

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

October 12, 2018

To the Board of Education of
Newburgh Enlarged City School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newburgh Enlarged City School District (School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School 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

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Change in Accounting Principle

As discussed in Note 14 to the financial statements

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The following is a discussion and analysis of Newburgh Enlarged City School District's (the School District) financial performance for the fiscal year ended

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The financial statements also include notes that explain some of the

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

		Fund Financial Statements	
	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The day-to-day operating activities of the School District, such as instruction and special education.	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and change in fund balance 	<ul style="list-style-type: none"> • Statement of fiduciary net position. • Statement of changes in fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets, deferred inflows/outflows of resources, and liabilities, both financial and capital, short-term and long-term.	Current assets, deferred inflows/outflows of resources, and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

Government-Wide Statements

The Government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities and changes in net position regardless of when cash is received or paid.

The two Government-wide statements report the School District's net position and how they have changed

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Statements (Continued)

- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources, (dollars), are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets.
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FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The analysis below focuses on the net position (Table A-3) and changes in net position (Table A-4) of the School District's governmental activities.

Table A-3 Condensed Statement of Net Position

	Fiscal Year 2018	2017 (As Restated)	Dollar Change
Assets:			
Current and other assets	\$ 89,134,381	\$ 79,136,457	\$ 9,997,924
Noncurrent assets	<u>149,475,355</u>	<u>144,934,943</u>	<u>4,540,412</u>
Total assets	<u>238,609,736</u>	<u>224,071,400</u>	<u>14,538,336</u>
Deferred Outflows of Resources	<u>146,824,426</u>	<u>92,987,108</u>	<u>53,837,318</u>
Liabilities:			
Current liabilities	32,120,453	33,012,519	(892,066)
Long-term liabilities	<u>679,819,090</u>	<u>707,392,902</u>	<u>(27,573,812)</u>
Total liabilities	<u>711,939,543</u>	<u>740,405,421</u>	<u>(28,465,878)</u>
Deferred Inflows of Resources	<u>101,643,380</u>	<u>3,753,323</u>	<u>97,890,057</u>
Net position:			
Net investment in capital assets	84,443,045	75,168,521	9,274,524
Restricted	40,851,994	36,942,886	3,909,108
Unrestricted	<u>(553,443,800)</u>	<u>(539,211,643)</u>	<u>(14,232,157)</u>
Total net position	<u>\$(428,148,761)</u>	<u>\$(427,100,236)</u>	<u>\$ (1,048,525)</u>

In Table A-3, total assets at June 30, 2018 were approximately \$14 million higher than at June 30, 2017. Non-current assets increased approximately \$4.5 million, due primarily to the Teachers' Retirement System's net pension liability in 2017 becoming a net pension asset of \$5.1 million in 2018. Current assets increased approximately \$10.0 million, due primarily to an increase in cash of approximately \$0.8 million and an increase in state and federal aid receivable of \$4.5 million.

Deferred outflows of resources at June 30, 2018 were approximately \$54 million higher than at June 30, 2017, due primarily to the recording of OPEB related deferred outflows of resources upon the implementation of GASB 75.

Total liabilities decreased by approximately \$29.3 million, due primarily to a decrease in long term liabilities of approximately \$28.3 million. The decrease in long-term liabilities is due primarily to a decrease in the net pension liability of approximately \$11.5 million, and an decrease in the total OPEB liability of \$6.3 million and the reduction in bonds of approximately \$9.6 million.

Deferred inflows of resources at June 30, 2018 were approximately \$97.9 million higher than at June 30, 2017, due primarily to an increase in pension related deferred inflows of resources and the recording of \$69.4 million in OPEB related deferred inflows of resources.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-4 Changes in Net Position from Operating Results

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>	Dollar <u>Change</u>
Revenue			
Program revenue:			
Charges for services	\$ 810,623	\$ 1,072,304	\$ (261,681)
Operating grants	33,489,236	26,398,696	7,090,540
General revenue:			
Property and other tax items	123,154,799	119,458,287	3,696,512
State aid	151,069,772	142,361,337	8,708,435
Federal aid	569,119	390,593	178,526
Use of money and of property	692,699	276,583	416,116
Large Sale of property and compensation for loss	161,293	258,771	(97,478)
Miscellaneous	<u>1,970,005</u>	<u>3,294,761</u>	<u>(1,324,756)</u>
Total revenue	<u>311,917,546</u>	<u>293,511,332</u>	<u>18,406,214</u>
Expenses			
General support	33,447,394	31,449,470	1,997,924
Instruction	253,428,597	252,075,951	1,352,646
Pupil transportation	1,523,300	1,523,300	-

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-5 Sources of Revenue for 2018

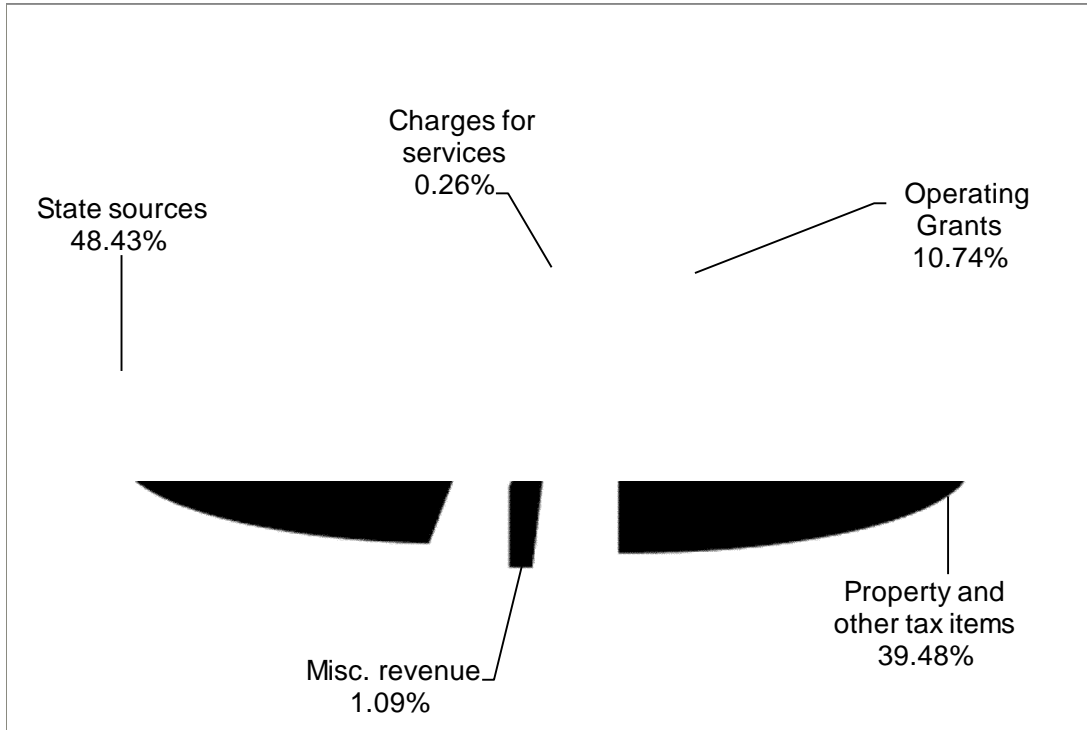
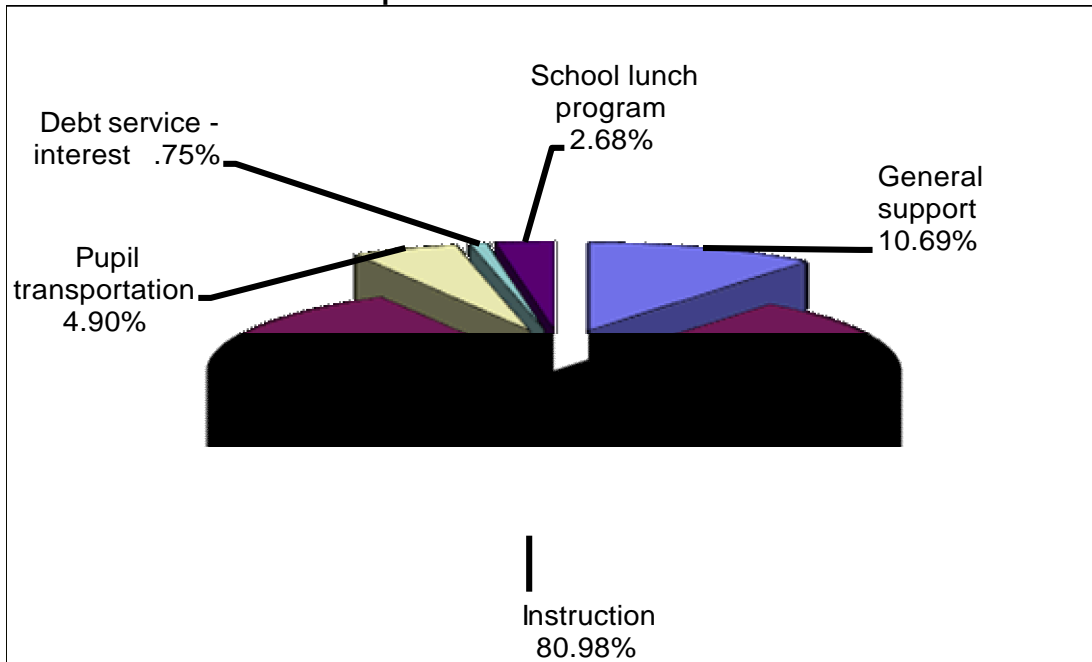


Table A-6 Sources of Expenses for 2018



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities

Table A-7 presents the cost of several of the School District's major programs or activities as well as each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund.

Table A-8 – Results vs. Budget

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumb.</u>	<u>Variance</u>
Revenue:					
Real property taxes	\$ 98,550,500	\$ 98,550,500	\$ 98,589,111	\$ -	\$ 38,611
Other tax items	16,126,294	16,126,294	17,502,473	-	1,376,179
Charges for services	405,000	405,000	453,330	-	48,330
Use of money and property	100,000	100,000	566,882	-	466,882
Miscellaneous	792,742	1,718,294	1,606,158	-	(112,136)
Interfund revenue	280,000	2,829,499	2,994,768	-	165,269
State sources	150,473,464	150,649,964	152,548,308	-	1,898,344
Medicaid reimbursement	600,000	600,000	569,119	-	(30,881)
Federal sources	-	-	68,937	-	68,937
Total revenue	<u>267,328,000</u>	<u>270,979,551</u>	<u>274,899,086</u>	<u>-</u>	<u>3,919,535</u>
Expenditures:					
General support	19,476,996	23,715,577	22,549,639	664,968	500,970
Instruction	147,175,245	148,515,829	143,158,253	4,739,283	618,293
Pupil transportation	13,950,592	13,667,148	13,593,629	-	73,519
Emplo					

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

As of June 30, 2018, the School District had \$689,849,090 in general obligation and other long-term liabilities outstanding. More detailed information about the School District's long-term debt is included in the notes to the financial statements.

Table A-10 – Long-term Liabilities

	Fiscal Year 2018	Fiscal Year 2017 (As Restated)
Bonds payable, including unamortized bond premium	\$ 60,673,193	\$ 70,678,040
Compensated absences	2,815,326	2,247,541
Retained percentages	-	40,724
Other postemploym		

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash - unrestricted	\$ 25,671,694
Cash - restricted	32,514,096
Taxes receivable	3,278,563
Accounts receivable	1,239,930
Due from fiduciary funds	459,740
Due from other governments	6,029,928
State and federal aid receivable	19,458,662
Prepaid expenses	250,000
Inventories	<u>231,768</u>

Total current assets 89,134,381

NON-CURRENT ASSETS:

Net pension asset-U

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

GOVERNMENTAL ACTIVITIES	<u>Expenses</u>	<u>Program Revenues</u>		<i>Net (Expense) Revenue and Change in Net Position</i>
		<i>Charges for Services</i>	<i>Operating Grants</i>	
FUNCTIONS/PROGRAMS:				
General support	\$ 33,447,394	\$ -	\$ -	\$ (33,447,394)
Instruction	253,428,597	492,001	25,963,981	(226,972,615)
Pupil transportation	15,336,526	-	-	(15,336,526)
Debt service - interest	2,371,113	-	-	(2,371,113)
School lunch program	<u>8,382,441</u>	<u>318,622</u>	<u>7,525,255</u>	<u>(538,564)</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 312,966,071</u>	<u>\$ 810,623</u>	<u>\$ 33,489,236</u>	<u>(278,666,212)</u>
GENERAL REVENUE:				
Real property taxes				105,652,326
Other tax items				17,502,473
Use of money and property				692,699
Sale of property and compensation for loss				161,293
State sources				151,069,772
Medicaid reimbursement				569,119
Miscellaneous				<u>1,970,005</u>
TOTAL GENERAL REVENUE				<u>277,617,687</u>
CHANGE IN NET POSITION				<u>(1,048,525)</u>
TOTAL NET POSITION - beginning of year, as previously reported				(60,578,505)
PRIOR PERIOD ADJUSTMENT (Note 14)				<u>(366,521,731)</u>
TOTAL NET POSITION - beginning of year, as restated				<u>(427,100,236)</u>
TOTAL NET POSITION - end of year				<u>\$ (428,148,761)</u>

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<i>General</i>	<i>Special Aid</i>	<i>School Lunch</i>	<i>Capital Projects</i>	<i>Debt Service</i>	<i>Library</i>	<i>Total Governmental Funds</i>
ASSETS							
Cash - unrestricted	\$ 22,683,072	\$ 253,238	\$ 201,968	\$ 591,523	\$ 949,642	\$ 992,251	\$ 25,671,694
Cash - restricted	32,366,354	-	-	147,742	-	-	32,514,096
Taxes receivable	3,278,563	-	-	-	-	-	3,278,563
Accounts receivable	1,066,741	119,294	53,895	-	-	-	1,239,930
Due from other funds	17,608,278	-	1,738,173	-	7,535,998	1,499,368	28,381,817
State and federal aid receivable	7,318,487	12,140,174	-	6,029,928	-	-	25,488,589
Prepaid expenditures	250,000	-	-	-	-	-	250,000
Inventory	-	-	231,768	-	-	-	231,768
Total assets	<u>\$ 84,571,495</u>	<u>\$ 12,512,706</u>	<u>\$ 2,225,804</u>	<u>\$ 6,769,193</u>	<u>\$ 8,485,640</u>	<u>\$ 2,491,619</u>	<u>\$ 117,056,457</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
LIABILITIES:							
Accounts payable and accrued expenses	\$ 6,882,398	\$ 547,508	\$ 321,084	\$ 279,665	\$ -	\$ 263,748	\$ 8,294,403
Due to other funds	10,772,220	11,398,275	-	5,751,582	-	-	27,922,077
Due to other governments	-	13,086	-	-	-	-	13,086
Due to Teachers' Retirement System	11,717,947	-	-	-	-	-	11,717,947
Due to Employees' Retirement System	798,866	-	-	-	-	-	798,866
Unearned	-	535,530	-	-	-	-	535,530
Total liabilities	<u>30,171,431</u>	<u>12,494,399</u>	<u>321,084</u>	<u>6,031,247</u>	<u>-</u>	<u>263,748</u>	<u>49,281,909</u>
DEFERRED INFLOWS OF RESOURCES:							
Deferred taxes	<u>4,813,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,813,547</u>
Total deferred inflows of resources	<u>4,813,547</u>	<u>-</u>	<u>-</u>	<u>-6,029</u>	<u>-</u>	<u>-</u>	<u>-</u>

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:

Fund balance - total governmental funds	\$ 62,961,001
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	144,312,694
Revenue related to the tax levy is recognized when earned in the statement of activities, but deferred in the fund statements if collection is anticipated to exceed sixty days after year-end.	4,813,548
Deferred outflows/inflows of resources related to pensions and OPEB and deferred gains and losses on refunding's are applicable to future periods and; therefore, are not reported in the funds:	
Deferred outflows - ERS/TRS	76,506,505
Deferred inflows - ERS/TRS	(21,996,839)
Deferred inflows - Refunding	(132,926)
Deferred outflows - Refunding	936,470
Deferred outflows - OPEB	69,381,451
Deferred inflows - OPEB	(79,513,615)
Net pension obligations are not due and payable in the current period and; therefore, are not reported in the funds.	
Net pension liability - ERS	(2,291,797)
Net pension asset - TRS	5,162,661
Long-term liabilities, including bonds payable, are not due and payable in the current period an; therefore, are not reported in the funds:	
Bonds payable, net	(60,673,193)
Judgment and claims	(8,523,615)
Compensated absences	(2,815,326)
Other postemployment benefits obligation	(615,545,159)
Accrued interest	<u>(730,621)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(428,148,761)</u>

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<i>General</i>	<i>Special Aid</i>	<i>School Lunch</i>	<i>Capital Projects</i>	<i>Debt Service</i>	<i>Library</i>	<i>Total Governmental Funds</i>
REVENUE:							
Real property taxes	\$ 98,589,111	\$ -	\$ -	\$ -	\$ -	\$ 5,065,532	\$ 103,654,643
Other tax items	17,502,473	-	-	-	-	-	17,502,473
Charges for services	453,330	-	-	-	-	38,671	492,001
Use of money and property	566,882	-	112	352	123,669	1,684	692,699
Sale of property and compensation for loss	161,293	-	-	-	-	-	161,293
Miscellaneous	1,444,865	250,714	14,754	-	-	259,669	1,970,002
State sources	152,548,308	9,290,933	298,894	6,029,928	-	19,245	168,187,308
Medicaid reimbursement	569,119	-	-	-	-	-	569,119
Federal sources	68,937	9,076,402	7,226,361	-	-	-	16,371,700
Sales - school lunch	-	-	318,622	-	-	-	318,622
	<u>271,904,318</u>	<u>18,618,049</u>	<u>7,858,743</u>	<u>6,030,280</u>	<u>123,669</u>	<u>5,384,801</u>	<u>309,919,860</u>
Total revenue							

EXPENDITURES_{mY} ppp z x ppp

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

Net changes in fund balance - Total governmental funds \$ 9,194,822

Capital outlays are expenditures in governmental funds, but are capitalized in the

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018**

	<i>Private Purpose Trust</i>	<i>Agency</i>
	<u> </u>	<u> </u>
ASSETS:		
Cash	\$ 340,589	\$ 666,954
Accounts receivable	-	1,572
Investment	21,536	-
Total assets	<u>362,125</u>	<u>\$ 668,526</u>
LIABILITIES:		
Extraclassroom activity balances	-	210,454
Due to other funds	-	459,740
Other liabilities	-	(1,668)
Total liabilities	<u>-</u>	<u>\$ 668,526</u>
NET POSITION:		
Restricted for scholarships	<u>\$ 362,125</u>	

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<i>Private Purpose Trust</i>
	<u> </u>
ADDITIONS:	
Gifts and contributions	\$ 9,688
Investment earnings	19,208
Total additions	<u>28,896</u>
DEDUCTIONS:	
Scholarships and awards	<u>23,540</u>
CHANGE IN NET POSITION	5,356
NET POSITION - beginning of year	<u>356,769</u>
NET POSITION - end of year	<u>\$ 362,125</u>

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STA

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Basis of Presentation

The School District's financial statements consist of district-wide financial statements, including a statement of net position and a statement of activities and change in net position, and fund level financial statements which provide more detailed information. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures, as appropriate. Governmental resources are allocated to and accounted in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Statements

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

The statement of activities presents a comparison between program expenses and revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue include charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not not g

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Basis of Presentation (Continued)

Fund Financial Statements

The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The fund financial statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of the School District are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflows of resources, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types used by the School District are as follows:

Governmental Fund Types

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Basis of Presentation (Continued)

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds.

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

- Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits, annual third party aw. g

1. NATURE OF OPERATIONS

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Vested Employee Benefits (Continued)

Compensated Absences (Continued)

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

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

In the governmental funds statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

Net Pension Liability/Asset

The net pension liability represents the School District's proportionate share of the net pension liability or asset of the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Total Other Postemployment Benefits Liability

In addition to providing the pension benefits through the New York State Employees' Retirement System and the New York State Teachers' Retirement System, the School District provides post-employment health insurance coverage (OPEB) to its retired employees and their survivors. The School District has retained an actuary to determine the School District's

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1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Unearned Revenue

Unearned revenue is reported when potential revenue does meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the School 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.

Net Position and Fund Balance Classifications

Government-wide Statements

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

Net investment in capital assets - consists of net capital assets, (cost less accumulated depreciation) plus unspent bond

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Net Position and Fund Balance Classifications (Continued)
Governmental Fund Statements (Continued)

Workers' Compensation

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

Unemployment Insurance

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 establish

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Net Position and Fund Balance Classifications (Continued)

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

Order of Fund Balance Spending Policy

The School District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The School District considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Explanation of Certain Differences between Governmental Fund Statements and Government-Wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarig

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued)

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

Adoption of New Relevant Accounting Standards

As disclosed in Note 8 and 14, the School District has adopted and implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for its year ended June 30, 2018.

Stewardship, Compliance, and Accountability

The School District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. g Bo

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by g

2. CASH

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies.

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including trust funds	<u>\$ 64,440,628</u>	<u>\$ 59,193,333</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 63,134,442	
Covered by FDIC insurance	<u>1,306,186</u>	
Total	<u>\$ 64,440,628</u>	

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of June 30, 2018 includes \$32,514,096 within the governmental funds.

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4. CAPITAL ASSETS, NET

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

	July 1, 2017 <u>Balance</u>	Additions/ <u>Adjustments</u>	Deletions/ <u>Adjustments</u>	June 30, 2018 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,949,269	\$ -	\$ -	\$ 1,949,269
Construction in progress	-	-	-	-
Total non-depreciable capital assets	<u>1,949,269</u>	<u>-</u>	<u>-</u>	<u>1,949,269</u>
Capital assets that are depreciated:				
Buildings and improvements	266,732,447	10,695	-	266,743,142
Machinery and equipment	4,164,423	6,424,577	-	10,589,000
Vehicles	<u>1,067,626</u>	<u>117,932</u>	<u>-</u>	<u>1,185,558</u>
Total depreciable capital assets	<u>271,964,496</u>	<u>6,553,204</u>	-	

5. LONG-TERM LIABILITIES

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

	Beginning Balance <u>(As Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Long-term Portion</u>
Government activities:						
Bonds and notes payable:						
Bond Payable - >	\$ 67,550,000	\$ 0	-	\$ 67,550,000	-	\$ 67,550,000

5. LONG-TERM LIABILITIES (Continued)

The following is a summary of the maturity of bonds payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 10,030,000	\$ 2,464,634	\$ 12,494,634
2020	10,175,000	2,041,106	12,216,106
2021	9,365,000	1,576,943	10,941,943
2022	6,595,000	1,196,908	7,791,908
2023	6,900,000	878,610	7,778,610
2024 - 2026	<u>14,865,000</u>	<u>923,331</u>	<u>15,788,331</u>
Total	<u>\$ 57,930,000</u>	<u>\$ 9,081,532</u>	<u>\$ 67,011,532</u>

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

Interest paid	\$ 2,755,368
Less : interest accrued in the prior year	(838,103)
Plus : interest accrued in the current year	730,621
Amortization of debt premiums	(384,847)
Amortization of deferred gains and losses on refunding	<u>108,074</u>
Total expense	<u>\$ 2,371,113</u>

6. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditures</u>
General fund	\$ 17,608,278	\$ 10,772,220	\$ 2,994,768	\$ 15,317,632
Special aid fund	-	11,398,275	1,593,374	367,615
School lunch fund	1,738,173	-	-	-
Capital fund	-	5,751,582	-	-
Debt service fund	7,535,998	-	13,724,259	2,549,499
Library fund	1,499,368	-	-	77,655
Fiduciary funds	-	<u>459,740</u>	-	-
Total	<u>\$ 28,381,817</u>	<u>\$ 28,381,817</u>	<u>\$ 18,312,401</u>	<u>\$ 18,312,401</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

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7. PENSION PLANS

New York State and Local Employee Retirement System (ERS)

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once an employer elects to participate in 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 School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. ERS is included in the State's financial report as a pension trust fund. That report, including

7. PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2018, the School District recognized pension expense of \$3,119,086. At June 30, 2018, the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$ 817,410	\$ 675,477
Changes of assumptions	1,519,651	-
Net difference between projected and actual earnings on pension plan investments	3,328,653	6,570,428
Changes in proportion and differences between the School District's contributions and proportionate share of contribut	885,266	113,239
Contributions subsequent to the measurement date	798,866	-
	<u>\$ 7,349,846</u>	<u> </u>

7.

7. PENSION PLANS (Continued)

New York State Employee Retirement System (ERS) (Continued)

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

Proportionate Share of Net Pension	
Lia	\$ (10,438,680)

7. PENSION PLANS (Continued)

New York State Teacher Retirement System (TRS) (Continued)

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6%

7. PENSION PLANS (Continued)

New York State Teacher Retirement System (NYSTRS) (Continued)

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows/Inflows oh ws

7. PENSION PLANS (Continued)

New York State Teacher Retirement System (NYSTRS) (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation

7. PENSION PLANS (Continued)

8. TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

Total OPEB Liability

The School District's total OPEB liability of \$615,545,159 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2017. The July 1, 2017 total OPEB liability was increased by service cost and interest, decreased by benefits payments and adjusted to reflect any material plan changes to arrive at the total OPEB liability at the measurement date. The changes in the OPEB liability are as follows:

Balance at July 1, 2017, as restated	<u>\$621,865,875</u>	
Changes for the Year		
Service cost	21,319,845	
Interest	18,116,285	
Changes of benefit terms	-	
Changes in assumptions or other inputs	(93,687,165)	
Differences between expected and actual experience	63,090,036	eadcog calA
Benefit payments	<u>(15,159,717)</u>	
Net changes	<u>(6,320,716)</u>	
Balance at June 30, 2018	<u><u>\$615,545,159</u></u>	

Actuarial Assumptions and Other Inputs

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

The discount rate of 3.58% was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were RP-2014 Headcount Weighted ig

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8. TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

Total OPEB Liability (Continued)

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58%) or 1 percentage point higher (4.58%) than the current discount rate:

	1% Decrease <u>(2.58%)</u>	Current Discount <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
Total OPEB Liability	<u>\$738,866,343</u>	<u>\$615,545,159</u>	<u>\$519,743,238</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District Post-Retirement Health Care Plan, as well as what the School District total OPEB liability of the Post-Retirement Health Care Plan would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% <u>Decrease</u>	Current Discount	1% <u>Increase</u>
Total OPEB Liability	<u>\$511,995,785</u>	<u>\$615,545,159</u>	<u>\$751,984,723</u>

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$9,416,108. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 53,545,401	\$ -
Assumption changes	-	79,513,615
Benefit payments subsequent to measurement date	<u>15,836,050</u>	<u>-</u>
Total	<u>\$ 69,381,451</u>	<u>\$ 79,513,615</u>

8. TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of

9. RISK MANAGEMENT (Continued)

The School District's claims experience for the past 2 years for workers' compensation is as follows:

<u>Reported Claims</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Unpaid Claims, beginning of fiscal year	\$ 8,342,018	\$ 8,634,688
Plus: Incurred Claims	1,259,824	1,259,824
Less: Claims Payments	<u>(1,078,227)</u>	<u>(1,552,494)</u>
Unpaid Claims, end of fiscal year	<u>\$ 8,523,615</u>	<u>\$ 8,342,018</u>

The School District participates in a risk sharing pool for property and casualty insurance, sponsored by NYSIR (New York School Insurance Reciprocal). The School District is jointly and severally liable for claims of all group members.

10. TAX ABATEMENTS

All real property in New York State is subject to taxation unless specific legal provision grant it exempt status. Real property exemptions are granted on the basis of many different criteria, including the use to which the property is put, the owner's ability to pay taxes, the desire of the state and local governments to encourage certain economic or social activities, and other considerations. Most exemptions are granted under Article 4 of the Real Property Tax Law, but others are authorized by a wide variety of statutes ranging from Article 18-A of the Real Property Tax Law, the Agriculture and Markets Law and the Transportation Law. Certain exemptions provide full relief from taxation (wholly exempt property) and others reduce the taxes which would otherwise be payable by varying degrees (partially exempt property). Some exemptions apply to taxes levied for county, city/town, and school purposes, whereas other pertain only to certain of these purposes. Some tax exemptions are mandated by State law, others are subject to local option and/or local determination of eligibility criteria.

The School District has 32 real property abatement agreements that are entered into by the Orange County Industrial Development Agency (OCIDA), the Town of Newburgh, the Town of New Windsor t j g

10. TAX ABATEMENTS (Continued)

The following are the aggregated PILOT agreements by purpose and the amount of real property tax that has been abated for the year ended June 30, 2018.

Purpose	Assessed Taxable Value	Tax Value	PILOT Received	Amount of Tax Abated
Town of Newburgh				
Promote affordable housing	\$ 2,620,000	\$ 208,016	\$ 16,197	\$ 191,819
Promote job retention and growth	3,362,000	266,927	37,854	229,073
Town of New Windsor:				
Promote job retention and growth	3,032,500	459,661	418,736	40,925
Orange County Industrial Development Agency:				
Promote economic growth	27,541,776	2,362,268	1,238,823	1,123,445
City of Newburgh Industrial Development Agency:				
Promote affordable housing	54,106,100	1,479,463	369,275	1,110,188
Promote job retention and growth	722,300	19,750	6,137	13,613
Total		<u>\$ 4,796,085</u>	<u>\$ 2,087,022</u>	<u>\$ 2,709,063</u>

11. CONTINGENCIES AND COMMITMENTS

The School 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

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14. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to certain postemployment benefits. For defined benefit OPEB, Statement No. 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, beginning net position and other postemployment benefits on the statement of net position were adjusted as noted in the following table:

	Government-Wide Statement of Net Position		
	Other Postemployment Benefits	Deferred Outflows of Resources - OPEB	Net Position
Balance at June 30, 2017, as previously reported	\$ 240,184,427	\$ -	\$ (60,578,505)
Restatement of beginning balance - Adoption of GASB Statement No. 75			
Increase to liability and deferred outflows	381,681,448	15,159,717	(366,521,731)
Balance at June 30, 2017, as restated	<u>\$ 621,865,875</u>	<u>\$ 4,502,196</u>	<u>\$ (427,100,236)</u>

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)*			
	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.0710096%	0.0707294%	0.0740374%	0.0770621%
Proportionate share of the net pension liability (asset)	\$ 2,291,797	\$ 6,645,894	\$ 11,883,210	\$ 2,603,348
Covered-employee payroll	21,254,678	20,746,383	21,051,468	21,403,963
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.78%	32.03%	56.45%	12.16%
Plan fiduciary net position as a percentage of the total pension liability (asset)	98%	95%	91%	98%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)*			
	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.6792090%	0.6715710%	0.6834970%	0.6842190%
Proportionate share of the net pension liability (asset)	\$ (5,162,661)	\$ 7,192,810	\$ (70,993,580)	\$ (76,217,689)
Covered-employee payroll	111,935,510	107,869,837	107,627,594	103,362,123
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.61%	6.67%	-65.96%	-73.74%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101%	99%	111%	111%

* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN

	2018	2017	2016	2015
Contractually required contribution	\$ 3,214,618	\$ 3,204,154	\$ 3,881,960	\$ 4,520,397
Contributions in relation to the contractually required contribution	<u>\$ 3,214,618</u>	<u>\$ 3,204,154</u>	<u>\$ 3,881,960</u>	<u>\$ 4,520,397</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 21,254,678	\$ 20,746,383	\$ 21,051,468	\$ 21,403,963
Contributions as a percentage of covered-employee payroll	15.12%	15.44%	18.44%	21.12%

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NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

	Last Ten Fiscal Years* 2018
Total OPEB Liability - Post-Retirement Health Care Plan	
Service cost	\$ 21,319,845
Interest	18,116,285
Changes of benefit terms	
Differences between expected and actual experience	63,090,036
Changes in assumptions	(93,687,165)
Benefit payments	<u>(15,159,717)</u>
Total change in total OPEB liability	(6,320,716)
OPEB Plan Fiduciary Net Position	-
Total OPEB liability - beginning	<u>621,865,875</u>
Total OPEB liability - ending	<u>\$ 615,545,159</u>
Covered-employee payroll	\$ 138,885,552
Total OPEB liability as a percentage of covered-employee payroll	443.20%
Notes to schedule:	
Change in significant assumptions:	
	<u>2018</u>
Discount rate	3.58%

* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

- Plan Assets.* No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:
- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
 - Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
 - Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

OTHER INFORMATION (UNAUDITED)

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

Expenditures

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2018**

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<p>AAAF</p> <p>WJIABJAAAJAAAHAKBBAI</p> <p>aBRBHHBANAIAAJAHBRÇJAIJDA</p>	<p>AAAAAAAAAAAAAAAAAAAAp</p> <p>AAAAAAAAAAŁOEEÓEĐ</p> <p>AAAAAAAAAAŁOEEÓEĐ</p>
<p>aBÄÇKÄF</p> <p>aBRBHHBÄDÎIJAJAHBRÇJAIJD</p> <p>YŠAHÄPÄBHLÄÄHÄIJÄÄRÄCÄJÄIÄÄÎÎCIB</p> <p>XÄJDPÄBHLÄÄHÄIJÄÄRÄCÄJÄIÄÄÎÎCIBÄIJKIÇÄIJDÄÇJÎLÄHÄIæBÄÄÄHBLIÇL</p>	<p>AAAAAAAAAAOÖEEŁEÉ</p> <p>AAAAAÖEĐEĐEĐEĐEĐ</p> <p>AAAAAMDEEOEOŁO</p> <p>AAAAAEDEEEOŁ</p>
<p>áBÄIJÓBİLBJÄIJÄKÎÄIATNATIBAI</p>	<p>€AÄÄEEOÖOÖEĐOM</p>

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

October 12, 2018

To the Board of Education of
Newburgh Enlarged City School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newburgh Enlarged City School District (School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 12, 2018, which contained an emphasis of matter paragraph regarding the adoption of the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control over Financial Reporting

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

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

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.

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INDEPENDENT AUDITOR'S REPORT ON

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

October 12, 2018

To the Board of Education of the
Newburgh Enlarged City School District:

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

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

TBÄBHÎÎ ÿTaÂ <u>áÇLCBH</u>	GÎÎÎÄSSHÄÇDŠ ÖHÎJÄ <u>áÇLCBH</u>	QUÄBJÄÎÄÇBÎ	ÄLÄÇJÄÎ GHÄÓIÄBÄÄÄ <u>ÿÇCHKIÄIBJÄÎ</u>
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NEWBURGH ENLARGED CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Section I. SUMMARY OF AUDITOR'S RESULTS Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Noted

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Noted

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program/Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
84287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs: 8 10 25 50 100 Other

Auditee qualified as low-risk auditee? X Yes No

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED JUNE 30, 2018

Section II – Financial statement findings

There were no instances of material weaknesses, significant deficiencies, or noncompliance noted that are required to be reported under *Government Auditing Standards*.