

**VALLEY STREAM UNION FREE SCHOOL DISTRICT #24  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

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**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR  
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**R.S. ABRAMS & CO., LLP**

*Accountants & Consultants for Over 75 years*

Robert S. Abrams  
(1926-2014)

Marianne E. Van Duyne, CPA  
Alexandria M. Battaglia, CPA

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Valley Stream Union Free School District #24 as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Valley Stream Union Free School District #24 as of June 30, 2016, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 3 through 14 and 48 through 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Valley Stream Union Free School District #24's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

***Other Reporting Required by Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2016, on our consideration of the Valley Stream Union Free School District #24's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Valley Stream Union Free School District #24's internal control over financial reporting and compliance.

*R.S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
September 21, 2016

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

The Valley Stream Union Free School District Twenty-Four's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016 in comparison with the year ended June 30, 2015, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

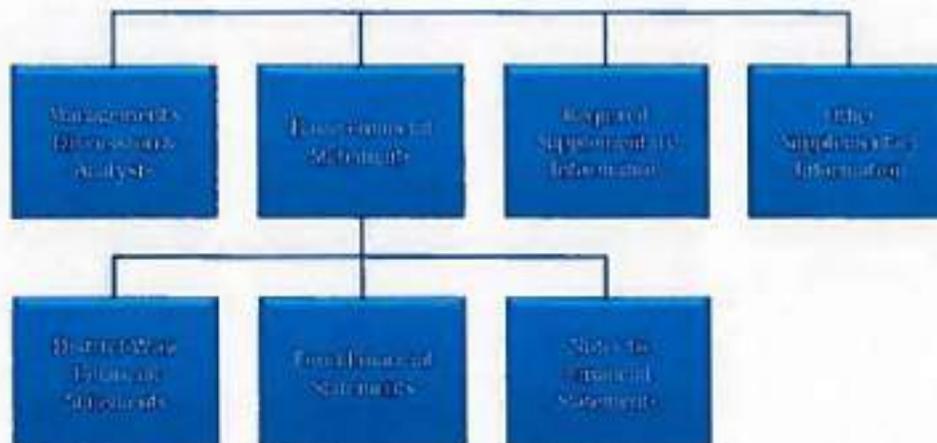
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2016 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$1,644,271. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$26,279,119. Of this amount, \$1,213,326 was offset by program charges for services and operating grants. General revenues of \$26,710,064 amount to 96% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$1,174,070. This was due to an excess of revenues over expenditures and other uses based on the modified accrual basis of accounting.
- The District's 2016 property tax levy of \$20,269,420 was a 1.58% increase over the 2015 tax levy. The District's property tax cap was 1.58%.

**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:



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

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**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 accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

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

The Statement of Activities

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

**B. Fund Financial Statements**

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

Governmental Funds

These statements utilize the 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.

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

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, 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 four individual governmental funds: general fund, special aid fund, school lunch 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 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's district-wide financial statements because the District cannot use these assets to finance its operations.

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

**A. Net Position**

The District's total net position increased by \$1,644,271 between fiscal year 2016 and 2015. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2016	2015	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 8,454,780	\$ 7,564,770	\$ 890,010	11.77 %
Capital Assets, Net	8,442,085	8,681,080	(238,995)	(2.75)%
Net Pension Asset - Proportionate Share	9,665,331	10,692,153	(1,026,822)	(9.60)%
Total Assets	<u>26,562,196</u>	<u>26,938,003</u>	<u>(375,807)</u>	(1.40)%
Deferred Outflows of Resources	<u>2,936,957</u>	<u>2,614,086</u>	<u>322,871</u>	12.35 %
Current and Other Liabilities	3,148,068	3,572,300	(424,232)	(11.88)%
Long-Term Liabilities	2,565,286	2,761,900	(196,614)	(7.12)%
Net Other Postemployment Benefits Obligation	10,141,377	8,178,989	1,962,388	23.99 %
Net Pension Liability - Proportionate Share	1,070,156	236,229	833,927	353.02 %
Total Liabilities	<u>16,924,887</u>	<u>14,749,418</u>	<u>2,175,469</u>	14.75 %
Deferred Inflows of Resources	<u>3,464,620</u>	<u>7,337,296</u>	<u>(3,872,676)</u>	(52.78)%

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

	2016	2015	Increase (Decrease)	Percentage Change
Net Position				
Net Investment in Capital Assets	7,261,778	7,382,995	(121,217)	(1.64)%
Restricted	3,042,377	2,220,501	821,876	37.01 %
Unrestricted (Deficit)	<u>(1,194,509)</u>	<u>(2,138,121)</u>	943,612	(44.13)%
 Total Net Position	 <u>\$ 9,109,646</u>	 <u>\$ 7,465,375</u>	 <u>\$ 1,644,271</u>	 22.03 %

Current and other assets increased by \$890,010, as compared to the prior year. The increase is evidenced by an increase in the District's cash balances and amounts due from other governments.

Capital assets, net decreased by \$238,995, as compared to the prior year. This decrease is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

Net pension asset - proportionate share decreased by \$1,026,822, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at June 30, 2015, the measurement date.

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.

Current and other liabilities decreased by \$424,232, as compared to the prior year. This decrease is primarily in connection with the District's liability to the teachers' retirement system for the current year's contribution at a decreased contribution rate and decreases in salaries. This decrease was offset by an increase in amounts due to other governments.

Long-term liabilities decreased by \$196,614, as compared to the prior year. This decrease is primarily the result of scheduled payments related to the energy performance contract and payouts of compensated absences to retirees.

Net other postemployment benefits (OPEB) obligation increased by \$1,962,388, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability - proportionate share increased by \$833,927 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at March 31, 2016, the measurement date.

Deferred inflows of resources primarily represents actuarial adjustments at the pension plan level that will be amortized in future years.

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

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

	Increase (Decrease)
Capital asset additions	\$ 346,018
Depreciation expense	(585,013)
Principal debt reduction of energy performance contract	117,778
	\$ (121,217)

The restricted amount of \$3,042,377 relates to the District's unemployment insurance, retirement contribution, and employee benefit accrued liability reserves. This number increased over the prior year by \$821,876 due to the District funding the reserves, offset by the utilization of reserves to fund operations.

The unrestricted deficit amount of \$(1,194,509) 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 decreased from the prior year by \$943,612, as a result of revenues exceeding expenses.

**B. Changes in Net Position**

The results of this year's 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, 2016 and 2015 is as follows:

	2016	2015	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 366,788	\$ 417,897	\$ (51,109)	(12.23)%
Operating Grants	846,538	823,585	22,953	2.79 %
General Revenues				
Property Taxes and STAR	19,904,717	19,962,257	(57,540)	(0.29)%
State Sources	5,896,205	5,362,043	534,162	9.96 %
Other	909,142	638,586	270,556	42.37 %
Total Revenues	27,923,390	27,204,368	719,022	2.64 %
<b>Expenses</b>				
General Support	3,405,459	3,431,825	(26,366)	(0.77)%
Instruction	21,834,391	22,395,808	(561,417)	(2.51)%
Pupil Transportation	640,008	603,919	36,089	5.98 %
Debt Service - Interest	60,843	66,521	(5,678)	(8.54)%
Food Service Program	338,418	329,912	8,506	2.58 %
Total Expenses	26,279,119	26,827,985	(548,866)	(2.05)%
<b>Increase in Net Position</b>	<b>\$ 1,644,271</b>	<b>\$ 376,383</b>	<b>\$ 1,267,888</b>	<b>336.86 %</b>

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

The District's net position increased by \$1,644,271 and \$376,383 for the years ended June 30, 2016 and 2015, respectively.

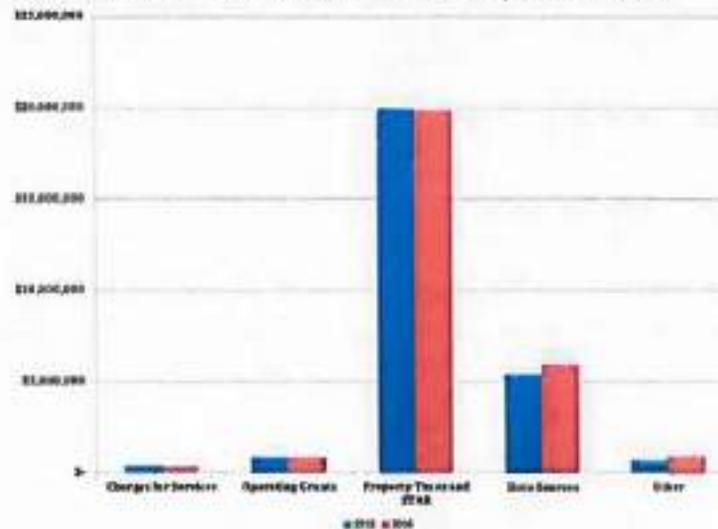
The District's revenues increased by \$719,022 or 2.64%. The major factors that contributed to the increase were:

- The District received more state aid and grants than in prior years.
- During 2016, the County removed certain properties from the tax rolls and entered into agreements with those properties to make payments in lieu of taxes, causing a shift between property tax revenues and PILOT. In total, property taxes and STAR and PILOT (included in other revenues) increased over 2015 amounts.

The District's expenses for the year decreased by \$548,866 or 2.05%. This decrease is primarily due to a reduction in staff and a reduction in employee benefits related to staff reductions, as well as decreases in the retirement systems' contribution rates.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 71.3% and 73.4% of the total for the years 2016 and 2015, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 83.1% and 83.5% of the total for the years 2016 and 2015, respectively).

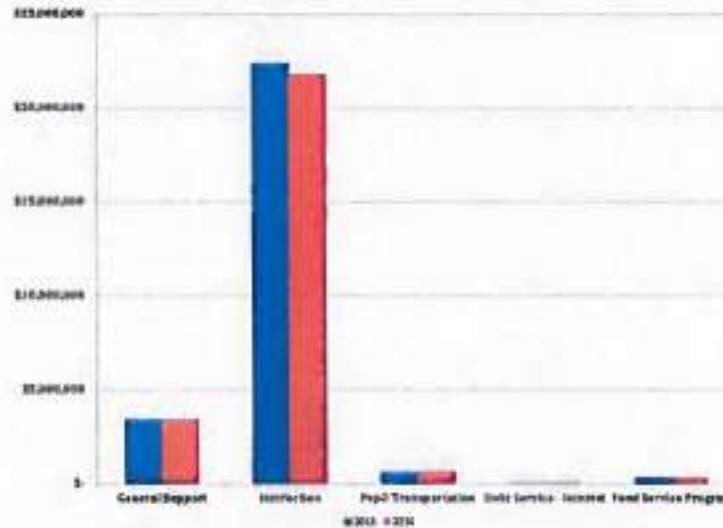
A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2015	1.5%	3.0%	73.4%	19.7%	2.4%
2016	1.3%	3.0%	71.3%	21.1%	3.3%

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

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2015	12.8%	83.5%	2.3%	0.2%	1.2%
2016	13.0%	83.1%	2.4%	0.2%	1.3%

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At June 30, 2016, the District's governmental funds reported a combined fund balance of \$5,316,015, which is an increase of \$1,304,887 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2016	2015	Increase (Decrease)
<b>General Fund</b>			
<b>Restricted</b>			
Unemployment insurance	\$ 22,396	\$ 22,327	\$ 69
Retirement contribution	1,806,249	988,156	818,093
Employee benefit accrued liability	1,213,732	1,210,018	3,714
Assigned: Unappropriated fund balance	31,850	67,726	(35,876)
Unassigned: Fund balance	1,110,966	722,896	388,070
	<u>4,185,193</u>	<u>3,011,123</u>	<u>1,174,070</u>
<b>School Lunch Fund</b>			
Unassigned: Fund balance (deficit)	(5,731)	(23,758)	18,027
<b>Capital Projects Fund</b>			
Assigned: Unappropriated fund balance	1,136,553	1,023,763	112,790
<b>Total Fund Balance</b>	<u>\$ 5,316,015</u>	<u>\$ 4,011,128</u>	<u>\$ 1,304,887</u>

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

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**A. General Fund**

The net change in the general fund – fund balance is an increase of \$1,174,070, compared to a decrease of \$1,253,387 for 2015. This resulted from revenues of \$26,940,106 in excess of expenditures and other uses of \$25,766,036. Revenues increased by \$492,661 (1.86%) over the prior year revenues and other sources. This increase was primarily due to increases in property taxes, STAR and other tax items, and state aid. A \$284,683 combined increase in property taxes, STAR and other tax items is due to the District receiving more in PILOT revenues than the District had received in the prior year. In addition, during the year, the County removed certain properties from the tax roll and entered into agreements with those properties to make payments in lieu of taxes. This caused a shift between property taxes and PILOT. A \$534,162 increase in state aid is due to the reduction in the GAP elimination adjustment, a deduction to the District's basic state aid, and the District receiving \$230,000 in special legislative grants that the District had not received in the prior year. These increases were offset by a \$128,895 decrease in charges for services and miscellaneous revenue. The decrease in charges for services was due to the District not receiving tuition for students attending the District from other districts in the current year as it had in the prior year. Also, in 2015, the general fund received a one-time transfer of \$197,200 from the debt service fund.

Expenditures and other uses decreased by \$1,934,796 from the prior year. This decrease is due to decreases in teaching regular school, programs for students with disabilities, pupil services and employee benefits. The decrease in teaching regular school is due to a reduction in staff. The decrease in programs for students with disabilities is also due to a reduction in staff as well as a decrease in BOCES services utilized in the current year. The decrease in pupil services is also due to staff reductions. Employee benefits decreased due to the staff reductions as well as decreases in retirement systems contributions as a result of decreases in the contribution rates.

As part of the 2015-16 budget the District anticipated appropriating \$370,000 from the retirement contribution reserve to fund costs associated with contributions to the New York State and Local Employees' Retirement System. Actual costs were less than anticipated and the District appropriated \$331,920 from the reserve. In addition, at the end of the fiscal year the District funded the reserve in the amount of \$1,179,980 for future retirement contribution costs. The reserve also earned interest of \$3,033. The District expects to appropriate \$175,000 from this reserve during 2016-17.

During the year, the District appropriated \$63,027 from the employee benefits accrued liability reserve to fund the payout of unused sick and vacation time to retirees. At the end of the fiscal year the District replenished the reserve in the amount of \$63,027 and the reserve earned interest of \$3,714. The District expects to appropriate \$100,000 from this reserve during 2016-17.

**B. School Lunch Fund**

The net change in the school lunch fund – fund balance is an increase of \$18,027, which was the operating profit of the school lunch fund, which included a transfer from the general fund in the amount of \$30,000. The 2016 transfer was \$60,321 less than the 2015 transfer.

**C. Capital Projects Fund**

The net change in the capital projects fund – fund balance is an increase of \$112,790. The District transferred \$400,000 into the capital projects fund for various capital projects. Current year expenditures were \$287,210.

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

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**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2015-16 Budget**

The District's general fund adopted budget for the year ended June 30, 2016 was \$27,232,372. This amount was increased by encumbrances carried forward from the prior year in the amount of \$67,726 and budget revisions in the amount of \$63,027. The budget was also reduced by \$653,367 for grant items included in the budget for a total final budget of \$26,709,758.

The budget was funded through a combination of estimated revenues, appropriated reserves and appropriated fund balance. The majority of this funding source was \$20,269,420 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 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	\$ 722,896
Revenues Over Budget	731,101
Expenditures and Encumbrances Under Budget	911,872
Unused Appropriated Reserves	(38,080)
Allocation to Reserves	<u>(1,216,823)</u>
Closing, Unassigned Fund Balance	<u>\$ 1,110,966</u>

**Opening, Unassigned Fund Balance (Deficit)**

The \$722,896 shown in the table is the portion of the District's June 30, 2015 fund balance that was retained as unassigned.

**Revenues Over Budget**

The 2015-16 final budget for revenues was \$26,209,005. Actual revenues received for the year were \$26,940,106. The excess of actual revenue over estimated or budgeted revenue was \$731,101. This excess was due to the District receiving more than anticipated in other tax items, charges for services and state sources. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2015 to June 30, 2016.

**Expenditures and Encumbrances Under Budget**

The 2015-16 final budget for expenditures was \$26,709,758. Actual expenditures as of June 30, 2016 were \$25,766,036 and outstanding encumbrances were \$31,850. Combined, the expenditures plus encumbrances for 2015-16 were \$25,797,886. The final budget was under expended by \$911,872. The under expenditures were primarily in general support, instruction and employee benefits. This under

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

expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2015 to June 30, 2016.

**Unused Appropriated Reserves**

In the 2015-16 budget, \$370,000 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$38,080 of this funding was not needed and, therefore, it was returned to the reserves for future use.

**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 \$(1,216,823) shown in the above table is made up of a transfer to the employee benefit accrued liability reserve of \$63,027, a transfer of \$1,146,980 to the retirement contribution reserve and interest earnings on the reserves as follows:

Employee benefit accrued liability	\$	3,714
Unemployment insurance		69
Retirement contribution		<u>3,033</u>
	<u>\$</u>	<u>6,816</u>

**Closing Unassigned Fund Balance**

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2016 was \$1,110,966. This amount equals 4.0% of the 2016-17 budget.

**6. CAPITAL ASSETS AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2016, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of \$585,013 in excess of capital additions of \$346,018 recorded for the year ended June 30, 2016. A summary of the District's capital assets, net of depreciation at June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Land	\$ 155,300	\$ 155,300	\$ -
Buildings	7,986,866	8,254,312	(267,446)
Furniture and equipment	265,676	267,176	(1,500)
Licensed vehicles	<u>34,243</u>	<u>4,292</u>	<u>29,951</u>
Capital assets, net	<u>\$ 8,442,085</u>	<u>\$ 8,681,080</u>	<u>\$ (238,995)</u>

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

**B. Debt Administration**

At June 30, 2016, the District had energy performance contract debt payable of \$1,180,307. The energy performance contract was issued for building improvements. A summary of the outstanding debt at June 30, 2016 and 2015 is as follows:

Issue Date	Interest Rate	2016	2015	Increase (Decrease)
3/27/2009	4.93%	\$ 1,180,307	\$ 1,298,085	\$ (117,778)

**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 17, 2016, for the year ending June 30, 2017, is \$27,774,154. This is an increase of \$541,782 or 1.99% over the previous year's budget. The increase is principally in the instructional program and transportation areas of the budget.

The District budgeted revenues other than property taxes and STAR at a \$571,714 increase over the prior year's estimate, which is principally due to an estimated increase in state aid. The restricted, appropriated fund balance applied to the budget in the amount of \$275,000 is a \$95,000 decrease from the previous year. A property tax increase of \$65,068 (0.33%), levy to levy, was needed to meet the funding shortfall and cover the increase in projected expenditures.

**B. Future Budgets**

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

**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. Based on the law, the District's tax levy cap for 2016-17 is 0.33%. The District's 2016-17 property tax increase of 0.33% was equal to the tax cap and did not require an override vote.

**D. Property Tax Freeze Credit and Property Tax Relief Credit**

New York State law provides a "Property Tax Freeze Credit" that effectively "freezes" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners receive a credit, which is distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments, in the second year, to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The program ends for school districts with the 2015-16 school year.

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

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New York State enacted a new law that provides a "Property Tax Relief Credit" to eligible taxpayers for the 2016-17 through 2019-20 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy. Eligible District taxpayers will receive a tax credit in the form of a check in the amount of \$130 in the first year. In subsequent years, the amount of the credit is a function of the basic STAR savings and the taxpayer's income.

These property tax credit programs provide an incentive for the District to be tax cap compliant.

**8. CONTACTING THE DISTRICT**

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

Dr. Edward M. Fale  
Superintendent  
Valley Stream Union Free School District Twenty-Four  
75 Horton Avenue  
Valley Stream, New York 11581

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Statement of Net Position**  
June 30, 2016

<b>ASSETS</b>	
Cash	
Unrestricted	\$ 2,940,132
Restricted	3,042,377
Receivables	
Accounts receivable	1,494
Taxes receivable	1,151,942
Due from fiduciary funds	335,399
Due from state and federal	575,865
Due from other governments	407,571
Capital assets:	
Not being depreciated	155,300
Being depreciated, net of accumulated depreciation	8,286,785
Net pension asset - proportionate share	<u>9,665,331</u>
Total Assets	<u>26,562,196</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	<u>2,936,957</u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	305,522
Accrued liabilities	34,121
Due to other governments	737,782
Due to teachers' retirement system	1,836,106
Due to employees' retirement system	88,842
Compensated absences	133,243
Unearned credits	
Collections in advance	12,452
Long-term liabilities	
Due and payable within one year	
Energy performance contract payable	123,654
Compensated absences payable	123,775
Due and payable after one year	
Energy performance contract payable	1,056,653
Compensated absences payable	1,261,204
Net other postemployment benefits obligation	10,141,377
Net pension liability - proportionate share	<u>1,070,156</u>
Total Liabilities	<u>16,924,887</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenues	7,662
Pensions	<u>3,456,958</u>
Total Deferred Inflows of Resources	<u>3,464,620</u>
<b>NET POSITION</b>	
Net investment in capital assets	<u>7,261,778</u>
Restricted:	
Unemployment insurance	22,396
Retirement contribution	1,806,249
Employee benefit accrued liability	<u>1,213,732</u>
	<u>3,042,377</u>
Unrestricted (deficit)	<u>(1,194,509)</u>
Total Net Position	<u>\$ 9,109,646</u>

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Statement of Activities**  
For The Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 3,405,459	\$	\$	\$ (3,405,459)
Instruction	21,834,391	230,042	665,211	(20,939,138)
Pupil transportation	640,000			(640,000)
Debt service - interest	60,843			(60,843)
Food service program	338,418	136,746	181,327	(20,345)
<b>Total Functions and Programs</b>	<b>\$ 26,279,119</b>	<b>\$ 366,788</b>	<b>\$ 846,538</b>	<b>(25,065,793)</b>
<b>GENERAL REVENUES</b>				
Real property taxes				17,838,683
Other tax items				2,773,091
Use of money and property				11,063
Sale of property and compensation for loss				6,660
Miscellaneous				119,000
State sources				5,896,205
Medicaid reimbursement				65,202
<b>Total General Revenues</b>				<b>26,710,064</b>
<b>Change in Net Position</b>				<b>1,644,271</b>
<b>Total Net Position - Beginning of Year</b>				<b>7,465,375</b>
<b>Total Net Position - End of Year</b>				<b>\$ 9,109,646</b>

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Balance Sheet - Governmental Funds**  
June 30, 2016

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
<b>Cash</b>					
Unrestricted	\$ 2,884,939	\$ 30,938	\$ 7,974	\$ 16,281	\$ 2,940,132
Restricted	3,042,377				3,042,377
<b>Receivables</b>					
Accounts receivable	913		581		1,494
Taxes receivable	1,151,942				1,151,942
Due from other funds	694,454			1,120,272	1,814,726
Due from state and federal	249,582	313,069	13,214		575,865
Due from other governments	407,571				407,571
<b>Total Assets</b>	<b>\$ 8,431,778</b>	<b>\$ 344,007</b>	<b>\$ 21,769</b>	<b>\$ 1,136,553</b>	<b>\$ 9,934,107</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Accounts payable	\$ 305,522				\$ 305,522
Accrued liabilities	17,156				17,156
Due to other funds	1,120,272	344,007	15,048		1,479,327
Due to other governments	737,782				737,782
Due to teachers' retirement system	1,836,106				1,836,106
Due to employees' retirement system	88,842				88,842
Compensated absences	133,243				133,243
<b>Unearned credits</b>					
Collections in advance			12,452		12,452
<b>Total Liabilities</b>	<b>4,238,923</b>	<b>344,007</b>	<b>27,500</b>	<b>-</b>	<b>4,610,430</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenues	7,662				7,662
<b>FUND BALANCES (DEFICIT)</b>					
<b>Restricted:</b>					
Unemployment insurance	22,396				22,396
Retirement contribution	1,806,249				1,806,249
Employee benefit accrued liability	1,213,732				1,213,732
	3,042,377				3,042,377
Assigned: Unappropriated fund balance	31,850			1,136,553	1,168,403
Unassigned: Fund balance (deficit)	1,110,966		(5,731)		1,105,235
<b>Total Fund Balances (Deficit)</b>	<b>4,185,193</b>	<b>-</b>	<b>(5,731)</b>	<b>1,136,553</b>	<b>5,316,015</b>
<b>Total Liabilities, Deferred inflows of Resources and Fund Balances</b>	<b>\$ 8,431,778</b>	<b>\$ 344,007</b>	<b>\$ 21,769</b>	<b>\$ 1,136,553</b>	<b>\$ 9,934,107</b>

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2016

Total Governmental Fund Balances (Deficit) \$ 5,316,015

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

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position 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	\$ 15,574,032	
Accumulated depreciation	<u>(7,131,947)</u>	8,442,085

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 funds.

Net pension asset - teachers' retirement system	9,665,331	
Deferred outflows of resources	2,936,957	
Net pension liability - employees' retirement system	(1,070,156)	
Deferred inflows of resources	<u>(3,456,958)</u>	8,075,174

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

Accrued interest on energy performance contract payable	(16,965)	
Energy performance contract payable	(1,100,307)	
Compensated absences payable	(1,384,979)	
Net other postemployment benefits obligation	<u>(10,141,377)</u>	(12,723,628)

Total Net Position \$ 9,109,646

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
**For The Year Ended June 30, 2016**

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 17,838,683	\$	\$	\$	\$ 17,838,683
Other tax items	2,773,091				2,773,091
Charges for services	230,042				230,042
Use of money and property	11,063				11,063
Sale of property and compensation for loss	6,660				6,660
Miscellaneous	119,090		3,276		122,356
State sources	5,896,205	38,716	7,309		5,942,230
Medicaid reimbursement	65,282				65,282
Federal sources		626,495	174,018		800,513
Sales - school lunch			133,470		133,470
<b>Total Revenues</b>	<b>26,940,106</b>	<b>665,211</b>	<b>318,073</b>	<b>-</b>	<b>27,923,390</b>
<b>EXPENDITURES</b>					
General support	2,801,403				2,801,403
Instruction	15,744,327	652,887			16,397,214
Pupil transportation	597,541	25,219			622,760
Employee benefits	5,999,556				5,999,556
Debt service					
Principal	117,778				117,778
Interest	62,536				62,536
Cost of sales			330,046		330,046
Capital outlay				287,210	287,210
<b>Total Expenditures</b>	<b>25,323,141</b>	<b>678,106</b>	<b>330,046</b>	<b>287,210</b>	<b>26,618,503</b>
Excess (Deficiency) of Revenues Over Expenditures	1,616,965	(12,895)	(11,973)	(287,210)	1,304,887
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Operating transfers in		12,895	30,000	400,000	442,895
Operating transfers (out)	(442,895)				(442,895)
<b>Total Other Financing Sources and (Uses)</b>	<b>(442,895)</b>	<b>12,895</b>	<b>30,000</b>	<b>400,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>1,174,070</b>	<b>-</b>	<b>18,027</b>	<b>112,790</b>	<b>1,304,887</b>
Fund Balances (Deficit) - Beginning of Year	3,011,123		(23,758)	1,023,763	4,011,128
<b>End of Year</b>	<b>\$ 4,185,193</b>	<b>\$ -</b>	<b>\$ (5,731)</b>	<b>\$ 1,136,553</b>	<b>\$ 5,316,015</b>

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
**For The Year Ended June 30, 2016**

Net Change in Fund Balances \$ 1,304,807

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 net position.

Decrease in compensated absences payable \$ 78,836

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 net other postemployment benefits obligation (1,962,388) (1,883,552)

**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 expenses in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.

Capital outlays 346,018  
 Depreciation expense (585,013) (238,995)

**Long-Term Debt Transactions Differences**

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

Repayment of energy performance contract payable 117,778

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, 2015 to June 30, 2016.

1,693 119,471

**Pension Differences**

The decrease in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.

Teachers' retirement system 2,412,170  
 Employees' retirement system (69,710) 2,342,460

Change in Net Position of Governmental Activities \$ 1,644,271

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
June 30, 2016

	<u>Agency</u>	<u>Private Purpose Trust</u>
<b>ASSETS</b>		
Cash		
Unrestricted	\$ 341,743	\$
Restricted		<u>1,603</u>
Total Assets	<u>\$ 341,743</u>	<u>1,603</u>
 <b>LIABILITIES</b>		
Due to governmental funds	\$ 335,399	
Other liabilities	<u>6,344</u>	
Total Liabilities	<u>\$ 341,743</u>	<u>-</u>
 <b>NET POSITION</b>		
Restricted for scholarships		<u>\$ 1,603</u>

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
**For The Year Ended June 30, 2016**

	Private Purpose Trust
<b>ADDITIONS</b>	<b>\$ -</b>
<b>DEDUCTIONS</b>	
Scholarships and awards	150
Change in Net Position	(150)
Net Position - Beginning of Year	1,753
Net Position - End of Year	<b>\$ 1,603</b>

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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

**B. Joint Venture**

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

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

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**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 Lunch Fund** - is used to account for the activities of the food service program.

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

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

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

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

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

**E. Real Property Taxes**

Calendar

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

Enforcement

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

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

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**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 contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, pension costs, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

**I. Cash and Cash Equivalents**

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

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

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

**J. Receivables**

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

**K. Capital Assets**

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at estimated fair market 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	\$ 10,000	20-50 years
Furniture and equipment	1,000	5-20 years
Licensed vehicles	5,000	8 years

**L. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and represents the effect of the net change in the District's proportion of the collective net pension asset or liability, the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and the net difference between projected and actual earnings on pension plan investments. The second item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

**M. Collections in Advance**

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

**N. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) 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. First is PILOT monies recorded before the period for which the resources are collected. The amounts are reclassified as revenue in the period for which they are collected. The second item is related to pensions reported in the district-wide Statement of Net

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

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Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments.

**O. Employee Benefits - Compensated Absences**

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

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

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 30<sup>th</sup>.

**P. Other Benefits**

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

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

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their 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 accrual basis of accounting in accordance with GASB Statement No. 45.

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

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**Q. Short-Term Debt**

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

The District may issue 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.

No short-term debt was issued during the year ended June 30, 2016.

**R. 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.

Fund Statements

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

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

*Unemployment Insurance Reserve*

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

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**NOTES TO FINANCIAL STATEMENTS**  
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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 to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

*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 includes 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 for specific purposes for which amounts had been restricted or assigned. NYS Real Property Tax Law §1318, restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

Fund Balance Classification

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

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

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

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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. 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 liabilities, including pensions.

**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 modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

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.

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

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Pension Differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability, differences between the District's contributions and its proportionate share of the total contributions to the pension systems, differences between projected and actual earnings on pension investments, and District contributions to the pension systems subsequent to the measurement date.

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The District appropriated \$63,027 of the employee benefit accrued liability reserve to increase the budget for payments at separation. In addition, the District reduced the budget by \$653,367, which represents grant revenues and appropriations that are accounted for in the special aid fund.

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.

**C. School Lunch Fund Deficit**

The school lunch fund has an unassigned fund balance deficit of \$5,731. This will be funded by a transfer from the general fund budgeted for in 2016-17.

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

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**4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

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

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.

**5. PARTICIPATION IN BOCES**

During the year ended June 30, 2016, the District was billed \$1,208,616 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$403,974. 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.

**6. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2016 consisted of:

General Fund		
New York State - excess cost aid	\$	249,582
Special Aid Fund		
Federal and state grants		313,069
School Lunch Fund		
Federal and state food service program reimbursements		<u>13,214</u>
	\$	<u>575,865</u>

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

**7. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2016 consisted of:

General Fund	
BOCES aid	\$ 303,390
Other districts - health services	80,236
Department of Social Services - transportation	4,445
Nassau County - Inter-Municipal Agreement	<u>11,500</u>
	<u>\$ 407,571</u>

**8. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 155,300	\$	\$	\$ 155,300
Total capital assets not being depreciated	<u>155,300</u>	<u>-</u>	<u>-</u>	<u>155,300</u>
Capital assets being depreciated				
Buildings	14,030,905	210,297		14,249,202
Furniture and equipment	995,277	91,245		1,086,522
Licensed vehicles	46,532	36,476		83,008
Total capital assets being depreciated	<u>15,072,714</u>	<u>346,018</u>	<u>-</u>	<u>15,418,732</u>
Less accumulated depreciation for:				
Buildings	5,776,593	485,743		6,262,336
Furniture and equipment	728,101	92,745		820,846
Licensed vehicles	42,240	6,525		48,765
Total accumulated depreciation	<u>6,546,934</u>	<u>585,013</u>	<u>-</u>	<u>7,131,947</u>
Total capital assets, being depreciated, net	<u>8,525,780</u>	<u>(238,995)</u>	<u>-</u>	<u>8,286,785</u>
Capital assets, net	<u>\$ 8,681,080</u>	<u>\$ (238,995)</u>	<u>\$ -</u>	<u>\$ 8,442,085</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 85,653
Instruction	477,734
Pupil transportation	13,254
Food service program	<u>8,372</u>
Total depreciation expense	<u>\$ 585,013</u>

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

**9. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2016, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 694,454	\$ 1,120,272	\$	\$ 442,895
Special Aid Fund		344,007	12,895	
School Lunch Fund		15,048	30,000	
Capital Projects Fund	1,120,272		400,000	
<b>Total Governmental Funds</b>	<b>1,814,726</b>	<b>1,479,327</b>	<b>442,895</b>	<b>442,895</b>
Fiduciary Funds		335,399		
<b>Total</b>	<b>\$ 1,814,726</b>	<b>\$ 1,814,726</b>	<b>\$ 442,895</b>	<b>\$ 442,895</b>

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools. The transfer to the school lunch fund was to provide support for the program. The transfer to the capital projects fund was a voter approved budgetary transfer to the capital projects fund.

**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 pensions and other postemployment benefits obligations, for the year are summarized below:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Long-term debt:					
Energy performance contract	\$ 1,298,085	\$	\$ (117,778)	\$ 1,180,307	\$ 123,654
Other long-term liabilities:					
Compensated absences	1,463,815	134,191	(213,027)	1,384,979	123,775
	<b>\$ 2,761,900</b>	<b>\$ 134,191</b>	<b>\$ (330,805)</b>	<b>\$ 2,565,286</b>	<b>\$ 247,429</b>

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

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

**B. Energy Performance Contract Payable**

Energy performance contract payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2016
Energy performance contract	3/27/2009	3/15/2024	4.93%	<u>\$ 1,180,307</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 123,654	\$ 56,662	\$ 180,316
2018	129,823	50,492	180,315
2019	136,299	44,015	180,314
2020	143,099	37,216	180,315
2021	150,237	30,077	180,314
2022 - 2024	<u>497,195</u>	<u>43,747</u>	<u>540,942</u>
Total	<u>\$ 1,180,307</u>	<u>\$ 262,209</u>	<u>\$ 1,442,516</u>

**C. Interest Expense**

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

Interest paid	\$ 62,536
Less interest accrued in the prior year	(18,658)
Plus interest accrued in the current year	<u>16,965</u>
Total interest expense on long-term debt	<u>\$ 60,843</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

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

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](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

**Employees' Retirement System**

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

**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 30<sup>th</sup>, 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 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30<sup>th</sup>, for the current year and two preceding years was:

Year	TRS	ERS
2016	\$ 1,784,561	\$ 331,920
2015	2,421,277	373,403
2014	2,303,452	394,351

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

**D. Pension Assets, Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, 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, 2015, for TRS and March 31, 2016 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 ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
District's proportionate share of the net pension asset/(liability)	\$ 9,665,331	\$ (1,070,156)
District's portion of the Plan's total net pension asset/(liability)	0.0930540%	0.0066675%
Change in proportion since the prior measurement date	(0.0029310)	(0.0003252)

For the year ended June 30, 2016, the District recognized pension expense (credit) of \$(627,610) for TRS and \$401,630 for ERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$	\$ 5,408	\$ 267,868	\$ 126,849
Changes of assumptions		285,378		
Net difference between projected and actual earnings on pension plan investments		634,875	3,055,261	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	92,923	74,806		6,980
District's contributions subsequent to the measurement date	1,754,726	88,841		
<b>Total</b>	<b>\$ 1,847,649</b>	<b>\$ 1,089,308</b>	<b>\$ 3,323,129</b>	<b>\$ 133,829</b>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended	TRS	ERS
2017	\$ (1,221,406)	\$ 221,919
2018	(1,221,406)	221,919
2019	(1,221,406)	221,919
2020	519,004	200,881
2021	(22,488)	
Thereafter	(62,504)	
	<u>\$ (3,230,206)</u>	<u>\$ 866,638</u>

**Actuarial Assumptions**

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

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
Actuarial valuation date	June 30, 2014	April 1, 2015
Interest rate	8.0%	7.0%
Salary scale	4.01-10.91%	3.8%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	3.0%	2.5%

For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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.

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

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, 2015		March 31, 2016
Asset type				
Domestic equity	37.0%	6.50%	38.0%	7.30%
International equity	18.0%	7.70%	13.0%	8.55%
Real estate	10.0%	4.60%	8.0%	8.25%
Alternative investments	7.0%	9.90%	19.0%	6.75-11.00%
Domestic fixed income securities	17.0%	2.10%		
Global fixed income securities	2.0%	1.90%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term	1.0%	1.20%		
Cash			2.0%	2.25%
Inflation indexed bonds			2.0%	4.00%
	100.0%		100.0%	

**Discount Rate**

The discount rate used to calculate the total pension liability was 8.0% for TRS and 7.0% for ERS (this discount rate used by the ERS at the prior year's measurement date of March 31, 2015 was 7.50%). 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 liability calculated using the discount rate of 8.0% 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 (7.0% for TRS and 6.0% for ERS) or 1 percentage point higher (9.0% for TRS and 8.0% for ERS) than the current rate:

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

TRIS	1% Decrease (7.00)%	Current Assumption (8.00)%	1% Increase (9.00)%
District's proportionate share of the net pension asset (liability)	\$ (659,300)	\$ 9,665,331	\$ 18,470,074
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (2,413,123)	\$ (1,070,156)	\$ 64,595

**Pension Plan Fiduciary Net Position**

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

	TRIS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2015	March 31, 2016
Employers' total pension liability	\$ (99,332,104)	\$ (172,303,544)
Plan fiduciary net position	109,718,917	156,253,265
Employers' net pension asset/(liability)	\$ 10,386,813	\$ (16,050,279)
Ratio of plan fiduciary net position to the employers' total pension liability	110.46%	90.68%

**Payables to the Pension Plan**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016, are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016, represent employer and employee contributions for the fiscal year ended June 30, 2016, 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 System. Accrued retirement contributions as of June 30, 2016 amounted to \$1,754,726 of employer contributions and \$81,380 of employee contributions.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2016, represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$88,841 of employer contributions. Employee contributions are remitted monthly.

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

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**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. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the employees for the year ended June 30, 2016, totaled \$446,624.

**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, 2016 totaled \$59,779.

**14. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. Plan Description**

The District provides medical, Medicare part B reimbursement, coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The plan does not issue a stand-alone financial report.

**B. Funding Policy**

The District assumes 50% of the premiums for individual coverage and 35% of the premiums for family coverage. The District recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2016, the District recognized a general fund expenditure of \$447,734 for insurance premiums for 71 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

**C. Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

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

Annual required contribution (ARC)	\$ 2,536,438
Interest on net OPEB obligation	323,529
Adjustment to ARC	<u>(419,845)</u>
Annual OPEB cost (expense)	2,410,122
Contributions made	<u>(447,734)</u>
Increase in net OPEB obligation	1,962,388
Net OPEB obligation - beginning of year	<u>8,178,989</u>
Net OPEB obligation - end of year	<u>\$ 10,141,377</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 2,410,122	18.6%	\$ 10,141,377
June 30, 2015	2,390,561	19.6%	8,178,989
June 30, 2014	1,162,594	35.6%	6,257,914

**D. Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$22,616,934 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$22,616,934. The covered payroll (annual payroll of active employees covered by the plan) was \$16,960,135, and the ratio of the UAAL to the covered payroll was 133.0%.

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% discount rate and an annual healthcare cost trend rate of 9% - 5% initially, reduced by decrements to an ultimate rate of 5% after 8 years and a 3% inflation rate. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

**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 commercial insurance coverage for the past three years.

**B. Public Entity Risk Pool**

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

The District participates in the Nassau County Schools Cooperative Workers' Compensation Self-Insured Plan (the "Plan") to insure workers' compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to administer claims, finance liability and manage risks related to workers' compensation claims. The District pays an annual assessment determined by the Plan's Board of Trustees. In the event that the Plan has insufficient funds to meet its obligations, the Plan's Board of Trustees may issue supplemental assessments to the Plan's membership will assume responsibilities for all open and unpaid claims associated with them. The Plan's total discounted liability for unbilled and open claims at June 30, 2016 was \$15,464,227 with a discount rate of 2%. The Plan has assets of \$18,238,268 at June 30, 2016 to pay this liability.

**16. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES**

The District expects to appropriate \$175,000 from the retirement contribution reserve and \$100,000 from the employee benefit accrued liability reserve, which are reported in the June 30, 2016 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2017.

**17. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2016, the District encumbered the following amounts:

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

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Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	<u>\$ 31,850</u>
Capital Projects Fund	
Capital projects	<u>\$ 853,197</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**

As of June 30, 2016 there was no pending or threatened litigation, unasserted claims or assessments against the District that require disclosure.

**D. Operating Leases**

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$56,198. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 56,198
2018	13,656
2019	5,147
2020	<u>5,147</u>
	<u>\$ 80,148</u>

**18. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through September 21, 2016 which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For The Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$ 20,269,420	\$ 18,203,386	\$ 17,838,683	\$ (364,703)
Other tax items		2,066,034	2,773,091	707,057
Charges for services			230,042	230,042
Use of money and property	20,000	20,000	11,063	(8,937)
Sale of property and compensation for loss			6,660	6,660
Miscellaneous	400,000	400,000	119,080	(280,920)
<b>Total Local Sources</b>	<b>20,689,420</b>	<b>20,689,420</b>	<b>20,978,619</b>	<b>289,199</b>
State Sources	6,172,952	5,519,585	5,896,205	376,620
Medicaid Reimbursement			65,282	65,282
<b>Total Revenues</b>	<b>26,862,372</b>	<b>26,209,005</b>	<b>26,940,106</b>	<b>\$ 731,101</b>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Year's Encumbrances	67,726	67,726		
Appropriated Reserves	370,000	433,027		
<b>Total Appropriated Fund Balance</b>	<b>437,726</b>	<b>500,753</b>		
<b>Total Revenues and Appropriated Fund Balance</b>	<b>\$ 27,300,098</b>	<b>\$ 26,709,758</b>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
**For The Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
<b>General Support</b>					
Board of education	\$ 42,750	\$ 48,750	\$ 44,237	\$	\$ 4,513
Central administration	272,551	273,789	270,560		3,228
Finance	482,868	521,320	479,482	31,850	9,988
Staff	134,500	132,000	128,853		3,147
Central services	1,763,460	1,804,804	1,572,562		232,242
Special items	297,186	306,394	305,709		685
<b>Total General Support</b>	<b>2,993,315</b>	<b>3,087,056</b>	<b>2,801,403</b>	<b>31,850</b>	<b>253,803</b>
<b>Instruction</b>					
Administration & Improvement	1,007,149	1,004,907	969,497		35,410
Teaching - regular school	10,234,276	9,957,106	9,882,735		74,371
Programs for students with disabilities	3,694,368	3,430,849	3,364,784		66,065
Teaching - special schools	126,000	123,709	114,430		9,279
Instructional media	893,693	907,684	882,217		25,467
Pupil services	621,893	557,780	530,664		27,116
<b>Total Instruction</b>	<b>16,577,379</b>	<b>15,982,035</b>	<b>15,744,327</b>	<b>-</b>	<b>237,708</b>
Pupil Transportation	476,107	659,286	597,541		61,743
Community Services	1,200	1,200	-		1,200
Employee Benefits	6,621,781	6,349,867	5,999,556		350,311
<b>Debt Service</b>					
Principal	117,779	117,779	117,778		1
Interest	62,537	62,537	62,536		1
<b>Total Debt Service</b>	<b>180,316</b>	<b>180,316</b>	<b>180,314</b>	<b>-</b>	<b>2</b>
<b>Total Expenditures</b>	<b>26,850,098</b>	<b>26,259,758</b>	<b>25,323,141</b>	<b>31,850</b>	<b>904,767</b>
<b>OTHER USES</b>					
Operating transfers out	450,000	450,000	442,895		7,105
<b>Total Expenditures and Other Uses</b>	<b>\$ 27,300,098</b>	<b>\$ 26,709,758</b>	<b>25,766,036</b>	<b>\$ 31,850</b>	<b>\$ 911,872</b>
Net Change in Fund Balance			1,174,070		
Fund Balances - Beginning of Year			3,011,123		
Fund Balances - End of Year			<b>\$ 4,185,193</b>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Schedule of Funding Progress - Other Postemployment Benefits**  
**June 30, 2016**

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	\$ -	\$ 14,867,912	\$ 14,867,912	0%	\$ 14,885,100	99.88%
July 1, 2011 (update)	-	14,922,564	14,922,564	0%	22,485,942	66.36%
July 1, 2012	-	16,489,175	16,489,175	0%	16,368,444	100.74%
July 1, 2014	-	22,616,934	22,616,934	0%	16,960,135	133.35%

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/Liability**  
**June 30, 2016**

*Teachers' Retirement System*

	2016	2015	2014
District's proportion of the net pension asset	0.0930540%	0.0959850%	0.0962480%
District's proportionate share of the net pension asset	\$ 9,665,331	\$ 10,692,153	\$ 633,552
District's covered payroll	\$ 14,523,166	\$ 14,438,102	\$ 14,331,438
District's proportionate share of the net pension asset as a percentage of its covered payroll	66.55 %	74.06 %	4.42 %
Plan fiduciary net position as a percentage of the total pension asset	110.46%	111.48%	100.70%

*Employees' Retirement System*

	2016	2015	2014
District's proportion of the net pension liability	0.0066675%	0.0069927%	0.0069927%
District's proportionate share of the net pension liability	\$ 1,070,156	\$ 236,229	\$ 315,988
District's covered payroll	\$ 2,014,221	\$ 2,098,909	\$ 2,187,251
District's proportionate share of the net pension liability as a percentage of its covered payroll	53.13 %	11.25 %	15.00 %
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%	97.20%

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Schedule of District Contributions**  
**June 30, 2016**

*Teachers' Retirement System*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 1,794,561	\$ 2,421,277	\$ 2,393,452	\$ 1,667,923	\$ 1,545,675	\$ 1,157,826	\$ 810,182	\$ 977,590	\$ 953,819	\$ 1,030,978
Contributions in relation to the contractually required contribution	1,794,561	2,421,277	2,393,452	1,667,923	1,545,675	1,157,826	810,182	977,590	953,819	1,030,978
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 13,768,416	\$ 14,523,166	\$ 14,438,102	\$ 14,331,438	\$ 14,263,444	\$ 13,545,291	\$ 13,215,496	\$ 12,665,198	\$ 11,173,276	\$ 10,815,108
Contributions as a percentage of covered payroll	13%	17%	16%	12%	11%	9%	6%	8%	9%	10%

*Employees' Retirement System*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 331,920	\$ 373,403	\$ 394,351	\$ 398,315	\$ 318,840	\$ 257,163	\$ 132,438	\$ 146,723	\$ 161,214	\$ 179,270
Contributions in relation to the contractually required contribution	331,920	373,403	394,351	398,315	318,840	257,163	132,438	146,723	161,214	179,270
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,043,397	\$ 2,058,202	\$ 2,099,102	\$ 2,137,643	\$ 2,189,819	\$ 2,069,973	\$ 1,990,020	\$ 1,996,258	\$ 1,826,790	\$ 1,765,954
Contributions as a percentage of covered payroll	16%	18%	19%	19%	15%	12%	7%	7%	9%	10%

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Schedules of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit - General Fund**  
**For The Year Ended June 30, 2016**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget		\$	27,232,372
Additions:			
Prior year's encumbrances			67,726
Original Budget			27,300,098
Budget revision			(590,340)
Final Budget		\$	26,709,758

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

2016-17 voter-approved expenditure budget		\$	27,774,154
Maximum allowed (4% of 2016-17 budget)		\$	1,110,966
<b>General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:</b>			
Unrestricted fund balance:			
Assigned fund balance	\$	31,850	
Unassigned fund balance			1,110,966
		\$	1,142,816
<b>Less:</b>			
Encumbrances	\$	31,850	
Total adjustments			31,850
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		\$	1,110,966
Actual Percentage			4.00%

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Schedule of Project Expenditures -**  
**Capital Projects Fund**  
**For The Year Ended June 30, 2016**

PROJECT TITLE	Budget		Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2016	
	June 30, 2015	June 30, 2016	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
District-wide handicap upgrade	\$ 99,065	\$ 99,065	\$ 20,576	\$	\$ 20,576	\$ 70,489	\$	\$	\$ 99,065	\$ 99,065	\$ 70,489
WLB electrical upgrades	276,998	137,818	137,818		137,818	-			137,818	137,818	-
BAS electrical upgrades	77,308	164,016	17,661	146,355	164,016	-			164,016	164,016	-
BAS mechanical upgrades	146,970	223,439	5,382	8,047	13,429	218,010			223,439	223,439	218,010
RWC mechanical upgrades	208,740	667,641	7,389	29,489	36,878	630,763			667,641	667,641	630,763
BAS sidewalk	90,000	77,871	77,871		77,871	-			77,871	77,871	-
2014-15 general fund transfer - paving	125,000	103,924	605	103,319	103,924	-			103,924	103,924	-
Roofing		225,291				225,291			225,291	225,291	225,291
RWC crawlspace	200,000										
BAS & RWC upgrades	75,000										
<b>Totals</b>	<b>\$ 1,299,065</b>	<b>\$ 1,699,065</b>	<b>\$ 275,302</b>	<b>\$ 207,210</b>	<b>\$ 482,512</b>	<b>\$ 1,136,553</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,699,065</b>	<b>\$ 1,699,065</b>	<b>\$ 1,136,553</b>

**VALLEY STREAM UNION FREE SCHOOL DISTRICT TWENTY-FOUR**  
**Net Investment in Capital Assets**  
**June 30, 2016**

Capital assets, net	<u>\$ 8,442,085</u>
Deduct:	
Short-term portion of energy performance contract	123,654
Long-term portion of energy performance contract	<u>1,056,653</u>
	<u>1,180,307</u>
Net Investment in Capital Assets	<u>\$ 7,261,778</u>



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Valley Stream Union Free School District #24, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Valley Stream Union Free School District #24's basic financial statements, and have issued our report thereon dated September 21, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Valley Stream Union Free School District #24's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Valley Stream Union Free School District #24's internal control. Accordingly, we do not express an opinion on the effectiveness of the Valley Stream Union Free School District #24's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Valley Stream Union Free School District #24's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*R.S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
September 21, 2016