(876,888)</u>	3.20 %
 Total Net Position (Deficit)	 <u>\$ (14,711,062)</u>	 <u>\$ (15,131,830)</u>	 <u>\$ 420,768</u>	 (2.78)%

The increase in current and other assets is due to an increase in the District's cash balances, offset by a decrease in amounts due from other governments.

The capital assets, net increase is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teachers' Retirement System's net pension asset at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 11 "Pension Plans – New York State", provides additional information.

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

The increase in current and other liabilities is primarily due to an increase in accounts payable and accrued liabilities, offset by a decrease in due to other governments.

The long-term liabilities increase is due to an increase in the energy performance contract payable, resulting from the current year issuance of an energy performance contract in the amount of \$2,611,364 and an increase in compensated absences, net of the repayments of the current maturity of indebtedness.

Net pension liability – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's net pension liabilities at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 11 "Pension Plans – New York State", provides additional information.

The total other postemployment benefits (OPEB) obligation decreased from the prior year based on the actuarial valuation for the year ended June 30, 2019. The accompanying Notes to Financial Statements, Note 13 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years. This category also includes an amount reserved for excess tax levy resulting from the receipt of unanticipated restored property taxes during 2018 – 2019.

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

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	Increase (Decrease)
Capital asset additions	\$ 2,625,146
Additions financed by debt	(1,776,506)
Depreciation expense	(528,328)
Principal debt reduction of energy performance contract	144,367
	\$ 464,679

The restricted amount relates to the District's reserves and restricted amounts. This number increased over the prior year as new monies allocated to reserves exceeded use of reserves.

The unrestricted deficit amount relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB obligation.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 408,062	\$ 401,843	\$ 6,219	1.55 %
Operating Grants	993,656	947,907	45,749	4.83 %
Capital Grants	24,753	384,872	(360,119)	(93.57)%
General Revenues				
Property Taxes and STAR	20,602,290	20,156,206	446,084	2.21 %
State Sources	7,152,294	6,395,615	756,679	11.83 %
Other	1,108,780	906,137	202,643	22.36 %
Total Revenues	30,289,835	29,192,580	1,097,255	3.76 %
Expenses				
General Support	3,914,686	3,895,235	19,451	0.50 %
Instruction	24,725,859	26,100,231	(1,374,372)	(5.27)%
Pupil Transportation	836,673	675,875	160,798	23.79 %
Debt Service - Interest	77,348	23,555	53,793	228.37 %
Food Service Program	314,501	311,528	2,973	0.95 %
Total Expenses	29,869,067	31,006,424	(1,137,357)	(3.67)%
Increase / (Decrease) in Net Position	\$ 420,768	\$ (1,813,844)	\$ 2,234,612	(123.20)%

The District's net position increased by \$420,768 and decreased by \$1,813,844 for the years ended June 30, 2019 and 2018, respectively.

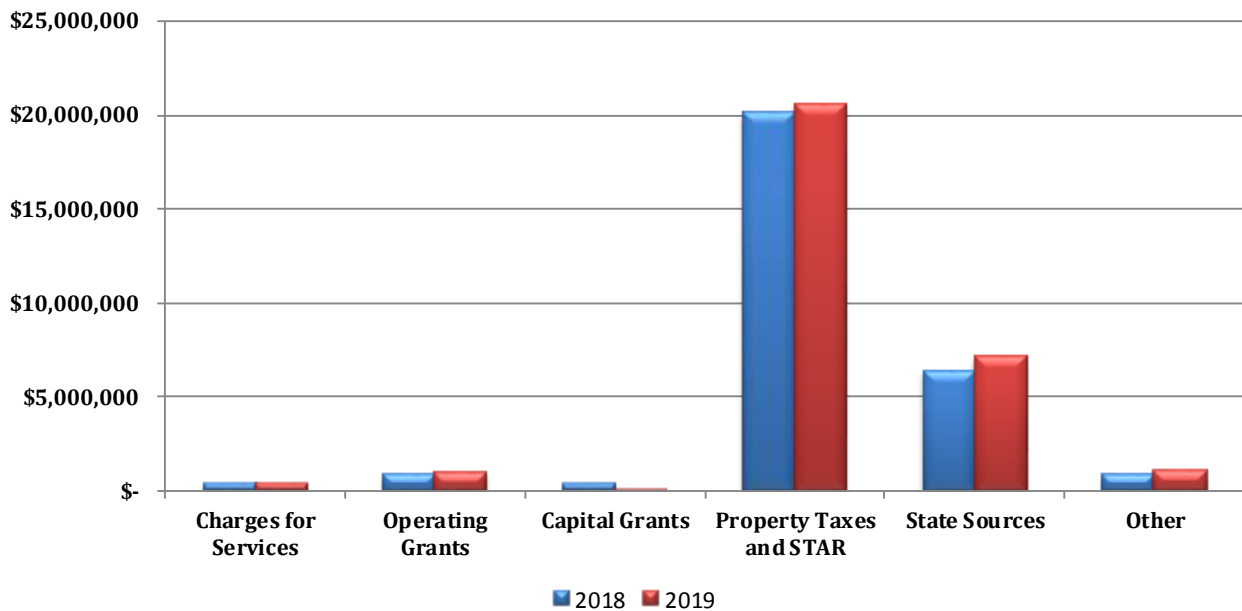
VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The District's revenues increased by \$1,097,255 or 3.76%. The increase was primarily due to increases in property taxes and STAR and state sources. The increase in property taxes and STAR was in accordance with the voter approved 2018-2019 budget and was needed to fund an increase in appropriations. The increase in state sources is due to the District receiving more in state aid, as calculated by New York State, and the District receiving a special legislative grant in the amount of \$75,000. These increases were offset by a decrease in capital grants due to a decrease in revenue related to the Smart Schools Bond Act.

The District's expenses for the year decreased by \$1,137,357 or 3.67%. This decrease in expenses primarily relates to the decrease in OPEB expenses of \$1,663,703, as a result of changes in actuarial assumptions and other inputs. Other expenses increased by approximately \$583,500.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 68.0% and 69.0% of the total for the years 2019 and 2018, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 82.7% and 84.1% of the total for the years 2019 and 2018, respectively).

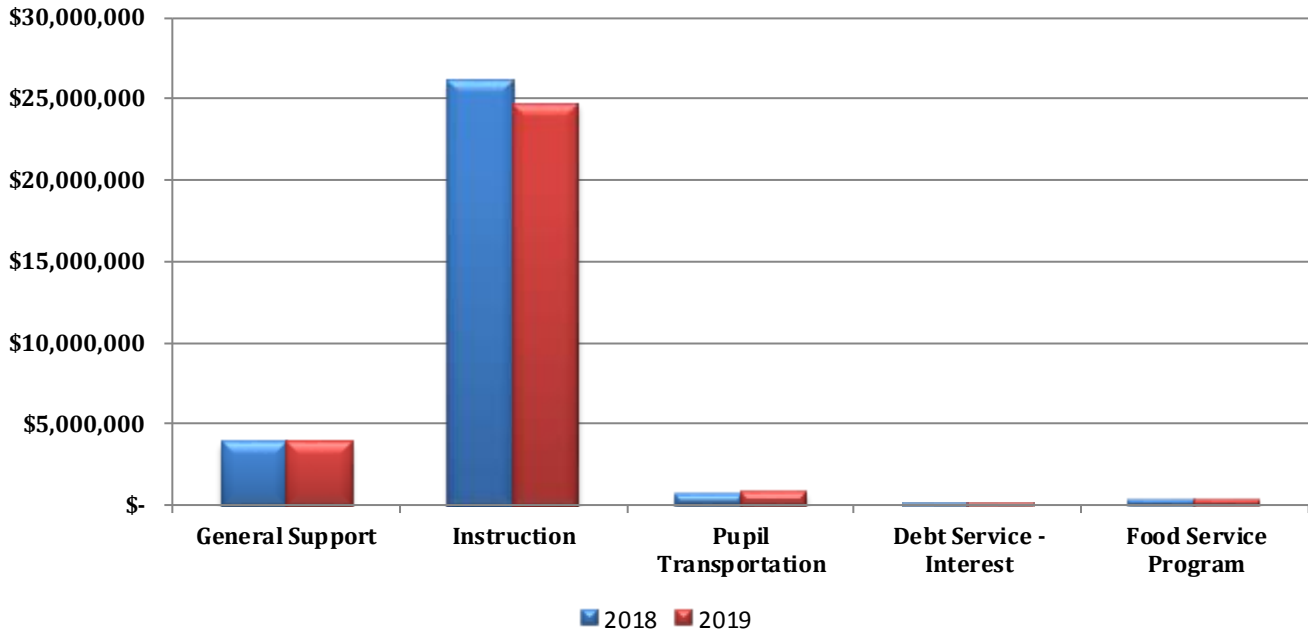
A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Capital Grants	Property Taxes and STAR	State Sources	Other
2018	1.4%	3.2%	1.3%	69.0%	21.9%	3.2%
2019	1.3%	3.3%	0.1%	68.0%	23.6%	3.7%

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2018	12.6%	84.1%	2.2%	0.1%	1.0%
2019	13.1%	82.7%	2.8%	0.3%	1.1%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$8,706,719, which is an increase of \$1,518,717 over the prior year. This increase is due to an excess of revenues over expenditures based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2019	2018	Increase (Decrease)
General Fund			
Restricted			
Unemployment insurance	\$ 22,960	\$ 22,583	\$ 377
Retirement contribution			
Teachers' retirement system	245,000		245,000
Employees' retirement system	2,896,081	2,848,592	47,489
Employee benefit accrued liability	1,212,777	1,192,890	19,887
Capital	1,142,217	621,993	520,224
Assigned			
Appropriated fund balance	600,000	425,000	175,000
Unappropriated fund balance	77,845	46,858	30,987
Unassigned: Fund balance	1,195,211	1,150,298	44,913
	7,392,091	6,308,214	1,083,877

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2019	2018	Increase (Decrease)
School Food Service Fund			
Assigned: Unappropriated fund balance	\$ 10,822	\$ 3,227	\$ 7,595
Capital Projects Fund			
Restricted: Unspent debt proceeds	834,858		834,858
Assigned: Unappropriated fund balance	468,948	876,561	(407,613)
	<u>1,303,806</u>	<u>876,561</u>	<u>427,245</u>
 Total Fund Balance	 <u>\$ 8,706,719</u>	 <u>\$ 7,188,002</u>	 <u>\$ 1,518,717</u>

A. General Fund

The net change in the general fund – fund balance is an increase of \$1,083,877, compared to an increase of \$1,050,744 for 2018. This resulted from revenues of \$29,190,444 in excess of expenditures and other financing uses of \$28,106,567. Revenues increased by \$1,433,100 (5.16%) over the prior year revenues. This increase was primarily due to increases in real property taxes and state sources. The increase in real property taxes was in accordance with the 2018-2019 budget and was needed to fund the anticipated increase in appropriations. The increase in state sources is due to the District receiving more in state aid as calculated by New York State and the District receiving a special legislative grant in the amount of \$75,000.

Expenditures and other financing uses increased by \$1,399,968 (5.24%) compared to the prior year. This increase is due to increases in general support, instruction, pupil transportation and employee benefits.

During the 2018-2019 fiscal year, the District adopted a resolution to establish a sub-fund within the Retirement Contribution Reserve for contributions to the New York State Teachers' Retirement System. At the end of the fiscal year, the District funded the Reserve for Teachers' Retirement contribution in the amount of \$245,000 for future retirement contribution costs. The District does not expect to appropriate funds from this reserve during 2019-2020.

On May 15, 2018, the voters of the District authorized the creation of a capital reserve for \$2,000,000 plus accumulated interest, to be funded over a period of 10 years. In 2018-2019, the District funded the reserve in the additional amount of \$509,855. The reserve also earned interest of \$10,369. The total amount of funding for the capital reserve is \$1,131,848, not including interest, as of June 30, 2019.

B. School Food Service Fund

The net change in the school food service fund – fund balance is an increase of \$7,595. This increase is primarily attributable to an operating transfer in from the general fund.

C. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of \$427,245. The District transferred \$400,000 into the capital projects fund for various capital projects. The District also issued an energy performance contract in the current year in the amount of \$2,611,364, of which \$834,858 was not spent as of June 30, 2019. In addition, the District recognized \$24,753 of state aid revenue from the Smart Schools Bond Act. Current year expenditures were \$2,608,872.

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018-2019 Budget

The District's general fund adopted budget for the year ended June 30, 2019 was \$28,757,452. This amount was increased by encumbrances carried forward from the prior year in the amount of \$46,858 and a budget revision of \$75,000, for a total final budget of \$28,879,310. The budget revision was for additional appropriations funded by a special legislative grant.

The budget was funded through a combination of estimated revenues and appropriated reserves. The majority of this funding source was \$20,602,290 in estimated property taxes and STAR.

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

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

Opening, Unassigned Fund Balance	\$ 1,150,298
Revenues Over Budget	782,992
Expenditures and Encumbrances Under Budget	694,898
Allocation to Reserves	(832,977)
Appropriated to Fund the June 30, 2020 Budget	<u>(600,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 1,195,211</u></u>

Opening, Unassigned Fund Balance

The \$1,150,298 shown in the table is the portion of the District's June 30, 2018 fund balance that was retained as unassigned. This was 4.0% of the District's 2018-2019 approved operating budget of \$28,757,452, the maximum unassigned fund balance permitted by law.

Revenues Over Budget

The 2018-2019 final budget for revenues was \$28,407,452. Actual revenues recognized for the year were \$29,190,444. The excess of actual revenue over estimated or budgeted revenue was \$782,992. This excess was primarily due to the District receiving more than anticipated in charges for services, use of money and property, miscellaneous and state source revenues. This contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

Expenditures and Encumbrances Under Budget

The 2018-2019 final budget for expenditures was \$28,879,310. Actual expenditures as of June 30, 2019 were \$28,106,567 and outstanding encumbrances were \$77,845. Combined, the expenditures plus encumbrances for 2018-2019 were \$28,184,412. The final budget was under expended by \$694,898. The under expenditures were primarily in general support, instruction and employee benefits. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers.

The \$832,977 shown in the previous table is made up of a transfer to the reserve for teachers' retirement contributions of \$245,000, a transfer of \$509,855 to the capital reserve and interest earnings on the reserves as follows:

Employee benefit accrued liability	\$	19,887
Unemployment insurance		377
Retirement contribution		47,489
Capital reserve		10,369
		<u>10,369</u>
	<u>\$</u>	<u>78,122</u>

Appropriated Fund Balance

The District has chosen to use \$600,000 of the available June 30, 2019 unassigned fund balance to partially fund the 2019-2020 approved operating budget. As such, the June 30, 2019 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the summary table, the unassigned fund balance at June 30, 2019 was \$1,195,211. This amount equals 4.00% of the 2019-2020 budget.

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

A. Capital Assets

At June 30, 2019, the District had invested in a broad range of capital assets, as indicated in the following table. The net increase in capital assets is due to capital asset additions of \$2,625,146 in excess of depreciation expense of \$528,328 recorded for the year ended June 30, 2019. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)
Land	\$ 155,300	\$ 155,300	\$ -
Construction in progress	1,807,286	1,059,992	747,294
Buildings	8,325,017	7,004,661	1,320,356
Furniture and equipment	316,720	282,993	33,727
Licensed vehicles	19,948	24,507	(4,559)
	<u>10,624,271</u>	<u>8,527,453</u>	<u>2,096,818</u>
Capital assets, net	<u>\$ 10,624,271</u>	<u>\$ 8,527,453</u>	<u>\$ 2,096,818</u>

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Debt Administration

At June 30, 2019, the District had energy performance contract debt payable of \$3,387,195. The increase in energy performance contracts payable is attributable to the issuance of an energy performance contract in the amount of \$2,611,364, offset by principal payments of \$144,367. The energy performance contracts were issued for building improvements. A summary of the outstanding debt at June 30, 2019 and 2018 is as follows:

Issue Date	Interest Rate	2019	2018	Increase (Decrease)
2/8/2017	2.40%	\$ 775,831	920,198	\$ (144,367)
11/21/2018	3.56%	2,611,364		2,611,364
		<u>\$ 3,387,195</u>	<u>\$ 920,198</u>	<u>\$ 2,466,997</u>

C. Other Long-Term Liabilities

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

	2019	2018	Increase (Decrease)
Compensated absences	\$ 1,648,956	\$ 1,566,026	\$ 82,930
Net pension liability - proportionate share	468,364	199,662	268,702
Total OPEB obligation	<u>27,012,000</u>	<u>35,894,312</u>	<u>(8,882,312)</u>
	<u>\$ 29,129,320</u>	<u>\$ 37,660,000</u>	<u>\$ (8,530,680)</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 21, 2019, for the year ending June 30, 2020 is \$29,880,294. This is an increase of \$1,122,842 or 3.90% over the previous year's budget. The increase is principally in instruction and debt service areas of the budget.

The District budgeted revenues other than property taxes and STAR at a \$153,653 increase over the prior year's estimate, which is principally due to an estimated increase in state aid. This year, the District has decided not to appropriate reserves, but has appropriated \$600,000 of fund balance instead, an increase of \$175,000 over the prior year. A property tax increase of \$794,189 (3.85%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

B. Future Budgets

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets. The District will continue to remain cautious regarding future budget increases.

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2019-2020 is 3.85%. The District's 2019-2020 property tax increase of 3.85% was equal to the tax cap and did not require an override vote.

D. Property Tax Relief Credit

New York State law provides a "Property Tax Relief Credit" to eligible taxpayers through the 2019-2020 school year. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check. The amount of the credit (check) is a function of the basic STAR savings and the taxpayer's income. This program provides an incentive for school districts to be tax cap compliant.

8. CONTACTING THE DISTRICT

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Mr. Jack R. Mitchell
Director of Finance & Operations
Valley Stream Union Free School District Twenty-Four
75 Horton Avenue
Valley Stream, New York 11581

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR

Statement of Net Position

June 30, 2019

ASSETS

Cash		
Unrestricted	\$	3,036,635
Restricted		6,353,893
Receivables		
Accounts receivable		37,823
Taxes receivable		1,054,459
Due from fiduciary funds		30,296
Due from state and federal		717,880
Due from other governments		273,204
Capital assets:		
Not being depreciated		1,962,586
Being depreciated, net of accumulated depreciation		8,661,685
Net pension asset - proportionate share		<u>1,527,678</u>
 Total Assets		 <u>23,656,139</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions		<u>8,797,171</u>
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LIABILITIES

Payables		
Accounts payable		366,599
Accrued liabilities		92,337
Due to other governments		532,480
Due to teachers' retirement system		1,557,171
Due to employees' retirement system		85,482
Compensated absences		54,347
Unearned credits		
Collections in advance		22,013
Long-term liabilities		
Due and payable within one year		
Energy performance contract payable		240,658
Compensated absences payable		22,812
Due and payable after one year		
Energy performance contract payable		3,146,537
Compensated absences payable		1,626,144
Net pension liability - proportionate share		468,364
Total other postemployment benefits obligation		<u>27,012,000</u>
 Total Liabilities		 <u>35,226,944</u>

DEFERRED INFLOWS OF RESOURCES

Reserve for excess property tax levy		111,784
Pensions		2,071,171
Other postemployment benefits obligation		<u>9,754,473</u>
 Total Deferred Inflows of Resources		 <u>11,937,428</u>

NET POSITION (DEFICIT)

Net investment in capital assets		<u>8,071,934</u>
Restricted:		
Unemployment insurance		22,960
Retirement contribution		
Teachers' retirement system		245,000
Employees' retirement system		2,896,081
Employee benefit accrued liability		1,212,777
Capital		<u>1,142,217</u>
		<u>5,519,035</u>
Unrestricted (deficit)		<u>(28,302,031)</u>
 Total Net Position (Deficit)		 <u>\$ (14,711,062)</u>

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR

Statement of Activities

For The Year Ended June 30, 2019

	<u>Program Revenues</u>			Net (Expense)
<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
	<u>Services</u>	<u>Grants</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
FUNCTIONS/PROGRAMS				
General support	\$ 3,914,686	\$	\$	\$ (3,914,686)
Instruction	24,725,859	296,356	796,725	(23,608,025)
Pupil transportation	836,673			(836,673)
Debt service - interest	77,348			(77,348)
Food service program	314,501	111,706	196,931	(5,864)
	<u>\$ 29,869,067</u>	<u>\$ 408,062</u>	<u>\$ 993,656</u>	<u>\$ 24,753</u>
Total Functions and Programs				(28,442,596)
GENERAL REVENUES				
Real property taxes				18,798,330
Other tax items				2,448,819
Use of money and property				106,966
Sale of property and compensation for loss				8,097
Miscellaneous				290,590
State sources				7,152,294
Medicaid reimbursement				58,268
				<u>28,863,364</u>
Total General Revenues				28,863,364
Change in Net Position				420,768
Total Net Position (Deficit) - Beginning of Year				<u>(15,131,830)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (14,711,062)</u>

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
Balance Sheet - Governmental Funds
June 30, 2019

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	\$ 2,806,823	\$ 42,272	\$ 57,973	\$ 129,567	\$ 3,036,635
Restricted	5,519,035			834,858	6,353,893
Receivables					
Accounts receivable	37,823				37,823
Taxes receivable	1,054,459				1,054,459
Due from other funds	1,216,401		201,348	214,418	1,632,167
Due from state and federal	246,065	331,402	15,450	124,963	717,880
Due from other governments	273,204				273,204
 Total Assets	 <u>\$ 11,153,810</u>	 <u>\$ 373,674</u>	 <u>\$ 274,771</u>	 <u>\$ 1,303,806</u>	 <u>\$ 13,106,061</u>
LIABILITIES					
Payables					
Accounts payable	\$ 351,512		\$ 15,087		\$ 366,599
Accrued liabilities	29,772				29,772
Due to other funds	1,001,348	370,523	230,000		1,601,871
Due to other governments	532,480				532,480
Due to teachers' retirement system	1,557,171				1,557,171
Due to employees' retirement system	85,482				85,482
Compensated absences	54,347				54,347
Unearned credits					
Collections in advance		3,151	18,862		22,013
 Total Liabilities	 <u>3,612,112</u>	 <u>373,674</u>	 <u>263,949</u>	 <u>-</u>	 <u>4,249,735</u>
DEFERRED INFLOWS OF RESOURCES					
Reserve for excess property tax levy	111,784				111,784
Unavailable revenues	37,823				37,823
 Total Deferred Inflows of Resources	 <u>149,607</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>149,607</u>
FUND BALANCES					
Restricted:					
Unemployment insurance	22,960				22,960
Retirement contribution					
Teachers' retirement system	245,000				245,000
Employees' retirement system	2,896,081				2,896,081
Employee benefit accrued liability	1,212,777				1,212,777
Capital	1,142,217				1,142,217
Unspent debt proceeds				834,858	834,858
	<u>5,519,035</u>	<u>-</u>	<u>-</u>	<u>834,858</u>	<u>6,353,893</u>
Assigned:					
Appropriated fund balance	600,000				600,000
Unappropriated fund balance	77,845		10,822	468,948	557,615
	<u>677,845</u>	<u>-</u>	<u>10,822</u>	<u>468,948</u>	<u>1,157,615</u>
Unassigned: Fund balance					
	<u>1,195,211</u>				<u>1,195,211</u>
 Total Fund Balances	 <u>7,392,091</u>	 <u>-</u>	 <u>10,822</u>	 <u>1,303,806</u>	 <u>8,706,719</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 11,153,810</u>	 <u>\$ 373,674</u>	 <u>\$ 274,771</u>	 <u>\$ 1,303,806</u>	 <u>\$ 13,106,061</u>

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total Governmental Fund Balances \$ 8,706,719

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

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

Original cost of capital assets	\$ 19,363,979	
Less: Accumulated depreciation	<u>(8,739,708)</u>	10,624,271

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

Net pension asset - teachers' retirement system	1,527,678	
Deferred outflows of resources	8,797,171	
Net pension liability - employees' retirement system	(468,364)	
Deferred inflows of resources	<u>(2,071,171)</u>	7,785,314

Total other postemployment benefits obligation and deferred inflows related to providing benefits in retirement are not a current financial resource or obligation and are not reported in the funds.

Total other postemployment benefits obligation	(27,012,000)	
Deferred inflows of resources	<u>(9,754,473)</u>	(36,766,473)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.

37,823

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on energy performance contract payable	(62,565)	
Energy performance contract payable	(3,387,195)	
Compensated absences payable	<u>(1,648,956)</u>	(5,098,716)

Total Net Position (Deficit)		<u><u>\$ (14,711,062)</u></u>
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VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2019

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 18,798,330	\$	\$	\$	\$ 18,798,330
Other tax items	2,448,819				2,448,819
Charges for services	296,356				296,356
Use of money and property	106,844		122		106,966
Sale of property and compensation for loss	8,097				8,097
Miscellaneous	321,436		3,921		325,357
State sources	7,152,294	139,629	6,786	24,753	7,323,462
Medicaid reimbursement	58,268				58,268
Federal sources		657,096	190,145		847,241
Sales			107,785		107,785
Total Revenues	29,190,444	796,725	308,759	24,753	30,320,681
EXPENDITURES					
General support	3,171,360				3,171,360
Instruction	17,464,236	803,933			18,268,169
Pupil transportation	788,623	34,263			822,886
Employee benefits	6,069,510				6,069,510
Debt service					
Principal	144,367				144,367
Interest	21,224				21,224
Food service program			306,940		306,940
Capital outlay				2,608,872	2,608,872
Total Expenditures	27,659,320	838,196	306,940	2,608,872	31,413,328
Excess (Deficiency) of Revenues Over Expenditures	1,531,124	(41,471)	1,819	(2,584,119)	(1,092,647)
OTHER FINANCING SOURCES AND (USES)					
Proceeds of obligations				2,611,364	2,611,364
Operating transfers in		41,471	5,776	400,000	447,247
Operating transfers (out)	(447,247)				(447,247)
Total Other Financing Sources and (Uses)	(447,247)	41,471	5,776	3,011,364	2,611,364
Net Change in Fund Balances	1,083,877	-	7,595	427,245	1,518,717
Fund Balances - Beginning of Year	6,308,214		3,227	876,561	7,188,002
End of Year	<u>\$ 7,392,091</u>	<u>\$ -</u>	<u>\$ 10,822</u>	<u>\$ 1,303,806</u>	<u>\$ 8,706,719</u>

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2019

Net Change in Fund Balances \$ 1,518,717

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

Long-Term Revenue and Expense Differences

Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the Statement of Activities in prior years when they were earned.

\$ (30,846)

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

Increase in compensated absences payable

(82,930)

(113,776)

Capital Related Differences

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

Capital outlays

2,625,146

Depreciation expense

(528,328)

2,096,818

Long-Term Debt Transactions Differences

Proceeds from the issuance of debt are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.

(2,611,364)

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

Repayment of energy performance contract payable

144,367

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest increased from June 30, 2018 to June 30, 2019.

(56,124)

(2,523,121)

Pension and Other Postemployment Benefits Differences

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

Teachers' retirement system

221,630

Employees' retirement system

(50,616)

Other postemployment benefits

(728,884)

(557,870)

Change in Net Position (Deficit) of Governmental Activities

\$ 420,768

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2019

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	\$ 45,336	\$
Restricted		511
Due from agency fund		642
Total Assets	\$ 45,336	1,153
 LIABILITIES		
Due to governmental funds	\$ 30,938	
Other liabilities	14,398	
Total Liabilities	\$ 45,336	-
 NET POSITION		
Restricted for scholarships		\$ 1,153

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2019

	Private Purpose Trust
ADDITIONS	\$ -
 DEDUCTIONS	
Scholarships and awards	150
Change in Net Position	(150)
Net Position - Beginning of Year	1,303
Net Position - End of Year	\$ 1,153

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Valley Stream Union Free School District Twenty-Four (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

A. Reporting Entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 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 financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities that would be included in the District's reporting entity.

B. Joint Venture

The District is a component district in the Board of Cooperative Educational Services of Nassau (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

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

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

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

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

Fiduciary Funds - are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used to finance District operations. The following are the District's fiduciary funds:

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 and for payroll or employee withholding.

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

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

E. Real Property Taxes

Calendar

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

Enforcement

Uncollected real property taxes are subsequently enforced by Nassau County in June.

F. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the District's policy concerning which to apply first varies with the intended use, and with

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

G. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

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

H. Use of Estimates

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

I. Cash and Cash Equivalents

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

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

J. Receivables

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

K. Capital Assets

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

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	\$ 10,000	20-50 years
Furniture and equipment	5,000	5-20 years
Licensed vehicles	5,000	8 years

L. Deferred Outflows of Resources

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

M. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

N. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first item is related to the reserve for excess property taxes, which is associated with unanticipated restored property taxes received from the Town in excess of the District's tax levy. The money will be used to reduce the tax levy in a future year. Second is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables for amounts due to the District. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The third item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The fourth item is related to OPEB and represents the change in the total other postemployment benefits obligation not included in OPEB expense.

O. Employee Benefits – Compensated Absences

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

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

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

P. Other Benefits

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

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

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

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

Q. Equity Classifications

District-Wide Statements

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

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

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

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Fund Statements

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

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. Effective April 1, 2019, a board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR

NOTES TO FINANCIAL STATEMENTS

(Continued)

Capital Reserve

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

Restricted – Unspent Debt Proceeds

Unspent long-term debt proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Restricted for Scholarships

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

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance 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.

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

Fund Balance Classification

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

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or Board approved budget revision and then from the assigned fund balance to the extent that there is an appropriation and then from the unassigned fund balance.

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The District appropriated an additional \$75,000 during the year for additional program costs funded by a special legislative grant.

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

Investment pool:

The District participates in the Cooperative Liquid Assets Securities System – New York (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

Total investments of the cooperative at June 30, 2019 are \$2,491,597,265, which consisted of \$350,918,796 in repurchase agreements, \$1,905,651,848 in U.S. Treasury Securities and \$235,026,621 in collateralized bank deposits, with various interest rates and due dates.

The following amounts are included as cash:

Fund	Carrying Amount
General	<u>\$ 3,060,972</u>

The above amounts represent the fair value of the investment pool shares. The Lead Participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

5. PARTICIPATION IN BOCES

During the year ended June 30, 2019, the District was billed \$1,966,504 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$515,002. Financial statements for the BOCES are available from the BOCES administrative offices at 71 Clinton Road, P.O. Box 9195, Garden City, New York 11530-9195.

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2019 consisted of:

General Fund	
New York State - general aid	\$ 13,359
New York State - excess cost aid	232,706
	246,065
Special Aid Fund	
Federal and state grants	331,402
School Food Service Fund	
Federal and state food service program reimbursements	15,450
Capital Projects Fund	
Smart Schools Bond Act - State	124,963
	\$ 717,880

District management has deemed these receivables as fully collectible.

7. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2019 consisted of:

General Fund	
BOCES aid	\$ 232,782
Other districts - health services	3,738
Other districts - tuition	36,684
	\$ 273,204

District management has deemed these receivables as fully collectible.

8. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2019, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,216,401	\$ 1,001,348	\$	\$ 447,247
Special Aid Fund		370,523	41,471	
School Food Service Fund	201,348	230,000	5,776	
Capital Projects Fund	214,418		400,000	
Total Governmental Funds	1,632,167	1,601,871	\$ 447,247	\$ 447,247
Fiduciary Funds	642	30,938		
Total	\$ 1,632,809	\$ 1,632,809		

The District typically transfers from the general fund to the special aid fund, school service fund and the capital projects fund. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the stated-supported Section 4201 schools. The transfer to the food

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

service fund was done to restore lost revenues from bad debt. The transfer to the capital projects fund was a voter approved budgetary transfer to fund current capital projects.

9. CAPITAL ASSETS

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Governmental activities				
Capital assets not being depreciated				
Land	\$ 155,300	\$	\$	\$ 155,300
Construction in progress	1,059,992	2,584,120	(1,836,826)	1,807,286
Total capital assets not being depreciated	<u>1,215,292</u>	<u>2,584,120</u>	<u>(1,836,826)</u>	<u>1,962,586</u>
Capital assets being depreciated				
Buildings	14,249,202	1,839,223		16,088,425
Furniture and equipment	1,191,331	38,629		1,229,960
Licensed vehicles	83,008			83,008
Total capital assets being depreciated	<u>15,523,541</u>	<u>1,877,852</u>	<u>-</u>	<u>17,401,393</u>
Less accumulated depreciation for:				
Buildings	7,244,541	518,867		7,763,408
Furniture and equipment	908,338	4,902		913,240
Licensed vehicles	58,501	4,559		63,060
Total accumulated depreciation	<u>8,211,380</u>	<u>528,328</u>	<u>-</u>	<u>8,739,708</u>
Total capital assets, being depreciated, net	<u>7,312,161</u>	<u>1,349,524</u>	<u>-</u>	<u>8,661,685</u>
Capital assets, net	<u>\$ 8,527,453</u>	<u>\$ 3,933,644</u>	<u>\$ (1,836,826)</u>	<u>\$ 10,624,271</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 77,354
Instruction	431,443
Pupil transportation	11,970
Food service program	<u>7,561</u>
Total depreciation expense	<u>\$ 528,328</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)

10. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pensions and other postemployment benefits obligations, for the year are summarized below:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Long-term debt:					
Energy performance contract	\$ 920,198	\$ 2,611,364	\$ (144,367)	\$ 3,387,195	\$ 240,658
Other long-term liabilities					
Compensated absences	1,566,026	137,277	(54,347)	1,648,956	22,812
	<u>\$ 2,486,224</u>	<u>\$ 2,748,641</u>	<u>\$ (198,714)</u>	<u>\$ 5,036,151</u>	<u>\$ 263,470</u>

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

B. Energy Performance Contract Payable

Energy performance contract payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2019
Energy performance contract	2/8/2017	3/15/2024	2.40%	\$ 775,831
Energy performance contract	11/21/2018	11/15/2033	3.56%	<u>2,611,364</u>
				<u>\$ 3,387,195</u>

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 240,658	\$ 154,818	\$ 395,476
2021	292,895	102,581	395,476
2022	301,632	93,844	395,476
2023	310,640	84,836	395,476
2024	319,928	75,548	395,476
2025-2029	875,254	274,175	1,149,429
2030-2034	1,046,188	103,243	1,149,431
Total	<u>\$ 3,387,195</u>	<u>\$ 889,045</u>	<u>\$ 4,276,240</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Interest Expense

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

Interest paid	\$ 21,224
Less interest accrued in the prior year	(6,441)
Plus interest accrued in the current year	<u>62,565</u>
Total interest expense on long-term debt	<u>\$ 77,348</u>

11. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

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

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NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.80% of covered payroll for the TRS' fiscal year ended June 30, 2018. The District's average contribution rate was 13.87% of covered payroll for the ERS' fiscal year ended March 31, 2019.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2019 was \$1,515,030 for TRS and \$300,437 for ERS.

D. Pension Asset/(Liability), Pension Expense, and 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 TRS and March 31, 2019 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2018	March 31, 2019
District's proportionate share of the net pension asset/(liability)	\$ 1,527,678	\$ (468,364)
District's portion of the Plan's total net pension asset/(liability)	0.0844830%	0.0066104%
Change in proportion since the prior measurement date	(0.0000470)	0.0004240

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2019, the District recognized pension expense of \$1,293,400 for TRS and \$351,053 for ERS. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 1,141,622	\$ 92,231	\$ 206,792	\$ 31,440
Changes of assumptions	5,340,238	117,728		
Net difference between projected and actual earnings on pension plan investments			1,695,839	120,208
Changes in proportion and differences between the District's contributions and proportionate share of contributions	415,123	106,818		16,892
District's contributions subsequent to the measurement date	1,497,929	85,482		
Total	\$ 8,394,912	\$ 402,259	\$ 1,902,631	\$ 168,540

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

Year Ending June 30,	TRS	ERS
2020	\$ 1,622,615	\$ 131,804
2021	1,130,997	(67,440)
2022	201,011	8,095
2023	1,127,397	75,778
2024	740,909	
Thereafter	171,423	
	\$ 4,994,352	\$ 148,237

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Inflation	2.25%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Cost of living adjustments	1.50%	1.30%

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2018		March 31, 2019
Asset type				
Domestic equity	33.0%	5.80%	36.0%	4.55%
International equity	16.0%	7.30%	14.0%	6.35%
Global equity	4.0%	6.70%		
Real estate	11.0%	4.90%	10.0%	5.55%
Private equities	8.0%	8.90%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.50%		
Bonds and mortgages	8.0%	2.80-6.80%	17.0%	1.31%
Short-term	1.0%	0.30%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.3% for TRS and 2.5% for ERS.

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

Discount Rate

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

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

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

TRS	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension asset (liability)	\$ (10,495,400)	\$ 1,527,678	\$ 11,599,677
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ 2,047,764	\$ (468,364)	\$ 858,443

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2018	March 31, 2019
Employers' total pension liability	\$ (118,107,254)	\$ (189,803,429)
Plan fiduciary net position	119,915,518	182,718,124
Employers' net pension asset/(liability)	\$ 1,808,264	\$ (7,085,305)
Ratio of plan fiduciary net position to the employers' total pension liability	101.53%	96.27%

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR

NOTES TO FINANCIAL STATEMENTS

(Continued)

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the system in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employer and employee contributions for the fiscal year ended June 30, 2019, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2019 amounted to \$1,497,929 of employer contributions and \$59,242 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$85,482 of employer contributions. Employee contributions are remitted monthly.

12. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements, however, the District made no contributions during the year. Contributions made by the employees for the year ended June 30, 2019, totaled \$876,912.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2019 totaled \$54,500.

13. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description –The District provides other postemployment benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the District has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

Employees Covered by Benefit Terms – At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	107
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	150
	257

B. Total OPEB Liability

The District’s total OPEB liability of \$27,012,000 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%	
Discount rate	3.50%	
Healthcare cost trend rates	6.10%	for 2019, decreasing to an ultimate rate of 4.10% over 57 years
Retirees' share of benefit-related costs	50-100%	of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer General Obligation 20 – Bond Municipal Index.

Mortality rates were based on the RP-2014 adjusted to 2006 total dataset mortality table projected to the valuation date with Scale MP-2018, as appropriate with adjustments for mortality improvements projected to date of decrement using Scale MP-2018 (generational mortality).

The plan does not have credible data on which to perform an experience study. As a result, a full actuarial study is not applicable.

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	\$ 35,894,312
Changes for the year	
Service cost	1,327,312
Interest	1,110,298
Changes of benefit terms	-
Differences between expected and actual experience	(4,513,435)
Changes in assumptions or other inputs	(6,380,015)
Benefit payments	(426,472)
	(8,882,312)
Balance at June 30, 2019	\$ 27,012,000

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.00% in 2018 to 3.50% in 2019. In addition, the valuation reflects a change in the inflation rate from 3.00% in 2018 to 2.60% in 2019 and a change in the medical trend rates from 7.50% to 4.50% over seven years in 2018 to 6.10% to 4.10% over 57 years in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current discount rate:

OPEB	1% Decrease (2.50)%	Discount Rate (3.50)%	1% Increase (4.50)%
Total OPEB liability	<u>\$ (32,238,345)</u>	<u>\$ (27,012,000)</u>	<u>\$ (22,869,443)</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.10-3.10%) or 1 percentage point higher (7.10-5.10%) than the current healthcare cost trend rate:

OPEB	1% Decrease (5.10% decreasing to 3.10%)	Healthcare Cost Trend Rates (6.10% decreasing to 4.10%)	1% Increase (7.10% decreasing to 5.10%)
Total OPEB liability	<u>\$ (22,311,536)</u>	<u>\$ (27,012,000)</u>	<u>\$ (33,751,465)</u>

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,155,357. At June 30, 2019, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,116,320
Changes of assumptions	5,638,153
District’s contributions subsequent to the measurement date	_____
Total	<u>\$ 9,754,473</u>

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ (1,282,253)
2021	(1,282,253)
2022	(1,282,253)
2023	(1,282,253)
2024	(1,282,253)
Thereafter	<u>(3,343,208)</u>
	<u>\$ (9,754,473)</u>

14. RISK MANAGEMENT

A. General Information

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

B. Public Entity Risk Pool

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its 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 participates in the Nassau County Schools Cooperative Workers Compensation Self-Insured Plan (the Workers' Compensation Plan), a risk-sharing pool, to insure workers' compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to administer claims, finance liability and manage risks related to workers' compensation claims. The District pays an annual assessment determined by the Plan's Board of Trustees. In the event that the Plan has insufficient funds to meet its obligations, the Plan's Board of Trustees may issue supplemental assessments to the Plan's members. Plan members who withdraw or are terminated from the Plan's membership will assume responsibilities for all open and unpaid claims associated with them. As of June 30, 2019, the discounted Workers' Compensation Plan's total liability for unbilled and open claims was \$15,794,170 at a 3.00% discount rate. The Workers' Compensation Plan has assets of \$20,655,439 to pay these liabilities.

15. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$600,000 has been appropriated to reduce taxes for the year ending June 30, 2020.

16. TAX ABATEMENTS

The Nassau County Industrial Development Agency and the Town of Hempstead Industrial Development Agency enter into various property tax abatement programs for the purpose of economic development. The

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

District's property tax revenue was reduced \$1,630,200. The District received payment in lieu of tax (PILOT) payments totaling \$242,752.

17. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as assigned fund balance. At June 30, 2019, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	\$ 60,245
Instruction	17,600
	\$ 77,845
Capital Projects Fund	
Capital projects	\$ 93,924
	\$ 93,924

B. Grants

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

C. Litigation

The District is not aware of any material pending or threatened litigation claims against the District. The District is also unaware of any unasserted claims or assessments that would require financial statement disclosure.

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$19,056. The minimum remaining operating lease payments are as follows:

Year Ending June 30,	Amount
2020	\$ 19,056
2021	13,909
2022	1,739
	\$ 34,704

18. SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
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	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 20,602,290	\$ 18,798,330	\$ 18,798,330	\$ -
Other tax items	652,725	2,456,685	2,448,819	(7,866)
Charges for services			296,356	296,356
Use of money and property			106,844	106,844
Sale of property and compensation for loss			8,097	8,097
Miscellaneous	132,709	132,709	321,436	188,727
Total Local Sources	21,387,724	21,387,724	21,979,882	592,158
State Sources	6,924,728	6,999,728	7,152,294	152,566
Medicaid Reimbursement	20,000	20,000	58,268	38,268
Total Revenues	28,332,452	28,407,452	29,190,444	\$ 782,992
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	425,000	425,000		
Prior Year's Encumbrances	46,858	46,858		
Total Appropriated Fund Balance	471,858	471,858		
Total Revenues and Appropriated Fund Balance	\$ 28,804,310	\$ 28,879,310		

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.

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 39,350	\$ 56,358	\$ 52,972	\$	\$ 3,386
Central administration	380,129	353,282	346,640		6,642
Finance	565,085	607,279	544,966	60,245	2,068
Staff	177,353	152,989	109,462		43,527
Central services	1,850,082	1,926,753	1,800,846		125,907
Special items	318,193	316,993	316,474		519
Total General Support	<u>3,330,192</u>	<u>3,413,654</u>	<u>3,171,360</u>	<u>60,245</u>	<u>182,049</u>
Instruction					
Administration & improvement	919,791	938,472	888,652	17,600	32,220
Teaching - regular school	10,145,175	10,072,566	10,037,354		35,212
Programs for students with disabilities	3,912,017	4,422,354	4,289,031		133,323
Teaching - special schools	126,000	108,797	108,797		-
Instructional media	1,092,696	1,263,049	1,252,531		10,518
Pupil services	872,317	895,478	887,871		7,607
Total Instruction	<u>17,067,996</u>	<u>17,700,716</u>	<u>17,464,236</u>	<u>17,600</u>	<u>218,880</u>
Pupil Transportation	<u>662,591</u>	<u>798,061</u>	<u>788,623</u>		<u>9,438</u>
Community Services	<u>1,200</u>	<u>700</u>			<u>700</u>
Employee Benefits	<u>7,126,741</u>	<u>6,329,117</u>	<u>6,069,510</u>		<u>259,607</u>
Debt Service					
Principal	144,367	144,367	144,367		-
Interest	21,223	21,224	21,224		-
Total Debt Service	<u>165,590</u>	<u>165,591</u>	<u>165,591</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>28,354,310</u>	<u>28,407,839</u>	<u>27,659,320</u>	<u>77,845</u>	<u>670,674</u>
OTHER FINANCING USES					
Operating Transfers Out	<u>450,000</u>	<u>471,471</u>	<u>447,247</u>		<u>24,224</u>
Total Expenditures and Other Uses	<u>\$ 28,804,310</u>	<u>\$ 28,879,310</u>	<u>28,106,567</u>	<u>\$ 77,845</u>	<u>\$ 694,898</u>
Net Change in Fund Balance			1,083,877		
Fund Balances - Beginning of Year			<u>6,308,214</u>		
Fund Balances - End of Year			<u>\$ 7,392,091</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.

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)
 Last Six Fiscal Years

Teachers' Retirement System

	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.0844830%	0.0845300%	0.0857570%	0.0930540%	0.0959850%	0.0962480%
District's proportionate share of the net pension asset/(liability)	\$ 1,527,678	\$ 642,512	\$ (918,498)	\$ 9,665,331	\$ 10,692,153	\$ 633,552
District's covered payroll	\$ 13,761,359	\$ 13,785,097	\$ 13,768,416	\$ 14,523,166	\$ 14,438,102	\$ 14,331,438
District's proportionate share of the as a percentage of its covered payroll	11.10 %	4.66 %	6.67 %	66.55 %	74.06 %	4.42 %
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

Employees' Retirement System

	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0066104%	0.0061864%	0.0066236%	0.0066675%	0.0069927%	0.0069927%
District's proportionate share of the net pension liability	\$ (468,364)	\$ (199,662)	\$ (622,371)	\$ (1,070,156)	\$ (236,229)	\$ (315,988)
District's covered payroll	\$ 2,174,021	\$ 2,009,020	\$ 2,131,030	\$ 2,014,221	\$ 2,098,909	\$ 2,107,251
District's proportionate share of the net pension liability as a percentage of its covered payroll	21.54 %	9.94 %	29.21 %	53.13 %	11.25 %	15.00 %
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%

An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.

Note to Supplementary Information

Teachers' Retirement System

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

Employees' Retirement System

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

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
Schedule of District Pension Contributions
 Last Ten Fiscal Years

Teachers' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,515,030	\$ 1,354,075	\$ 1,572,375	\$ 1,784,561	\$ 2,421,277	\$ 2,303,452	\$ 1,667,923	\$ 1,545,675	\$ 1,157,826	\$ 810,182
Contributions in relation to the contractually required contribution	<u>1,515,030</u>	<u>1,354,075</u>	<u>1,572,375</u>	<u>1,784,561</u>	<u>2,421,277</u>	<u>2,303,452</u>	<u>1,667,923</u>	<u>1,545,675</u>	<u>1,157,826</u>	<u>810,182</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,104,793	\$ 13,761,359	\$ 13,785,097	\$ 13,768,416	\$ 14,523,166	\$ 14,438,102	\$ 14,331,438	\$ 14,263,444	\$ 13,545,291	\$ 13,215,496
Contributions as a percentage of covered payroll	11%	10%	11%	13%	17%	16%	12%	11%	9%	6%

Employees' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 300,437	\$ 285,922	\$ 300,990	\$ 331,920	\$ 373,403	\$ 394,351	\$ 398,315	\$ 318,840	\$ 257,163	\$ 132,438
Contributions in relation to the contractually required contribution	<u>300,437</u>	<u>285,922</u>	<u>300,990</u>	<u>331,920</u>	<u>373,403</u>	<u>394,351</u>	<u>398,315</u>	<u>318,840</u>	<u>257,163</u>	<u>132,438</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,147,305	\$ 2,123,555	\$ 2,133,513	\$ 2,043,397	\$ 2,058,202	\$ 2,099,102	\$ 2,137,643	\$ 2,189,819	\$ 2,069,973	\$ 1,998,020
Contributions as a percentage of covered payroll	14%	13%	14%	16%	18%	19%	19%	15%	12%	7%

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Two Fiscal Years

	2019	2018
Total OPEB liability		
Service cost	\$ 1,327,312	\$ 1,716,671
Interest	1,110,298	1,055,431
Changes in benefit terms	-	-
Differences between expected and actual experience	(4,513,435)	(158,849)
Changes of assumptions or other inputs	(6,380,015)	-
Benefit payments	(426,472)	(363,942)
Net change in total OPEB liability	(8,882,312)	2,249,311
Total OPEB liability, beginning	35,894,312	33,645,001
Total OPEB liability, ending	\$ 27,012,000	\$ 35,894,312
Covered employee payroll	\$ 15,176,412	\$ 17,210,217
Total OPEB liability as a percentage of covered employee payroll	177.99%	208.56%

An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.

Note to Supplementary Information

The discount rate increased from 3.0% to 3.5% as reflected in 2018 and 2019 above. The inflation rate decreased from 3.0% in 2018 to 2.6% in 2019. The medical trend rates decreased from 7.5% to 4.5% over 7 years in 2018 to 6.1% to 4.1% over 57 years in 2019.

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
Schedules 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		\$ 28,757,452
Additions:		
Prior year's encumbrances		<u>46,858</u>
Original Budget		28,804,310
Budget revision		<u>75,000</u>
Final Budget		<u><u>\$ 28,879,310</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 voter-approved expenditure budget		<u><u>\$ 29,880,294</u></u>
Maximum allowed (4% of 2019-2020 budget)		<u><u>\$ 1,195,212</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 677,845	
Unassigned fund balance	<u>1,195,211</u>	
		\$ 1,873,056
Less:		
Appropriated fund balance	600,000	
Encumbrances	<u>77,845</u>	
Total adjustments		<u>677,845</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 1,195,211</u></u>
Actual Percentage		4.00%

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For The Year Ended June 30, 2019

PROJECT TITLE	Budget	Budget	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance	
	June 30, 2018	June 30, 2019	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	June 30, 2019
District-wide handicap upgrade	\$ 99,065	\$ 99,065	\$ 28,577	\$	\$ 28,577	\$ 70,488	\$	\$ 99,065	\$ 99,065	\$ 70,488	
BAS mechanical upgrades	240,392	240,392	240,392		240,392	-		240,392	240,392	-	
RWC mechanical upgrades	675,495	675,495	675,495		675,495	-		675,495	675,495	-	
Roofing	478,050	555,167	171,076	384,091	555,167	-		555,167	555,167	-	
WLB toilet renovation	261,567	261,567	11,693	197,192	208,885	52,682		261,567	261,567	52,682	
RWC toilet renovation	260,867	260,867	11,642	195,551	207,193	53,674		260,867	260,867	53,674	
Smart Schools Bond Act	405,676	470,676	384,872	24,753	409,625	61,051	470,676		470,676	61,051	
2018 - 19 District-Wide Improvements		275,883			-	275,883		275,883	275,883	275,883	
2018 - 19 Interior Doors & Flooring		30,000		23,772	23,772	6,228		30,000	30,000	6,228	
2018 - 19 Backflow Prevention		10,000		7,007	7,007	2,993		10,000	10,000	2,993	
Asbestos Investigation Services - Door & Flooring		7,000			-	7,000		7,000	7,000	7,000	
Energy Performance Contract		2,611,364		1,776,506	1,776,506	834,858	2,611,364		2,611,364	834,858	
Totals	\$ 2,421,112	\$ 5,497,476	\$ 1,523,747	\$ 2,608,872	\$ 4,132,619	\$ 1,364,857	\$ 2,611,364	\$ 470,676	\$ 2,415,436	\$ 5,497,476	1,364,857
									Less grant revenue not realized		(61,051)
											<u>\$ 1,303,806</u>

VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR

Net Investment in Capital Assets

June 30, 2019

Capital assets, net	<u>\$ 10,624,271</u>
Deduct:	
Short-term portion of energy performance contract	240,658
Long-term portion of energy performance contract	3,146,537
Less: Unspent energy performance contract proceeds	<u>(834,858)</u>
	<u>2,552,337</u>
Net Investment in Capital Assets	<u>\$ 8,071,934</u>

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

To the Board of Education
Valley Stream Union Free School District #24

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Valley Stream Union Free School District #24, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Valley Stream Union Free School District #24's basic financial statements, and have issued our report thereon dated October 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Valley Stream Union Free School District #24'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 Valley Stream Union Free School District #24's internal control. Accordingly, we do not express an opinion on the effectiveness of the Valley Stream Union Free School District #24'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Valley Stream Union Free School District #24'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R. S. Abrams + Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 16, 2019