

ROSLYN UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2018

ROSLYN UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Roslyn Union Free School District
Roslyn, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Roslyn Union Free School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 15 and 52 through 56, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Roslyn Union Free School District's basic financial statements. The other supplementary information on pages 57 through 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018 on our consideration of the Roslyn Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Roslyn Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Roslyn Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

September 24, 2018

**ROSLYN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Roslyn Union Free School District'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, 2018 in comparison with the year ended June 30, 2017, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

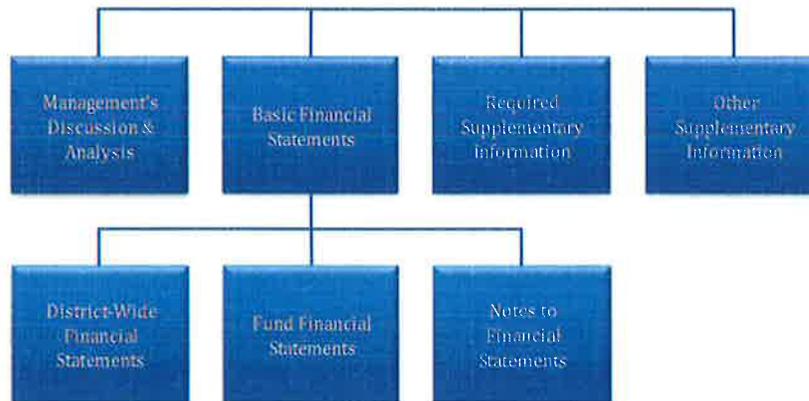
Key financial highlights for fiscal year 2018 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$4,409,460. This was due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting.
- The District's total net position at June 30, 2017 was restated and decreased by \$122,330,773, as a result of the required implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the 2018 fiscal year. This reporting of the total other postemployment benefits obligation has no impact on the governmental funds financial statements.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$113,114,927. Of this amount, \$4,987,768 was offset by program charges for services and operating grants. General revenues of \$ 103,717,699 amount to 95.4% of total revenues, and were not adequate to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$2,392,468. This was due to an excess of revenues over expenditures based on the current financial resources measurement focus and the modified accrual basis of accounting.
- The District's 2018 property tax levy of \$91,620,879 was a 0.19% increase over the 2017 tax levy. The District's property tax cap was 1.08%.
- On May 19, 2015, the voters approved the 2015 construction capital reserve. The reserve has a funding cap of \$10,000,000 plus investment income over a probable term of 10 years and provides for annual funding of an amount not to exceed \$2,000,000. This reserve has been funded by the District in the amount of \$8,000,000 through June 30, 2018. In May 2017 voters approved the use of \$607,288 of this reserve and to date interest of \$51,983 has been earned bringing the balance in this reserve to \$7,444,695.
- On May 16, 2017 the voters approved the 2017 capital reserve. The reserve has a funding cap of \$25,000,000 plus investment income over a probable term of 20 years and provides for annual funding of an amount not to exceed \$3,000,000. This reserve has been funded for \$4,577,438 and has earned interest of \$16,271 bringing the balance in this reserve to \$4,593,709 at June 30, 2018.

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 the financial statements. A graphic display of the relationship of these statements follows:

ROSLYN UNION FREE SCHOOL DISTRICT
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.

ROSLYN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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 that 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.

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, you 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 five individual governmental funds: general fund, special aid fund, school food service fund, debt 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 the 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 decreased by \$4,409,460 between fiscal year 2018 and 2017. The June 30, 2017 net position has been decreased by \$122,330,773, resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, the June 30, 2017 balances reflect total OPEB liabilities in accordance with the new GASB Statement. A summary of the District's Statements of Net Position follows:

ROSLYN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2018	As Restated 2017	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 57,314,126	\$ 78,869,591	\$ (21,555,465)	(27.33)%
Capital Assets, Net	91,786,957	73,431,854	18,355,103	25.00 %
Net Pension Asset - Proportionate Share	2,072,424		2,072,424	N/A
Total Assets	151,173,507	152,301,445	(1,127,938)	(0.74)%
Deferred Outflows of Resources	31,731,059	31,949,147	(218,088)	(0.68)%
Liabilities				
Current and Other Liabilities	7,570,188	11,232,928	(3,662,740)	(32.61)%
Long-Term Liabilities	35,882,086	39,576,366	(3,694,280)	(9.33)%
Net Pension Liability - Proportionate Share	1,227,941	6,638,477	(5,410,536)	(81.50)%
Total OPEB Obligation	200,624,803	193,017,056	7,607,747	3.94 %
Total Liabilities	245,305,018	250,464,827	(5,159,809)	(2.06)%
Deferred Inflows of Resources	9,734,243	1,511,000	8,223,243	544.23 %
Net Position (Deficit)				
Net Investment in Capital Assets	57,162,037	47,063,461	10,098,576	21.46 %
Restricted	32,259,061	32,229,405	29,656	0.09 %
Unrestricted (Deficit)	(161,555,793)	(147,018,101)	(14,537,692)	(9.89)%
Total Net Position (Deficit)	\$ (72,134,695)	\$ (67,725,235)	\$ (4,409,460)	(6.51)%

Current and other assets decreased as compared to the prior year. The decrease is primarily related to a decrease in cash as a result of capital expenditures during the year.

Capital assets, net increased as a result of capital asset additions in excess of depreciation expense as a result of ongoing capital projects. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

In the current year the New York State Teachers' Retirement System experienced a gain, resulting in a net pension asset for the District's proportionate share. The prior year balance was a liability.

Deferred outflows of resources represents contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years, and the amount of deferred charges from the bond refunding that is being amortized over the remaining term of the bonds.

Current and other liabilities decreased as compared to the prior year. This decrease is primarily the result of decreases in accounts payable related to capital projects, accrued liabilities and amounts due to the Teachers' Retirement System.

ROSLYN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Long-term liabilities decreased as compared to the prior year. This decrease is primarily the result of the repayment of the current maturity of the bond indebtedness.

Net pension liability – proportionate share decreased in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's collective net pension liability, at the measurement date of the respective year. The June 30, 2018 amount does not have any liability for the New York State Teachers' Retirement System as the ending balance for that system is an asset.

Total other postemployment benefits (OPEB) obligation increased as compared to the prior year. This increase is the result of the current year OPEB costs on the economic resources measurement focus and the accrual basis of accounting in excess of the amount reflected in the governmental funds on the current financial resources measurement focus and the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 14 "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.

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

	Increase (Decrease)
Capital asset additions - total	\$ 20,913,389
Additions financed by debt	(12,221,472)
Additions financed by appropriations	8,691,917
Principal debt reduction of construction bonds	3,190,000
Principal debt reduction of installment purchase debt	506,880
Principal debt reduction of energy performance contract	268,065
Depreciation expense	(2,558,286)
	\$ 10,098,576

The restricted amount represents the District's reserves. This number increased over the prior year principally due to the funding of the capital reserves in the amount of \$4,577,638, less the use of workers' compensation and capital 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 net OPEB obligation. This deficit increased over the prior year primarily as a result of investments into capital assets.

ROSLYN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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, 2018 and 2017 is as follows:

	2018	2017	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 3,346,410	\$ 3,256,637	\$ 89,773	2.76 %
Operating Grants	1,641,358	1,439,017	202,341	14.06 %
General Revenues				
Property Taxes and STAR	91,652,294	91,456,059	196,235	0.21 %
State Sources	5,861,511	5,428,787	432,724	7.97 %
Other	6,203,894	7,552,760	(1,348,866)	(17.86)%
Total Revenues	<u>108,705,467</u>	<u>109,133,260</u>	<u>(427,793)</u>	<u>(0.39)%</u>
Expenses				
General Support	17,738,065	16,898,198	839,867	4.97 %
Instruction	86,681,553	84,484,620	2,196,933	2.60 %
Pupil Transportation	6,370,683	6,193,082	177,601	2.87 %
Community Service	15,647	10,083	5,564	55.18 %
Debt Service - Interest	892,910	817,364	75,546	9.24 %
Food Service Program	1,416,069	1,357,301	58,768	4.33 %
Total Expenses	<u>113,114,927</u>	<u>109,760,648</u>	<u>3,354,279</u>	<u>3.06 %</u>
Decrease in Net Position	<u>\$ (4,409,460)</u>	<u>\$ (627,388)</u>	<u>\$ (3,782,072)</u>	<u>(602.83)%</u>

The District's net position decreased by \$4,409,460 and \$627,388 for the years ended June 30, 2018 and 2017, respectively.

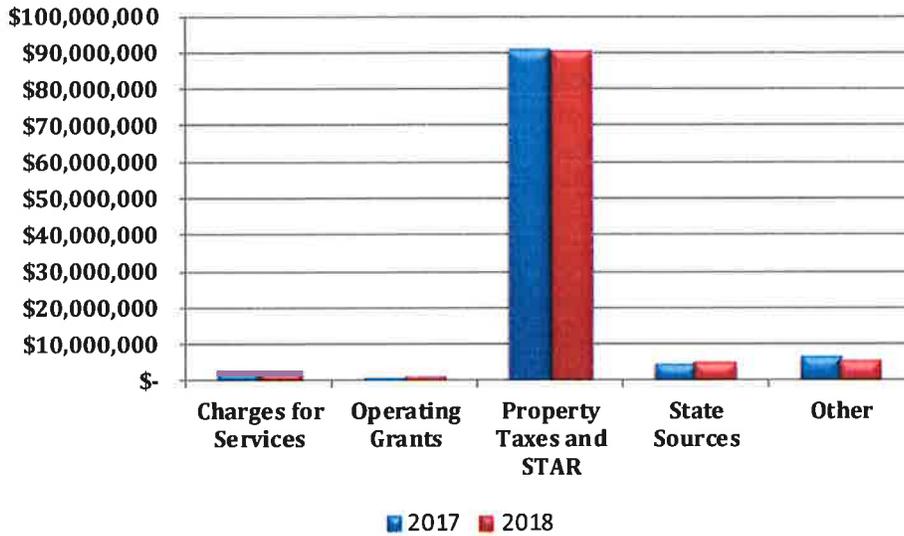
The District's other revenues decreased in the areas of miscellaneous revenue and compensation for loss as in the prior year one time revenues were recognized in these areas.

The District's expenses increased for the year primarily in the areas of general support and instruction. Increased costs included costs for improvements to playground and tennis courts along with salary increases and textbook costs for a new program. Additionally, the costs for tuition for children with disabilities increased.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 84.3% and 83.8% of the total for the years 2018 and 2017, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 76.6% and 77.1% of the total for the years 2018 and 2017, respectively).

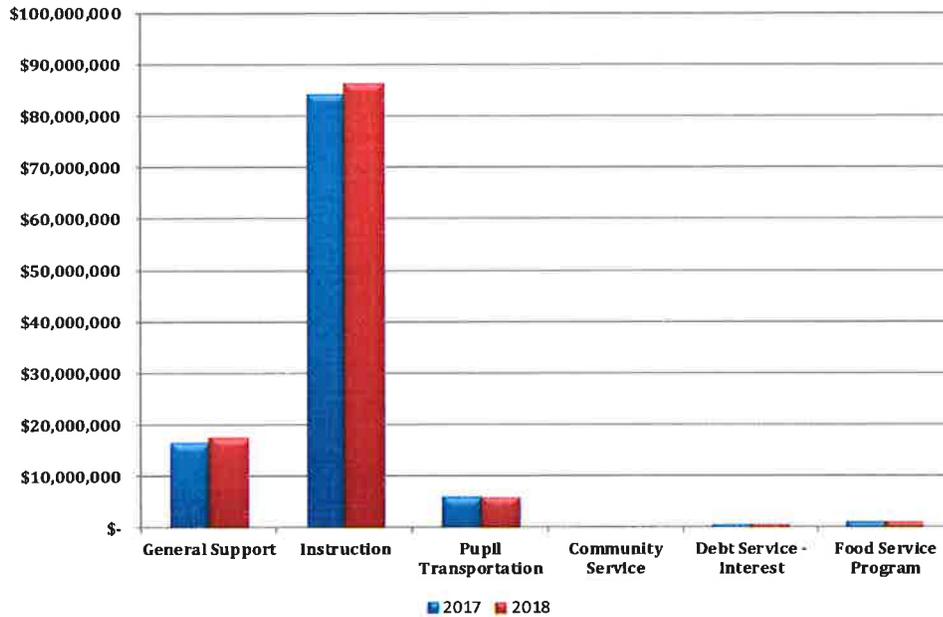
A graphic display of the distribution of revenues for the two years follows:

**ROSLYN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2017	3.0%	1.3%	83.8%	5.0%	6.9%
2018	3.1%	1.5%	84.3%	5.4%	5.7%

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



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
2017	15.4%	77.1%	5.6%	0.0%	0.7%	1.2%
2018	15.7%	76.6%	5.6%	0.0%	0.8%	1.3%

ROSLYN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$49,866,007, which is a decrease of \$17,911,218 from the prior year. This decrease is due to an excess of expenditures over revenues based on 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:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
General Fund			
Restricted			
Workers' compensation	\$ 516,296	\$ 1,496,405	\$ (980,109)
Unemployment insurance	1,513,932	1,520,747	(6,815)
Retirement contribution	7,358,222	7,318,528	39,694
Employee benefit accrued liability	144,125	178,347	(34,222)
Capital	12,038,404	8,415,323	3,623,081
Repairs	1,118,626	1,032,221	86,405
Assigned:			
Appropriated fund balance	110,000	300,000	(190,000)
Unappropriated fund balance	417,529	674,242	(256,713)
Unassigned: Fund balance	4,398,398	4,287,251	111,147
	<u>27,615,532</u>	<u>25,223,064</u>	<u>2,392,468</u>
School Food Service Fund			
Nonspendable: Inventory	20,522	12,781	7,741
Assigned: Unappropriated fund balance	1,406	4,898	(3,492)
	<u>21,928</u>	<u>17,679</u>	<u>4,249</u>
Debt Service Fund			
Restricted: Debt service	<u>8,108,606</u>	<u>9,933,327</u>	<u>(1,824,721)</u>
Capital Projects Fund			
Restricted:			
Capital	1,460,850	2,334,507	(873,657)
Unspent bond proceeds	-	11,760,682	(11,760,682)
Assigned: Unappropriated fund balance	12,659,091	18,507,966	(5,848,875)
	<u>14,119,941</u>	<u>32,603,155</u>	<u>(18,483,214)</u>
Total Fund Balance	<u>\$ 49,866,007</u>	<u>\$ 67,777,225</u>	<u>\$ (17,911,218)</u>

A. General Fund

General fund revenue and other sources increased by \$254,116 or 0.2%. The primary increases were in real property taxes, state sources and operating transfer from debt service fund, offset by decreases in compensation for loss and miscellaneous revenue. General fund expenditures and other uses increased by \$638,152 or 0.6%.

**ROSLYN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

B. School Food Service Fund

The increase in the school food service fund was the operating profit of the school food service program, which included a transfer from the general fund of \$535,000.

C. Debt Service Fund

The debt service fund – fund balance decreased as a result of a transfer to the general fund to be used for debt service payments.

D. Capital Projects Fund

The capital projects fund – fund balance decreased as a result of capital improvement work in the amount of \$20,694,004, offset by an operating transfer from the general fund of \$1,750,000 and proceeds of debt of \$460,790 related to bus purchases.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2017-2018 Budget

The District's general fund adopted budget for the year ended June 30, 2018 was \$107,181,298. This amount was increased by encumbrances carried forward from the prior year in the amount of \$674,242 and budget revisions in the amount of \$383,257 for a total final budget of \$108,238,797.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$91,620,879 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	\$ 4,287,251
Revenues Over Budget	1,265,450
Expenditures and Encumbrances Under Budget	1,953,288
Allocation to Reserves	(2,997,591)
Appropriated for the 2018-19 Budget	<u>(110,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 4,398,398</u></u>

**ROSLYN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Opening, Unassigned Fund Balance

The \$4,287,251 shown in the table is the portion of the District's June 30, 2017 fund balance that was retained as unassigned. This was 4% of the District's 2017-2018 approved operating budget. It is the maximum unassigned fund balance permitted by law.

Revenues Over Budget

The 2017-2018 final budget for revenues was \$106,994,998. Actual revenues received for the year were \$108,260,448. The excess of actual revenue over estimated or budgeted revenue was \$1,265,450, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2017 to June 30, 2018.

Expenditures and Encumbrances Under Budget

The 2017-2018 final budget for expenditures and other uses was \$108,238,797. Actual expenditures as of June 30, 2018 were \$105,867,980 and outstanding encumbrances were \$417,529. Combined, the expenditures plus encumbrances for 2017-2018 were \$106,285,509. The final budget was under expended by \$1,953,288 or 1.8%. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2017 to June 30, 2018.

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 \$(2,997,591) shown in the previous table is made up of two transfers: \$3,577,438 to the capital reserve and \$200,000 to the repair reserve, net of a transfer out of the workers' compensation reserve of \$887,683. Additionally, interest earnings of \$107,836 were allocated to the reserves.

Appropriated Fund Balance

The District has chosen to use \$110,000 of the available June 30, 2018 unassigned fund balance to partially fund the 2018-2019 approved operating budget. As such, the June 30, 2018 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2018 was \$4,398,398. This amount equals 4.0% of the 2018-2019 budget, which is the statutory limit.

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

A. Capital Assets

At June 30, 2018, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$20,913,389 in excess of depreciation of \$2,558,286 recorded for the year ended June 30, 2018. A summary of the District's capital assets, net of depreciation at June 30, 2018 and 2017 is as follows:

ROSLYN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2018	2017	Increase (Decrease)
Land	\$ 5,024,322	\$ 5,024,322	\$ -
Construction in progress	43,010,672	22,777,460	20,233,212
Buildings and improvements	39,862,625	41,713,984	(1,851,359)
Machinery and equipment	3,889,338	3,916,088	(26,750)
Capital assets, net	<u>\$ 91,786,957</u>	<u>\$ 73,431,854</u>	<u>\$ 18,355,103</u>

The District is continuing to make significant capital expenditures resulting from the May 2014 voter approved authorization of \$41,302,303 for capital improvements to District facilities. This amount has been increased for additional voter approved additions funded by capital reserve and general fund appropriations to a total of \$48,425,251. As of June 30, 2018, the District has expended approximately 81.6% of the total authorization and the construction is ongoing,

B. Debt Administration

At June 30, 2018, the District had total debt payable of \$34,624,920. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. Bonds outstanding decreased due to principal payments on bonds outstanding. Installment purchase debt decreased due to the principal payments in excess of the issuance of a new installment purchase agreement for buses. Energy performance contract debt decreased due to payments on the obligation. A summary of the outstanding debt at June 30, 2018 and 2017 is as follows:

	Issue Date	Interest Rate	2018	2017	Increase (Decrease)
Bonds Payable					
	2009	5.00%	\$ 1,240,000	\$ 1,530,000	\$ (290,000)
	2012	3.0-4.0%	5,220,000	6,390,000	(1,170,000)
	2016	2.0-2.375%	21,430,000	22,920,000	(1,490,000)
	2017	2.0-3.0%	3,705,000	3,945,000	(240,000)
			<u>\$ 31,595,000</u>	<u>\$ 34,785,000</u>	<u>\$ (3,190,000)</u>
Installment Purchase Debt					
	2014	1.37%	54,281	161,739	\$ (107,458)
	2015	1.48%	95,179	188,970	(93,791)
	2016	1.67%	192,589	286,503	(93,914)
	2017	1.61%	517,988	685,180	(167,192)
	2018	2.20%	416,265		416,265
			<u>\$ 1,276,302</u>	<u>\$ 1,322,392</u>	<u>\$ (46,090)</u>
Energy Performance Contract					
	2011	2.46%	<u>\$ 1,753,618</u>	<u>\$ 2,021,683</u>	<u>\$ (268,065)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The District's outstanding serial bonds at June 30, 2018 are approximately 7.9% of the District's debt limit.

ROSLYN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

C. OTHER LONG-TERM LIABILITIES

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

	2018	As Restated 2017	Increase (Decrease)
Compensated absences	\$ 146,431	\$ 133,367	\$ 13,064
Workers' compensation	516,295	567,000	(50,705)
Net pension liability - proportionate share	1,227,941	6,638,477	(5,410,536)
Total OPEB obligation	200,624,803	193,017,056	7,607,747
	\$ 202,515,470	\$ 200,355,900	\$ 2,159,570

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 15, 2018, for the year ending June 30, 2019, is \$109,959,967. This is an increase of \$2,778,669 or 2.59% over the previous year's budget. The increase is principally in the employee benefit (\$1,941,250) area of the budget.

The District budgeted revenues other than property taxes and STAR at an \$873,572 increase over the prior year's estimate, which is principally due to increases in payments in lieu of taxes and state aid. The assigned, appropriated fund balance applied to the budget in the amount of \$110,000 is a reduction of \$190,000 from the previous year. Additionally, the District has elected to appropriate \$2,317,600 of reserves towards the next year's budget, which is an increase of \$516,350 over the previous year. A property tax increase of \$1,578,747 (1.72%), 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.

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 to June 15, 2020. 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. The District's 2018-2019 property tax increase of 0.19% was less than the tax cap of 1.08% and did not require an override vote.

ROSLYN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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. Joseph C. Dragone
Assistant Superintendent for Business & Administration
Roslyn Union Free School District
300 Harbor Hill Road
Roslyn, New York 11576

ROSLYN UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

ASSETS	
Cash	
Unrestricted	\$ 18,681,611
Restricted	32,259,061
Receivables	
Accounts receivable	462,606
Taxes receivable	3,837,455
Due from state and federal	2,015,683
Due from other governments	37,188
Inventory	20,522
Capital assets:	
Not being depreciated	48,034,994
Being depreciated, net of accumulated depreciation	43,751,963
Net pension asset - proportionate share	<u>2,072,424</u>
Total Assets	<u>151,173,507</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges from advance refunding, net	252,392
Pensions	<u>31,478,667</u>
Total Deferred Outflows of Resources	<u>31,731,059</u>
LIABILITIES	
Payables	
Accounts payable	1,901,914
Accrued liabilities	261,966
Due to fiduciary funds	742
Due to other governments	295,820
Due to teachers' retirement system	4,510,313
Due to employees' retirement system	479,875
Unearned credits	
Collections in advance	119,558
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	3,422,484
Installment purchase debt payable	503,829
Energy performance contract payable	274,701
Compensated absences payable	16,000
Workers' compensation liabilities	150,000
Due and payable after one year	
Bonds payable, net	28,766,956
Installment purchase debt payable	772,473
Energy performance contract payable	1,478,917
Compensated absences payable	130,431
Workers' compensation liabilities	366,295
Net pension liability - proportionate share	1,227,941
Total other postemployment benefits obligation	<u>200,624,803</u>
Total Liabilities	<u>245,305,018</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	9,720,067
Other postemployment benefits obligation	<u>14,176</u>
Total Deferred Inflows of Resources	<u>9,734,243</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	<u>57,162,037</u>
Restricted:	
Workers' compensation	516,296
Unemployment insurance	1,513,932
Retirement contribution	7,358,222
Employee benefit accrued liability	144,125
Capital	13,499,254
Repairs	1,118,626
Debt service	<u>8,108,606</u>
	<u>32,259,061</u>
Unrestricted (deficit)	<u>(161,555,793)</u>
Total Net Position (Deficit)	<u>\$ (72,134,695)</u>

ROSLYN UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2018

		Program Revenues		Net (Expense)
Expenses	Charges for	Operating	Revenue and	
	Services	Grants	Changes in	
			Net Position	
FUNCTIONS/PROGRAMS				
General support	\$ 17,738,065	\$	\$	\$ (17,738,065)
Instruction	86,681,553	2,718,028	1,384,422	(82,579,103)
Pupil transportation	6,370,683			(6,370,683)
Community service	15,647			(15,647)
Debt service - interest	892,910			(892,910)
Food service program	1,416,069	628,382	256,936	(530,751)
	<u>\$ 113,114,927</u>	<u>\$ 3,346,410</u>	<u>\$ 1,641,358</u>	<u>(108,127,159)</u>
GENERAL REVENUES				
Real property taxes				86,978,563
Other tax items				9,945,715
Use of money and property				473,200
Forfeitures				150
Sale of property and compensation for loss				89,461
Miscellaneous				346,806
State sources				5,861,511
Medicaid reimbursement				22,293
				<u>103,717,699</u>
Total General Revenues				<u>103,717,699</u>
Change in Net Position (Deficit)				(4,409,460)
Total Net Position (Deficit) - Beginning of Year, as Restated				<u>(67,725,235)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (72,134,695)</u>

ROSLYN UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 5,127,026	\$ 134,420	\$ 95,295	\$	\$ 13,324,870	\$ 18,681,611
Restricted	22,728,745			8,069,466	1,460,850	32,259,061
Receivables						
Accounts receivable	456,631		5,975			462,606
Taxes receivable	3,837,455					3,837,455
Due from other funds	1,450,423			39,140		1,489,563
Due from state and federal	691,491	1,310,617	13,575			2,015,683
Due from other governments	37,188					37,188
Inventory			20,522			20,522
Total Assets	<u>\$ 34,328,959</u>	<u>\$ 1,445,037</u>	<u>\$ 135,367</u>	<u>\$ 8,108,606</u>	<u>\$ 14,785,720</u>	<u>\$ 58,803,689</u>
LIABILITIES						
Payables						
Accounts payable	\$ 1,191,267	\$ 140,014	\$ 508	\$	\$ 570,125	\$ 1,901,914
Accrued liabilities	139,687	210				139,897
Due to other funds	39,882	1,304,813	49,956		95,654	1,490,305
Due to other governments	295,687		133			295,820
Due to teachers' retirement system	4,510,313					4,510,313
Due to employees' retirement system	479,875					479,875
Unearned credits						
Collections in advance	56,716		62,842			119,558
Total Liabilities	<u>6,713,427</u>	<u>1,445,037</u>	<u>113,439</u>	<u>-</u>	<u>665,779</u>	<u>8,937,682</u>
FUND BALANCES						
Nonspendable: Inventory			20,522			20,522
Restricted:						
Workers' compensation	516,296					516,296
Unemployment insurance	1,513,932					1,513,932
Retirement contribution	7,358,222					7,358,222
Employee benefit accrued liability	144,125					144,125
Capital	12,038,404				1,460,850	13,499,254
Repairs	1,118,626					1,118,626
Debt service				8,108,606		8,108,606
Assigned:						
Appropriated fund balance	110,000					110,000
Unappropriated fund balance	417,529		1,406		12,659,091	13,078,026
Unassigned:						
Fund balance	4,398,398					4,398,398
Total Fund Balances	<u>27,615,532</u>	<u>-</u>	<u>21,928</u>	<u>8,108,606</u>	<u>14,119,941</u>	<u>49,866,007</u>
Total Liabilities and Fund Balances	<u>\$ 34,328,959</u>	<u>\$ 1,445,037</u>	<u>\$ 135,367</u>	<u>\$ 8,108,606</u>	<u>\$ 14,785,720</u>	<u>\$ 58,803,689</u>

ROSLYN UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total Governmental Fund Balances \$ 49,866,007

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 and improvements, machinery and 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	\$ 133,209,629	
Accumulated depreciation	(41,422,672)	
		91,786,957

Proportionate share of long-term asset and liability and 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 governmental funds.

Net pension asset - teachers' retirement system	2,072,424	
Deferred outflows of resources	31,478,667	
Net pension liability - employees' retirement system	(1,227,941)	
Deferred inflows of resources	(9,720,067)	
		22,603,083

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

Total other postemployment benefits obligation	(200,624,803)	
Deferred inflows of resources	(14,176)	
		(200,638,979)

Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.

Deferred charges on advance refunding	831,629	
Less: accumulated amortization	(579,237)	
		252,392

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 bonds payable	(122,069)	
Bonds payable, net	(32,189,440)	
Installment purchase debt payable	(1,276,302)	
Energy performance contract payable	(1,753,618)	
Compensated absences payable	(146,431)	
Workers' compensation liabilities	(516,295)	
		(36,004,155)

Total Net Position (Deficit)		\$ (72,134,695)
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ROSLYN UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 86,978,563	\$	\$	\$	\$	\$ 86,978,563
Other tax items	9,945,715					9,945,715
Charges for services	2,718,028					2,718,028
Use of money and property	434,060			39,140		473,200
Forfeitures	150					150
Sale of property and compensation for loss	89,461					89,461
Miscellaneous	346,806	48,256	74			395,136
State sources	5,861,511	183,141	10,959			6,055,611
Medicaid reimbursement	22,293					22,293
Federal sources		1,153,025	245,977			1,399,002
Sales			628,308			628,308
Total Revenues	106,396,587	1,384,422	885,318	39,140	-	108,705,467
EXPENDITURES						
General support	13,445,744					13,445,744
Instruction	53,762,794	1,683,399				55,446,193
Pupil transportation	4,348,470	5,023				4,353,493
Community service	9,424					9,424
Employee benefits	26,748,705		493,509			27,242,214
Debt service						
Principal	3,964,945					3,964,945
Interest	998,898					998,898
Food service program			922,560			922,560
Capital outlay					20,694,004	20,694,004
Total Expenditures	103,278,980	1,688,422	1,416,069	-	20,694,004	127,077,475
Excess (Deficiency) of Revenues Over Expenditures	3,117,607	(304,000)	(530,751)	39,140	(20,694,004)	(18,372,008)
OTHER FINANCING SOURCES AND (USES)						
Proceeds of debt					460,790	460,790
Operating transfers in	1,863,861	304,000	535,000		1,750,000	4,452,861
Operating transfers (out)	(2,589,000)			(1,863,861)		(4,452,861)
Total Other Financing Sources and (Uses)	(725,139)	304,000	535,000	(1,863,861)	2,210,790	460,790
Net Change in Fund Balances	2,392,468	-	4,249	(1,824,721)	(18,483,214)	(17,911,218)
Fund Balances - Beginning of Year	25,223,064		17,679	9,933,327	32,603,155	67,777,225
End of Year	\$ 27,615,532	\$ -	\$ 21,928	\$ 8,108,606	\$ 14,119,941	\$ 49,866,007

ROSLYN UNION FREE SCHOOL DISTRICT
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, 2018

Net Change in Fund Balances \$ (17,911,218)

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

Long-Term Revenue and Expense Differences

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in workers' compensation liabilities \$ 50,705

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 (13,064) 37,641

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 20,913,389
Depreciation expense (2,558,286) 18,355,103

Long-Term Debt Transactions Differences

Proceeds from the issuance of bonds and installment purchase debt are other funding sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities. (460,790)

The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities. 87,495

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 bond principal 3,190,000
Repayment of installment purchase debt 506,880
Repayment of energy performance contract payable 268,065

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 decreased from June 30, 2017 to June 30, 2018. 18,493

3,610,143

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 (970,471)
Employees' retirement system 91,265
Other postemployment benefits (7,621,923) (8,501,129)

Change in Net Position (Deficit) of Governmental Activities \$ (4,409,460)

ROSLYN UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2018

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	\$ 598,160	\$
Restricted		299,165
Accounts receivable	758	
Due from governmental funds		742
Total Assets	\$ 598,918	299,907
 LIABILITIES		
Extraclassroom activity balances	\$ 141,959	
Other liabilities	456,959	-
Total Liabilities	\$ 598,918	-
 NET POSITION		
Restricted for scholarships		\$ 299,907

ROSLYN UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 21,360
Investment earnings - interest	<u>742</u>
Total Additions	22,102
 DEDUCTIONS	
Scholarships and awards	<u>22,119</u>
Change in Net Position	(17)
Net Position - Beginning of Year	<u>299,924</u>
Net Position - End of Year	<u><u>\$ 299,907</u></u>

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Roslyn Union Free School District (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, the following entity is included in the District's financial statements:

Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

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

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

Debt Service Fund - accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

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.

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

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

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 economic resources measurement focus and the 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, claims and judgments, 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.

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board of Education in August and become a lien on October 1st and April 1st. Taxes are collected by the Town of North Hempstead and the Town of Oyster Bay during the periods from October 1st through November 10th and April 1st through May 10th without penalty and remitted to the District.

Enforcement

Uncollected real property taxes are subsequently enforced by Nassau County.

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 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, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Inventory

Inventory of food in the school food service fund is recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method. Under the consumption method, a current asset for the inventory is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

A portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute an available spendable resource.

L. 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.

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:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	20 - 50 yrs.
Machinery and equipment	5,000	5 - 20 yrs.

M. 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 three items that qualify for reporting in this category. The first item is the

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

unamortized amount of deferred charges from a prior year's refunding of bonds that is being amortized as a component of interest expense on a straight-line basis through June 30, 2022. The second item is related to pensions 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 third item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date.

N. 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 and program fees. 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.

O. 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 two items that qualify for reporting in this category. The first 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 second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

P. 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.

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.

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.

Q. Other Benefits

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

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 survivors. 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. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure 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.

R. Short-Term Debt

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

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

S. 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.

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

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory, which is recorded in the school food service fund.

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:

Workers' Compensation Reserve

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund.

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 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. The reserve is 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 an employee upon termination of the employee's service. This reserve may

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

Repairs Reserve

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

Restricted for Debt Service

Unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service 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.

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 assignment and then from the unassigned fund balance.

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the Statement requires the District to report other postemployment benefits liabilities, expenses and deferred outflows of resources and deferred inflows of resources on the full accrual basis.

3. 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

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

4. 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

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

Contingent expenditures funded by:	
Appropriated reserves	\$ 269,557
Gifts and donations	51,089
Transfer from debt service fund	<u>62,611</u>
	<u>\$ 383,257</u>

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.

5. 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.

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.

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2018 are \$1,219,485,996, which consisted of \$213,214,286 in repurchase agreements, \$775,228,258 in U.S. Treasury Securities, and \$231,043,452 in collateralized bank deposits, with various interest rates and due dates.

The following amounts are included as cash:

Fund	Carrying Amount
General	\$ 12,090,708
Capital Projects	13,145,553
	\$ 25,236,261

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.

6. PARTICIPATION IN BOCES

During the year ended June 30, 2018, the District was billed \$3,142,447 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$955,341. 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.

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2018 consisted of:

General Fund	
New York State - excess cost aid	\$ 261,610
BOCES aid	429,881
	691,491
Special Aid Fund	
Federal and state grants	1,310,617
School Food Service Fund	
Federal and state food service program reimbursements	13,575
	\$ 2,015,683

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,024,322	\$	\$	\$ 5,024,322
Construction in progress	22,777,460	20,233,212		43,010,672
Total capital assets not being depreciated	<u>27,801,782</u>	<u>20,233,212</u>	<u>-</u>	<u>48,034,994</u>
Capital assets being depreciated				
Buildings and improvements	75,919,944			75,919,944
Machinery and equipment	9,096,374	680,177	(521,860)	9,254,691
Total capital assets being depreciated	<u>85,016,318</u>	<u>680,177</u>	<u>(521,860)</u>	<u>85,174,635</u>
Less accumulated depreciation for:				
Buildings and improvements	34,205,960	1,851,359		36,057,319
Machinery and equipment	5,180,286	706,927	(521,860)	5,365,353
Total accumulated depreciation	<u>39,386,246</u>	<u>2,558,286</u>	<u>(521,860)</u>	<u>41,422,672</u>
Total capital assets, being depreciated, net	<u>45,630,072</u>	<u>(1,878,109)</u>	<u>-</u>	<u>43,751,963</u>
Capital assets, net	<u>\$ 73,431,854</u>	<u>\$ 18,355,103</u>	<u>\$ -</u>	<u>\$ 91,786,957</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 305,589
Instruction	2,115,647
Pupil transportation	136,629
Community service	<u>421</u>
Total depreciation expense	<u>\$ 2,558,286</u>

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2018, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,450,423	\$ 39,882	\$ 1,863,861	\$ 2,589,000
Special Aid Fund		1,304,813	304,000	
School Food Service Fund		49,956	535,000	
Debt Service Fund	39,140			1,863,861
Capital Projects Fund		95,654	1,750,000	
Total Governmental Funds	1,489,563	1,490,305	\$ 4,452,861	\$ 4,452,861
Fiduciary Funds	742			
Total	\$ 1,490,305	\$ 1,490,305		

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 state supported Section 4201 schools expenditures. The transfer to the school food service fund consisted of a budgeted transfer of \$400,000, and a board authorized transfer of \$135,000. The transfers to the capital projects fund were for projects approved by the voters in the 2018 budget. The transfer from the debt service fund was for the payment of principal and interest on bond indebtedness.

10. SHORT-TERM DEBT

The District did not issue short-term debt during the year.

11. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 34,785,000	\$	\$ (3,190,000)	\$ 31,595,000	\$ 3,270,000
Add: Premium on refunding	746,924		(152,484)	594,440	152,484
	35,531,924		(3,342,484)	32,189,440	3,422,484
Installment purchase debt	1,322,392	460,790	(506,880)	1,276,302	503,829
Energy performance contract	2,021,683		(268,065)	1,753,618	274,701
	38,875,999	460,790	(4,117,429)	35,219,360	4,201,014
Other long-term liabilities					
Compensated absences	133,367	13,064		146,431	16,000
Workers' compensation	567,000		(50,705)	516,295	150,000
	700,367	13,064	(50,705)	662,726	166,000
	\$ 39,576,366	\$ 473,854	\$ (4,168,134)	\$ 35,882,086	\$ 4,367,014

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2018
Refunding bonds	2009	10/2021	5.00%	\$ 1,240,000
Refunding bonds	2012	10/2021	3.0-4.0%	5,220,000
Construction bonds	2016	6/2031	2.0-2.375%	21,430,000
Construction bonds	2017	4/2031	2.0-3.0%	<u>3,705,000</u>
				<u>\$ 31,595,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 3,270,000	\$ 825,744	\$ 4,095,744
2020	3,350,000	717,719	4,067,719
2021	3,435,000	602,294	4,037,294
2022	3,535,000	483,144	4,018,144
2023	1,850,000	402,844	2,252,844
2024 - 2028	9,775,000	1,404,169	11,179,169
2029 - 2031	<u>6,380,000</u>	<u>310,744</u>	<u>6,690,744</u>
Total	<u>\$ 31,595,000</u>	<u>\$ 4,746,658</u>	<u>\$ 36,341,658</u>

C. Advance Refunding

In the district-wide statements, the District is amortizing deferred charges on the advance refunding and a refunding bond premium as a component of interest expense on a straight-line basis as follows:

Year Ending June 30,	Amortization of Deferred Charges	Amortization of Premium	Interest Expense Increase / (Decrease)
2019	\$ 64,989	\$ (152,484)	\$ (87,495)
2020	64,989	(152,484)	(87,495)
2021	64,989	(152,484)	(87,495)
2022	<u>57,425</u>	<u>(136,988)</u>	<u>(79,563)</u>
Total	<u>\$ 252,392</u>	<u>\$ (594,440)</u>	<u>\$ (342,048)</u>

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2018
School buses	2014	11/2018	1.366%	\$ 54,281
School buses	2015	12/2018	1.476%	95,179
School buses	2016	12/2019	1.674%	192,589
School buses	2017	6/2021	1.612%	517,988
School buses	2018	9/2022	2.200%	<u>416,265</u>
				<u>\$ 1,276,302</u>

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 503,829	\$ 20,630	\$ 524,459
2020	360,701	12,872	373,573
2021	268,419	6,836	275,255
2022	95,043	2,646	97,689
2023	<u>48,310</u>	<u>534</u>	<u>48,844</u>
Total	<u>\$ 1,276,302</u>	<u>\$ 43,518</u>	<u>\$ 1,319,820</u>

E. Energy Performance Contract

Energy performance contract is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2018
Energy performance contract	2011	2/2024	2.46%	<u>\$ 1,753,618</u>

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 274,701	\$ 41,459	\$ 316,160
2020	281,499	34,661	316,160
2021	288,467	27,693	316,160
2022	295,607	20,553	316,160
2023	302,923	13,237	316,160
2024	<u>310,421</u>	<u>5,739</u>	<u>316,160</u>
Total	<u>\$ 1,753,618</u>	<u>\$ 143,342</u>	<u>\$ 1,896,960</u>

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Interest Expense

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

Interest paid	\$ 998,898
Less interest accrued in the prior year	(140,562)
Plus interest accrued in the current year	122,069
Less amortization of premium on refunding	(152,484)
Plus amortization of deferred changes on refunding	<u>64,989</u>
Total interest expense on long-term debt	<u>\$ 892,910</u>

12. 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 the 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 on the New York State Comptroller's website 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.

ROSLYN UNION FREE SCHOOL DISTRICT
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 average rate was 11.72% of covered payroll for the TRS' fiscal year ended June 30, 2017. The District's average contribution rate was 13.75% of covered payroll for the ERS' fiscal year ended March 31, 2018.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2018 was \$4,298,425 for TRS and \$1,768,128 for ERS.

D. Pension Asset/(Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2017, for TRS and March 31, 2018 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, 2017	March 31, 2018
District's proportionate share of the net pension asset/(liability)	\$ 2,072,424	\$ (1,227,941)
District's portion of the Plan's total net pension asset/(liability)	0.2726520%	0.0380468%
Change in proportion since the prior measurement date	0.0012350	(0.0016659)

For the year ended June 30, 2018, the District recognized pension expense of \$5,268,896 for TRS and \$1,676,863 for ERS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 1,705,095	\$ 437,967	\$ 808,014	\$ 361,919
Changes of assumptions	21,087,315	814,226		
Net difference between projected and actual earnings on pension plan investments		1,783,487	4,881,158	3,520,425
Changes in proportion and differences between the District's contributions and proportionate share of contributions	338,095	534,182	75,244	73,307
District's contributions subsequent to the measurement date	4,298,425	479,875		
Total	\$ 27,428,930	\$ 4,049,737	\$ 5,764,416	\$ 3,955,651

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

Year Ending June 30,	TRS	ERS
2019	\$ 538,499	\$ 455,210
2020	5,637,973	340,589
2021	4,051,378	(807,202)
2022	1,050,043	(374,386)
2023	4,039,762	
Thereafter	2,048,434	
	\$ 17,366,089	\$ (385,789)

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, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Inflation	2.50%	2.50%
Salary increases	1.90-4.72%	3.80%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Cost of living adjustments	1.50%	1.30%

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014, applied on a generational basis. 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 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 weighing 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, 2017		March 31, 2018
Asset type				
Domestic equity	35.0%	5.90%	36.0%	4.55%
International equity	18.0%	7.40%	14.0%	6.35%
Real estate	11.0%	4.30%	10.0%	5.80%
Private equities	8.0%	9.00%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.60%		
Global fixed income securities	2.0%	1.30%		
High-yield fixed income securities	1.0%	3.90%		
Bonds and mortgages	8.0%	2.80%	17.0%	1.31%
Short-term	1.0%	0.60%		
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 2.2% for TRS and 2.5% for ERS.

ROSLYN UNION FREE SCHOOL DISTRICT
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 discount rate used by the TRS at the prior year's measurement date of June 30, 2016, was 7.5%). 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)	\$ (35,701,722)	\$ 2,072,424	\$ 33,706,395
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset/(liability)	\$ (9,290,933)	\$ (1,227,941)	\$ 5,593,028

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2017	March 31, 2018
Employers' total pension liability	\$ (114,708,261)	\$ (183,400,590)
Plan fiduciary net position	115,468,360	180,173,145
Employers' net pension asset/(liability)	\$ 760,099	\$ (3,227,445)
Ratio of plan fiduciary net position to the employers' total pension liability	100.66%	98.24%

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018, are paid to the system in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2018, represent employer and employee contributions for the fiscal year ended June 30, 2018, 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, 2018 amounted to \$4,298,425 of employer contributions and \$211,888 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, 2018, represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$479,875 of employer contributions. Employee contributions are remitted monthly.

13. 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. Contributions made by the employees for the year ended June 30, 2018, totaled \$2,879,424.

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, 2018, totaled \$201,974.

14. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for all full-time employees of the District. 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 healthcare benefits 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.

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	\$ 427
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>545</u>
	<u><u>972</u></u>

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Total OPEB Liability

The District's total OPEB liability of \$200,624,803 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 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	3.00%
Healthcare cost trend rates	7.50% for 2017, decreasing to an ultimate rate of 4.5% by 2023
Retirees' share of benefit-related costs	12-26% of projected health insurance premiums for retirees

The discount rate was based on the actuary monitoring three 20-Year Municipal Bond Indices and evaluating the rates based on long term interest rate conditions.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date using Scale MP-2017. Mortality improvement was projected to date of decrement using Scale MP-2017 (generational mortality).

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

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$ 193,017,056</u>
Changes for the year	
Service cost	7,504,839
Interest	5,929,154
Changes of benefit terms	-
Differences between expected and actual experience	(16,462)
Changes in assumptions or other inputs	-
Benefit payments	<u>(5,809,784)</u>
	<u>7,607,747</u>
Balance at June 30, 2018	<u>\$ 200,624,803</u>

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

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

OPEB	1% Decrease (2.00)%	Discount Rate (3.00)%	1% Increase (4.00)%
Total OPEB liability	<u>\$ (235,853,104)</u>	<u>\$ (200,624,803)</u>	<u>\$ (172,539,542)</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.50%) or 1 percentage point higher (8.5%) than the current healthcare cost trend rate:

OPEB	1% Decrease (6.50)%	Healthcare Cost Trend Rates (7.50)%	1% Increase (8.50)%
Total OPEB liability	<u>\$ (171,016,585)</u>	<u>\$ (200,624,803)</u>	<u>\$ (241,682,807)</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$13,431,707. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$	\$ 14,176
Changes of assumptions		
District’s contributions subsequent to the measurement date		
Total	<u>\$ -</u>	<u>\$ 14,176</u>

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

Year Ending June 30,	Amount
2019	\$ (2,286)
2020	(2,286)
2021	(2,286)
2022	(2,286)
2023	(2,286)
Thereafter	<u>(2,746)</u>
	<u>\$ (14,176)</u>

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

15. 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 available reserves and commercial insurance coverage for the past three years.

B. Risk Retention

The District was self-insured for risks associated with workers' compensation claims prior to July 1, 2014, at which time they joined the Nassau County Schools Cooperative Workers' Compensation Self-Insured Plan. Liabilities for outstanding claims of the prior self-insured plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	2017	2018
Unpaid claims at beginning of year	\$ 829,035	\$ 567,000
Incurred claims and claim adjustment expenses	(202,631)	
Claim payments	(59,404)	(50,705)
Unpaid claims at year end	\$ 567,000	\$ 516,295

C. Public Entity Risk 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 school entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. The Workers' Compensation Plan's total liability for unbilled and opened claims at June 30, 2018, undiscounted was \$19,931,021. The Workers' Compensation Plan has net assets of \$20,024,804 at June 30, 2018 to pay these liabilities.

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.

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

16. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2018 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2018:

Workers' Compensation	\$ 250,000
Unemployment Insurance	25,000
Retirement Contributions	250,000
Debt Service	<u>1,792,600</u>
	<u>\$ 2,317,600</u>

17. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$110,000 has been appropriated to reduce taxes for the year ending June 30, 2018.

18. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75. The implementation of Statement No. 75 resulted in the reporting of a change in the liability for other postemployment benefits obligation. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	<u>\$ 54,605,538</u>
GASB Statement No. 75 implementation	
Beginning total other postemployment benefits obligation under GASB Statement No. 75	(193,017,056)
Less: Net other postemployment benefits obligation under GASB Statement No. 45	<u>70,686,283</u>
	<u>(122,330,773)</u>
Net position beginning of year, as restated	<u>\$ (67,725,235)</u>

19. TAX ABATEMENTS

The Nassau County Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The amount of property tax revenue that was reduced as a result of these programs was \$4,078,713. The District received payment in lieu of taxes (PILOT) payments totaling \$3,678,147.

20. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

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

ROSLYN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	\$ 1,109,607
Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	253,203
Instruction	157,031
Pupil Transportation	7,295
	<u>417,529</u>
Capital Projects Fund	
Capital projects	<u>7,732,759</u>
	<u>\$ 9,677,424</u>

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 involved in lawsuits arising from the normal conduct of its affairs. Management believes that the outcome of any matters will not have a material effect on these financial statements.

21. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued, noting no matters requiring financial statement disclosure, with the exception of the following matter:

Bond Anticipation Notes

On September 6, 2018, the District issued bond anticipation notes in the amount of \$464,883, which are due September 6, 2019, and bear interest at a stated rate of 3.00%. The proceeds were used for the purchase of buses pursuant to Proposition 3 on the May 15, 2018 budget vote. The District received a premium of \$2,492 with the borrowing to yield an effective interest rate of 2.464%.

ROSLYN UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 86,620,879	\$ 86,947,148	\$ 86,978,563	\$ 31,415
Other tax items	10,194,759	9,868,490	9,945,715	77,225
Charges for services	1,800,000	1,800,000	2,718,028	918,028
Use of money and property	270,000	270,000	434,060	164,060
Forfeiture			150	150
Sale of property and compensation for loss			89,461	89,461
Miscellaneous		51,089	346,806	295,717
Total Local Sources	98,885,638	98,936,727	100,512,783	1,576,056
State Sources	6,194,410	6,194,410	5,861,511	(332,899)
Medicaid Reimbursement			22,293	22,293
Total Revenues	105,080,048	105,131,137	106,396,587	1,265,450
OTHER FINANCING SOURCES				
Operating Transfers In	1,701,250	1,863,861	1,863,861	-
Total Revenues and Other Sources	106,781,298	106,994,998	108,260,448	\$ 1,265,450
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	300,000	300,000		
Prior Year's Encumbrances	674,242	674,242		
Appropriated Reserves	100,000	269,557		
Total Appropriated Fund Balance	1,074,242	1,243,799		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 107,855,540	\$ 108,238,797		

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.

ROSLYN UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 125,355	\$ 126,295	\$ 91,635	\$	\$ 34,660
Central administration	371,824	373,324	365,400		7,924
Finance	1,231,483	1,231,121	1,174,183	900	56,038
Staff	914,937	920,610	772,445		148,165
Central services	9,866,674	10,344,251	9,990,988	252,303	100,960
Special items	1,122,780	1,087,780	1,051,093		36,687
Total General Support	13,633,053	14,083,381	13,445,744	253,203	384,434
Instruction					
Administration & improvement	5,525,422	5,610,127	5,473,423	25,038	111,666
Teaching - regular school	30,361,218	30,038,226	29,591,715	42,040	404,471
Programs for students with disabilities	10,129,574	10,688,638	10,492,399	32,538	163,701
Occupational education	172,365	136,365	113,931		22,434
Teaching - special schools	577,684	591,057	489,881	782	100,394
Instructional media	2,085,022	2,203,337	2,126,415	37,966	38,956
Pupil services	5,862,234	5,765,466	5,475,030	18,667	271,769
Total Instruction	54,713,519	55,033,216	53,762,794	157,031	1,113,391
Pupil Transportation	4,456,600	4,475,162	4,348,470	7,295	119,397
Community Services	11,100	11,100	9,424		1,676
Employee Benefits	27,734,202	26,883,092	26,748,705		134,387
Debt Service					
Principal	3,925,080	3,964,946	3,964,945		1
Interest	931,986	998,900	998,898		2
Total Debt Service	4,857,066	4,963,846	4,963,843	-	3
Total Expenditures	105,405,540	105,449,797	103,278,980	417,529	1,753,288
OTHER USES					
Operating Transfers Out	2,450,000	2,789,000	2,589,000		200,000
Total Expenditures and Other Uses	\$ 107,855,540	\$ 108,238,797	105,867,980	\$ 417,529	\$ 1,953,288
Net Change in Fund Balance			2,392,468		
Fund Balance - Beginning of Year			25,223,064		
Fund Balance - End of Year			\$ 27,615,532		

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.

ROSLYN UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
 Last Four Fiscal Years

Teachers' Retirement System

	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.2726520%	0.2714170%	0.2755160%	0.2806840%
District's proportionate share of the net pension asset (liability)	\$ 2,072,424	\$ (2,906,985)	\$ 28,617,326	\$ 31,266,460
District's covered payroll	\$ 43,206,313	\$ 42,808,652	\$ 42,124,107	\$ 42,362,914
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	(4.80)%	6.79 %	67.94 %	73.81 %
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%

Employees' Retirement System

	2018	2017	2016	2015
District's proportion of the net pension liability	0.0380468%	0.0397127%	0.0396993%	0.0391419%
District's proportionate share of the net pension liability	\$ (1,227,941)	\$ (3,731,492)	\$ (6,371,853)	\$ (1,322,309)
District's covered payroll	\$ 12,855,481	\$ 11,897,495	\$ 11,918,061	\$ 11,269,229
District's proportionate share of the net pension liability as a percentage of its covered payroll	9.55 %	31.36 %	53.46 %	11.73 %
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.95%

Note to Required 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.

ROSLYN UNION FREE SCHOOL DISTRICT
Schedule of District Pension Contributions
 Last Ten Fiscal Years

Teachers' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 4,298,425	\$ 5,063,780	\$ 5,676,427	\$ 7,384,356	\$ 6,801,177	\$ 4,951,700	\$ 4,657,767	\$ 4,781,661	\$ 2,643,346	\$ 3,227,696
Contributions in relation to the contractually required contribution	4,298,425	5,063,780	5,676,427	7,384,356	6,801,177	4,951,700	4,657,767	4,781,661	2,643,346	3,227,696
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 43,861,480	\$ 43,206,313	\$ 42,808,652	\$ 42,124,107	\$ 42,362,914	\$ 42,330,643	\$ 42,552,616	\$ 41,459,610	\$ 42,689,482	\$ 40,723,801
Contributions as a percentage of covered payroll	10%	12%	13%	18%	16%	12%	11%	12%	6%	8%

Employees' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,768,128	\$ 1,725,526	\$ 2,000,013	\$ 2,157,779	\$ 2,295,501	\$ 2,319,563	\$ 1,663,894	\$ 1,387,001	\$ 911,074	\$ 779,130
Contributions in relation to the contractually required contribution	1,768,128	1,725,526	2,000,013	2,157,779	2,295,501	2,319,563	1,663,894	1,387,001	911,074	779,130
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 12,874,071	\$ 12,047,041	\$ 11,816,302	\$ 11,321,673	\$ 10,464,661	\$ 10,648,201	\$ 10,766,808	\$ 10,940,224	\$ 11,533,382	\$ 11,577,949
Contributions as a percentage of covered payroll	14%	14%	17%	19%	22%	22%	15%	13%	8%	7%

ROSLYN UNION FREE SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Fiscal Year

	2018
Total OPEB liability	
Service cost	\$ 7,504,839
Interest	5,929,154
Changes in benefit terms	-
Differences between expected and actual experience	(16,462)
Changes of assumptions or other inputs	-
Benefit payments	(5,809,784)
Net change in total OPEB liability	7,607,747
Total OPEB liability, beginning	193,017,056
Total OPEB liability, ending	\$ 200,624,803
Covered employee payroll	\$ 50,844,539
Total OPEB liability as a percentage of covered employee payroll	394.58%

ROSLYN UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 107,181,298
Additions:	
Prior year's encumbrances	<u>674,242</u>
Original Budget	107,855,540
Budget revisions	<u>383,257</u>
Final Budget	<u>\$ 108,238,797</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 voter-approved expenditure budget	<u>\$ 109,959,967</u>
Maximum allowed (4% of 2018-2019 budget)	<u>\$ 4,398,398</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 527,529
Unassigned fund balance	<u>4,398,398</u>
	\$ 4,925,927
Less:	
Appropriated fund balance	110,000
Encumbrances	<u>417,529</u>
Total adjustments	<u>527,529</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u>\$ 4,398,398</u>
Actual Percentage	4.00%

ROSLYN UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For The Year Ended June 30, 2018

PROJECT TITLE	Budget June 30, 2017	Budget June 30, 2018	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2018
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
District-wide 1994-2012	\$ 12,375,430	\$ 12,375,430	\$ 11,440,862	\$ (23,729)	\$ 11,417,133	\$ 958,297	\$	\$ 500,000	\$ 11,875,430	\$ 12,375,430	\$ 958,297
District-wide 2012-2013	535,000	535,000	482,676	(7,479)	475,197	59,803			535,000	535,000	59,803
District-wide 2013-2014	5,012,000	4,523,749	3,227,492	16	3,227,508	1,296,241		100,000	4,423,749	4,523,749	1,296,241
Bond 2014	46,187,000	48,425,251	19,499,314	20,037,516	39,536,830	8,888,421	28,535,000		19,890,251	48,425,251	8,888,421
District-wide 2016-2017	1,665,303	1,665,303		187,740	187,740	1,477,563			1,665,303	1,665,303	1,477,563
District-wide capital reserve	1,500,000	1,500,000		39,150	39,150	1,460,850			1,500,000	1,500,000	1,460,850
Smart Schools Bond Act	21,250	21,250	21,234		21,234	16		21,250		21,250	16
Installment purchase contract		460,790		460,790	460,790	-	460,790			460,790	-
Totals	\$ 67,295,983	\$ 69,506,773	\$ 34,671,578	\$ 20,694,004	\$ 55,365,582	\$ 14,141,191	\$ 28,995,790	\$ 621,250	\$ 39,889,733	\$ 69,506,773	14,141,191
									Less: Revenues not yet realized		(21,250)
											<u>\$ 14,119,941</u>

ROSLYN UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2018

Capital assets, net	<u>\$ 91,786,957</u>
Deduct:	
Short-term portion of bonds payable	3,270,000
Long-term portion of bonds payable	28,325,000
Short-term portion of installment purchase debt	503,829
Long-term portion of installment purchase debt	772,473
Short-term portion of energy performance contract	274,701
Long-term portion of energy performance contract	<u>1,478,917</u>
	<u>34,624,920</u>
Net Investment in Capital Assets	<u>\$ 57,162,037</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
Roslyn Union Free School District
Roslyn, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Roslyn Union Free School District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 24, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Roslyn Union Free School District in a separate letter dated September 24, 2018.

Purpose of this Report

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

Cullen & Danowski, LLP

September 24, 2018

