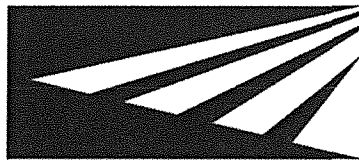


COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
COLD SPRING HARBOR, NEW YORK
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
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NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Cold Spring Harbor Central School District
Cold Spring Harbor, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Cold Spring Harbor Central School District (the "District"), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Cold Spring Harbor Central School District, as of June 30, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

NawrockiSmith

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, on pages 3-13, and 48-53 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department.

The other supplementary information required by the New York State Education Department 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melville, New York
August 19, 2016

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

The following is a discussion and analysis of the Cold Spring Harbor Central School District's (the "District") financial performance for the year ended June 30, 2016. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Revenues increased by 1.9% as a result of increased real property taxes and charges for services offset by decreased State sources. Expenses increased by 6.8% as a result of increased instructional, general support and pupil transportation expenses;
- The District continued to offer all programs, without reducing services, while maintaining adequate fund balances;
- The District funded the Capital Reserve with a current appropriation of \$1,203,567 to the Reserve.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The *governmental fund financial statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- The *fiduciary fund financial statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

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

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

| Table A-1: Major Features of the District-wide and Fund Financial Statements | | | |
|--|---|--|--|
| | District-wide Financial Statements | Fund Financial Statements | |
| | | Governmental Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activity monies |
| Required financial statements | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities and Changes in Net Position | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes 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/deferred outflows of resources/liability/deferred inflows of resources information | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term | Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included | All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid |

District-wide Financial Statements

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide financial statements report the District's *net position* and how it has changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, is one way to measure the District's financial health or *position*.

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

In the District-wide financial statements, the District's activities are shown as *governmental activities*. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements

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

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

The District has two kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, reconciliations of the District-wide and governmental funds financial statements are provided which explain the relationship (or differences) between them.

- Fiduciary funds: The District is the trustee or fiduciary, for assets that belong to others, such as the scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position increased by 4.6% from the year before to a net position balance of \$7,215,079, as detailed in Tables A-2 and A-3.

The restricted net position balance of \$10,188,773 represents assets that are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

As of June 30, 2016, the District has an unrestricted net deficit position of \$20,400,870. This deficit is primarily driven by the District's required recognition of its obligation for post-employment benefits which currently totals \$38,652,359. This obligation will continue to grow into the future (see Note 11 to the accompanying financial statements) resulting in a greater unrestricted net deficit position.

| | <u>6/30/16</u> | <u>6/30/15</u> | <u>\$ Change</u> | <u>% Change</u> |
|---|----------------------|----------------------|-----------------------|-----------------|
| Current and other assets | \$ 15,289,319 | \$ 14,468,694 | \$ 820,625 | 5.7 |
| Noncurrent assets and capital assets, net | <u>62,739,035</u> | <u>66,061,314</u> | <u>(3,322,279)</u> | (5.0) |
| Total assets | <u>\$ 78,028,354</u> | <u>\$ 80,530,008</u> | <u>\$ (2,501,654)</u> | (3.1) |
| Deferred outflows | <u>\$ 6,553,539</u> | <u>\$ 4,481,732</u> | <u>\$ 2,071,807</u> | 46.2 |
| Current liabilities | \$ 8,365,052 | \$ 8,851,173 | \$ (486,121) | (5.5) |
| Long-term liabilities | <u>62,516,226</u> | <u>56,118,679</u> | <u>6,397,547</u> | 11.4 |
| Total liabilities | <u>\$ 70,881,278</u> | <u>\$ 64,969,852</u> | <u>\$ 5,911,426</u> | 9.1 |
| Deferred inflows | <u>\$ 6,485,536</u> | <u>\$ 13,147,258</u> | <u>\$ (6,661,722)</u> | (50.7) |
| Net position: | | | | |
| Net investment in capital assets | \$ 17,427,176 | \$ 16,744,204 | \$ 682,972 | 4.1 |
| Restricted | 10,188,773 | 9,271,346 | 917,427 | 9.9 |
| Unrestricted (deficit) | <u>(20,400,870)</u> | <u>(19,120,920)</u> | <u>(1,279,950)</u> | (6.7) |
| Total net position | <u>\$ 7,215,079</u> | <u>\$ 6,894,630</u> | <u>\$ 320,449</u> | 4.6 |

As of June 30, 2016, the District had positive working capital of \$6,924,267 as compared to \$5,617,521 as of June 30, 2015. The increase is primarily due to a decrease in due to teachers' retirement system of approximately \$1,000,000.

As of June 30, 2016, the District had an investment in capital assets of \$37,515,585 as compared to \$39,431,724 as of June 30, 2015. The decrease is due to depreciation charges offset by the current year outlay for ongoing capital projects.

Long-term liabilities increased \$6,397,547 primarily due to the continued recognition of the other-post employment benefits obligation liability, with a current year charge of \$6,452,617.

Changes in Net Position

The District's fiscal year 2016 revenues totaled \$64,797,981 (See Table A-3). Property and other taxes and State sources accounted for most of the District's revenue by contributing 89 cents and 5 cents, respectively, of every dollar raised (See Table A-4). The remainder came from other tax items, charges for services, operating grants, miscellaneous, and use of money and property.

Revenues increased 1.9% or \$1,239,057, primarily as a direct result of an increase in real property taxes of \$1,163,988 (based on assessed valuation).

The District's fiscal year 2016 expenses totaled \$64,477,532 (See Table A-3). These expenses (83 percent) are predominantly related to instruction and transporting students (See Table A-6). The District's administrative and business activities accounted for 14 percent of total costs.

| | <u>6/30/16</u> | <u>6/30/15</u> | <u>\$ Change</u> | <u>% Change</u> |
|---|---------------------|---------------------|-----------------------|-----------------|
| Revenues | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 1,389,959 | \$ 922,816 | \$ 467,143 | 50.6 |
| Operating grants | 499,458 | 609,154 | (109,696) | (18.0) |
| General revenues: | | | | |
| Real property taxes | 57,768,113 | 56,604,125 | 1,163,988 | 2.1 |
| Other tax items | 1,613,580 | 1,556,639 | 56,941 | 3.7 |
| Use of money and property | 23,726 | 20,520 | 3,206 | 15.6 |
| Sale of property and compensation for loss | 4,929 | - | 4,929 | 100.0 |
| State sources | 3,142,539 | 3,437,674 | (295,135) | (8.6) |
| Federal sources - Medicaid | 5,528 | 11,629 | (6,101) | (52.5) |
| Miscellaneous | 350,149 | 396,367 | (46,218) | (11.7) |
| Total revenues | <u>64,797,981</u> | <u>63,558,924</u> | <u>1,239,057</u> | 1.9 |
| Expenses | | | | |
| General support | 9,231,117 | 8,748,977 | 482,140 | 5.5 |
| Instruction | 49,471,472 | 46,063,274 | 3,408,198 | 7.4 |
| Pupil transportation | 4,182,088 | 3,914,037 | 268,051 | 6.8 |
| Community services | 575 | - | 575 | 100.0 |
| Debt service - interest | 733,535 | 823,810 | (90,275) | (11.0) |
| School lunch program | 858,745 | 821,609 | 37,136 | 4.5 |
| Total expenses | <u>64,477,532</u> | <u>60,371,707</u> | <u>4,105,825</u> | 6.8 |
| Increase in net position | <u>\$ 320,449</u> | <u>\$ 3,187,217</u> | <u>\$ (2,866,768)</u> | (89.9) |
| Net position, beginning of year | <u>6,894,630</u> | <u>3,707,413</u> | <u>3,187,217</u> | 86.0 |
| Net position, end of year | <u>\$ 7,215,079</u> | <u>\$ 6,894,630</u> | <u>\$ 320,449</u> | 4.6 |

Table A-4: Sources of Revenues for Fiscal Year 2016

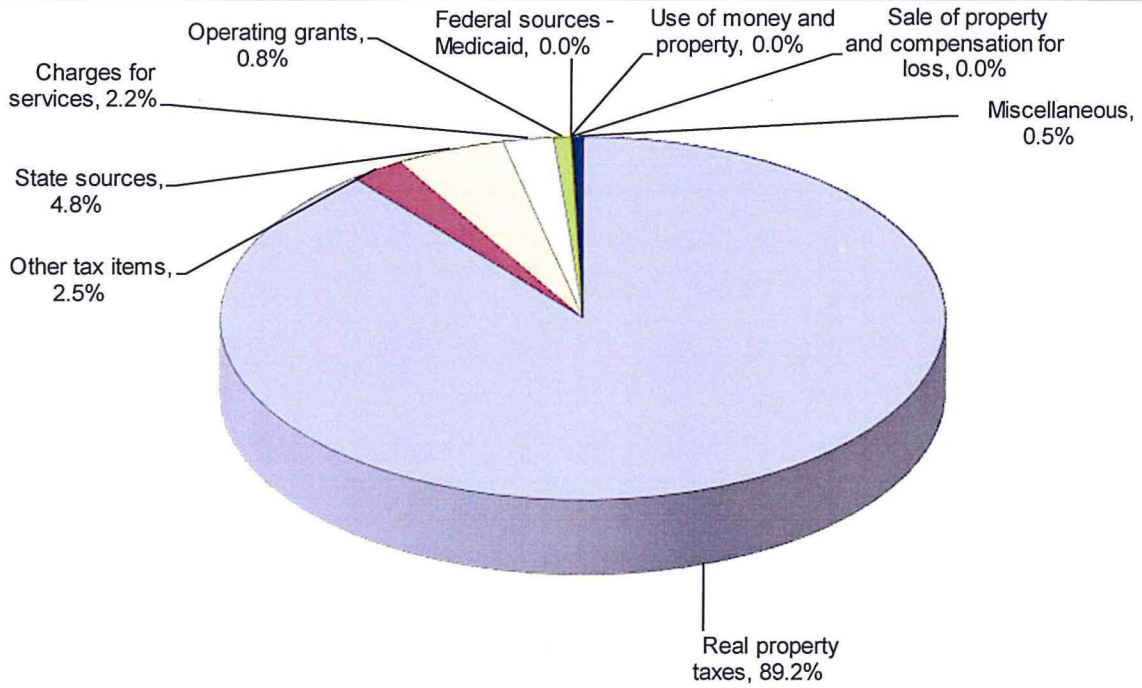


Table A-5: Sources of Revenues for Fiscal Year 2015

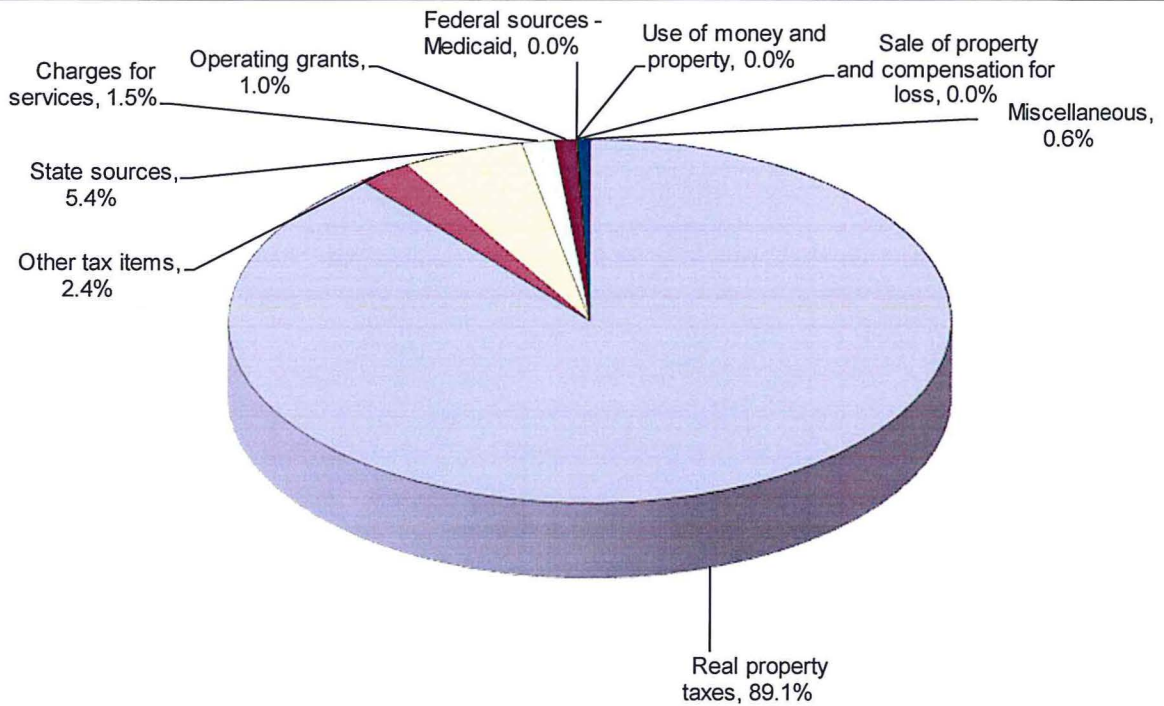


Table A-6: Expenses for Fiscal Year 2016

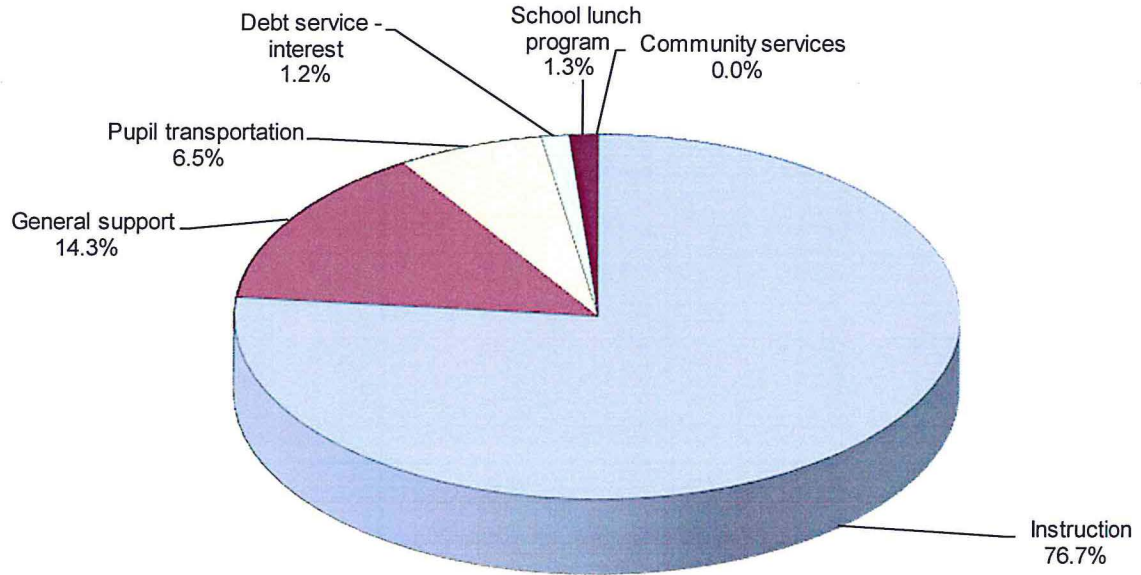
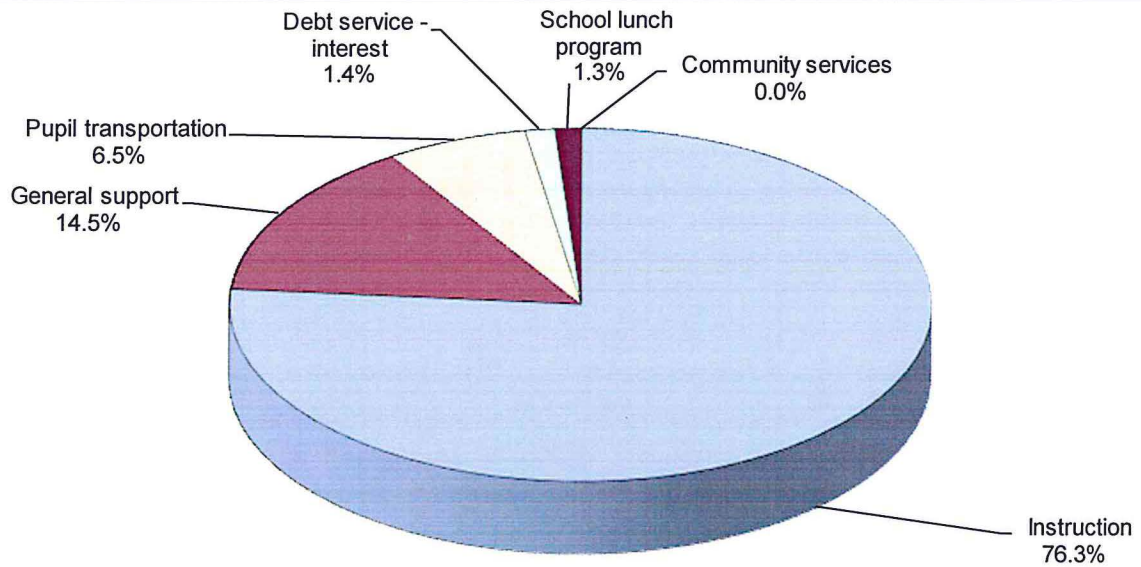


Table A-7: Expenses for Fiscal Year 2015



Governmental Activities

Revenues for the District's governmental activities totaled \$64,797,981 while total expenses were \$64,477,532. Therefore, the increase in net position for governmental activities was \$320,449 in 2016. The District's financial condition was positively affected by:

- An increase in real property tax revenue;
- Changes in State aid (sources); and
- Continued recognition of the liability for benefits provided to retirees other than pensions ("OPEB").

The major changes in revenues and expenses are as follows:

Revenues:

- Real property taxes increased by \$1,163,988. This increase was within the tax cap, reflects a modest tax increase to residents and allows for a continued strong educational program.
- Other tax items include the reimbursements received under the School Tax Reimbursement Program ("STAR"). The STAR program provides tax relief to homeowners through State reimbursement to the District. Payments in lieu of taxes ("PILOTS") are also included within this category. The revenues from the STAR program remained consistent with the prior year, while PILOT payments increased \$60,390 reflecting current agreements and the additional LIPA PILOT payments received during the year ended June 30, 2016.
- Unrestricted State sources (aid) decreased by \$295,135, or 8.6%, as the District received less Foundation Aid and from lower aid ratios for Building and Transportation Aid.

Expenses:

- Instruction expenses increased by \$3,408,198. The primary reason for the increase in instruction expenses is contractual salary increases and higher employee benefits, primarily due to higher retirement contribution rates, health insurance costs along with the ongoing accrual of District's OPEB obligation.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the District-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

At June 30, 2016, the District's governmental funds reported a combined fund balance of \$13,505,405, which is an increase of \$1,071,191 from June 30, 2015. Fund balances for the District's governmental funds for the past two years were distributed as follows:

Table A-8: Fund Balances - Governmental Funds

| | <u>6/30/16</u> | <u>6/30/15</u> | <u>\$ Change</u> | <u>% Change</u> |
|---|----------------------|----------------------|---------------------|-----------------|
| General Fund | | | | |
| Restricted: | | | | |
| Capital | \$ 3,203,567 | \$ 3,000,000 | \$ 203,567 | 6.8 |
| Employee Benefit Accrued Liability | 1,655,503 | 1,781,075 | (125,572) | (7.1) |
| Unemployment Insurance | 275,040 | 275,000 | 40 | 0.0 |
| Workers' Compensation | 700,040 | 700,000 | 40 | 0.0 |
| Tax reduction | 351,539 | 351,283 | 256 | 0.1 |
| Assigned: | | | | |
| Appropriated for subsequent year's expenditures | 200,000 | 120,000 | 80,000 | 66.7 |
| Encumbrances | 509,735 | 468,100 | 41,635 | 8.9 |
| Unassigned | <u>2,599,409</u> | <u>2,564,848</u> | <u>34,561</u> | <u>1.3</u> |
| Total General Fund | <u>9,494,833</u> | <u>9,260,306</u> | <u>234,527</u> | <u>2.5</u> |
| School Lunch Fund | | | | |
| Nonspendable: | | | | |
| Inventory | 7,488 | 9,920 | (2,432) | (24.5) |
| Restricted: | | | | |
| School Lunch Fund | <u>399,179</u> | <u>361,241</u> | <u>37,938</u> | <u>10.5</u> |
| Total School Lunch Fund | <u>406,667</u> | <u>371,161</u> | <u>35,506</u> | <u>9.6</u> |
| Debt Service Fund | | | | |
| Restricted: | | | | |
| Debt Service Fund | <u>644,885</u> | <u>644,885</u> | <u>-</u> | <u>0.0</u> |
| Total Debt Service Fund | <u>644,885</u> | <u>644,885</u> | <u>-</u> | <u>0.0</u> |
| Capital Projects Fund | | | | |
| Restricted: | | | | |
| Capital Projects Fund | <u>2,959,020</u> | <u>2,157,862</u> | <u>801,158</u> | <u>37.1</u> |
| Total Capital Projects Fund | <u>2,959,020</u> | <u>2,157,862</u> | <u>801,158</u> | <u>37.1</u> |
| Total fund balance | <u>\$ 13,505,405</u> | <u>\$ 12,434,214</u> | <u>\$ 1,071,191</u> | <u>8.6</u> |

General Fund Budgetary Highlights

Reference is made to the supplementary schedule on page 48 which presents original and revised budget amounts, as well as actual results for the District's General Fund.

- Actual revenues were less than the final budgeted revenues by approximately \$289,000.
- Actual expenditures were approximately \$1,394,000 (including encumbrances of approximately \$510,000) less than final (not including interfund transfers) budget primarily due to lower than anticipated costs in the general support, instruction and employee benefits categories.

At June 30, 2016, the District's unassigned fund balance was \$2,599,409 which was within the allowable 4% of the subsequent year's budget (\$64,985,279) as promulgated by New York State (see page 54). The following is a reconciliation of the General Fund's unassigned fund balance for the year ended June 30, 2016:

| | |
|--|---------------------|
| Unassigned fund balance, beginning of year | \$ 2,564,848 |
| Add: | |
| Prior-year appropriated fund balance | 120,000 |
| Prior-year encumbrances | 468,100 |
| Voter approved use of Capital Reserve | 1,000,000 |
| Board approved use of Employee Benefit Accrued Liability Reserve | 136,288 |
| Less: | |
| Net change in fund balance | 234,527 |
| Current-year appropriated fund balance | (200,000) |
| Current-year encumbrances | (509,735) |
| Transfer to Capital Reserve, including interest | (1,203,567) |
| Transfer to Employee Benefit Accrued Liability Reserve, including interest | (10,716) |
| Transfer to Unemployment Insurance Reserve, interest only | (40) |
| Transfer to Workers' Compensation Reserve, including interest | (40) |
| Transfer to Tax Stabilization Reserve, interest only | (256) |
| | <hr/> |
| Unassigned fund balance, end of year | <u>\$ 2,599,409</u> |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016, the District had invested \$37,515,585 net of depreciation, in a broad range of capital assets, including school buildings, maintenance facilities, athletic facilities, computer and audio-visual equipment, and administrative offices. The District is conducting a variety of minor capital projects through its Capital Reserve Program.

| | <u>6/30/16</u> | <u>6/30/15</u> | <u>\$ Change</u> | <u>% Change</u> |
|-------------------------------------|----------------------|----------------------|-----------------------|-----------------|
| Land | \$ 125,075 | \$ 125,075 | \$ - | 0.0 |
| Construction-in-progress | 3,839,187 | 7,722,648 | (3,883,461) | (50.3) |
| Buildings and building improvements | 33,016,059 | 31,111,402 | 1,904,657 | 6.1 |
| Furniture and equipment | 535,264 | 472,599 | 62,665 | 13.3 |
| Totals | <u>\$ 37,515,585</u> | <u>\$ 39,431,724</u> | <u>\$ (1,916,139)</u> | (4.9) |

Long-Term Debt

At year-end, the District had \$59,232,385 in general obligation bonds and other long-term debt.

| | <u>6/30/16</u> | <u>6/30/15</u> | <u>\$ Change</u> | <u>% Change</u> |
|--------------------------------------|----------------------|----------------------|---------------------|-----------------|
| General obligation bonds | \$ 16,517,496 | \$ 18,883,746 | \$ (2,366,250) | (12.5) |
| Installment purchase debt payable | 3,570,913 | 3,803,774 | (232,861) | (6.1) |
| Workers' compensation claims payable | 491,617 | 238,121 | 253,496 | 106.5 |
| Other post-employment benefits | 38,652,359 | 32,199,742 | 6,452,617 | 20.0 |
| Totals | <u>\$ 59,232,385</u> | <u>\$ 55,125,383</u> | <u>\$ 4,107,002</u> | 7.5 |

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The "Tax Levy Limitation Law" which was enacted on June 24, 2011 restricts the amount of property taxes that may be levied by or on behalf of a school district in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the new Law is expected to make budgetary decisions more difficult.
- The General Fund Budget for the 2015-2016 school year was approved by the voters in the amount of \$64,985,279, which represents an increase of \$993,226 or 1.55%
- The General Fund budget for the 2016-2017 school year is impacted by certain trends affecting school districts. These include potential increases in retirement contributions, health insurance costs, workers' compensation judgments and potential unemployment insurance claims, which are beyond the District's control.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Cold Spring Harbor Central School District
District Offices
Attn: Interim Assistant Superintendent of Business
75 Goose Hill Road
Cold Spring Harbor, NY 11724
(631) 367-5928

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

| ASSETS | |
|--|---------------|
| Current assets: | |
| Cash: | |
| Unrestricted | \$ 13,935,306 |
| Receivables: | |
| State and federal aid | 974,681 |
| Due from other governments | 360,543 |
| Due from fiduciary funds | 9,987 |
| Other receivables | 1,314 |
| Inventories | 7,488 |
| | 15,289,319 |
| Total current assets | |
| Noncurrent assets: | |
| Restricted cash | 7,307,462 |
| Capital assets | |
| Non-depreciable | 3,964,262 |
| Depreciable, net of accumulated depreciation of \$35,380,608 | 33,551,323 |
| Proportionate share of net pension asset - NYSTRS | 17,915,988 |
| | 78,028,354 |
| Total assets | |
| | |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources - NYSERS | 2,885,041 |
| Deferred outflows of resources - NYSTRS | 3,668,498 |
| | 6,553,539 |
| Total deferred outflows of resources | |
| | |
| LIABILITIES | |
| Current liabilities: | |
| Payables: | |
| Accounts payable | 499,503 |
| Accrued interest payable | 292,649 |
| Accrued liabilities | 481,680 |
| Due to other governments | 139,204 |
| Due to teachers' retirement system | 3,674,723 |
| Due to employees' retirement system | 239,766 |
| Noncurrent liabilities, due within one year: | |
| Bonds payable, inclusive of premiums and discounts | 2,471,250 |
| Installment purchase debt payable | 238,294 |
| Compensated absences | 271,560 |
| Unearned revenues: | |
| Monies received in advance | 56,423 |
| | 8,365,052 |
| Total current liabilities | |
| Noncurrent liabilities: | |
| Long-term liabilities, due after one year: | |
| Bonds payable, inclusive of premiums and discounts | 14,046,246 |
| Installment purchase debt payable | 3,332,619 |
| Workers' compensation claims payable | 491,617 |
| Compensated absences | 3,377,039 |
| Proportionate share of net pension liability - NYSERS | 2,616,346 |
| Other post-employment benefits | 38,652,359 |
| | 62,516,226 |
| Total noncurrent liabilities | |
| Total liabilities | |
| | 70,881,278 |
| | |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources - NYSERS | 310,124 |
| Deferred inflows of resources - NYSTRS | 6,175,412 |
| | 6,485,536 |
| Total deferred inflows of resources | |
| | |
| NET POSITION | |
| Net investment in capital assets | 17,427,176 |
| Restricted: | |
| Capital | 3,203,567 |
| Employee Benefit Accrued Liability | 1,655,503 |
| Unemployment Insurance | 275,040 |
| Workers' Compensation | 700,040 |
| Tax Reduction | 351,539 |
| School Lunch Fund | 399,179 |
| Debt Service | 644,885 |
| Capital Projects Fund | 2,959,020 |
| Unrestricted | (20,400,870) |
| | 7,215,079 |
| Total net position | |
| | \$ 7,215,079 |

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

| | | Program Revenues | | |
|---|----------------------|-------------------------|---------------------|--|
| | Expenses | Charges for Services | Operating Grants | Net (Expense) Revenue and Changes in Net Position |
| Functions and programs: | | | | |
| General support | \$ 9,231,117 | \$ 66,225 | \$ 56,716 | \$ (9,108,176) |
| Instruction | 49,471,472 | 476,162 | 407,790 | (48,587,520) |
| Pupil transportation | 4,182,088 | 1,317 | 1,128 | (4,179,643) |
| Community services | 575 | - | - | (575) |
| Debt service - interest | 733,535 | - | - | (733,535) |
| School lunch program | 858,745 | 846,255 | 33,824 | 21,334 |
| | <u>\$ 64,477,532</u> | <u>\$ 1,389,959</u> | <u>\$ 499,458</u> | <u>(62,588,115)</u> |
| General revenues: | | | | |
| Real property taxes | | | | 57,768,113 |
| Other tax items | | | | 1,613,580 |
| Use of money and property | | | | 23,726 |
| Sale of property and compensation for loss | | | | 4,929 |
| State sources | | | | 3,142,539 |
| Federal sources - medical assistance | | | | 5,528 |
| Miscellaneous | | | | 350,149 |
| | | | | <u>62,908,564</u> |
| Change in net position | | | | 320,449 |
| Total net position, beginning of year | | | | <u>6,894,630</u> |
| Total net position, end of year | | | | <u>\$ 7,215,079</u> |

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

| | Major Funds | | | | | Total Governmental Funds |
|--|-----------------------|-------------------|-------------------|-------------------|---------------------|--------------------------------|
| | Special Revenue Funds | | | | | |
| | General | Special Aid | School Lunch | Debt Service | Capital Projects | |
| ASSETS | | | | | | |
| Cash: | | | | | | |
| Unrestricted | \$ 13,882,596 | \$ - | \$ 52,710 | \$ - | \$ - | \$ 13,935,306 |
| Restricted | 6,185,689 | 58,221 | 399,179 | 645,355 | 19,018 | 7,307,462 |
| Receivables: | | | | | | |
| State and federal aid | 869,668 | 101,854 | 3,159 | - | - | 974,681 |
| Taxes | 360,543 | - | - | - | - | 360,543 |
| Due from other funds | 160,260 | - | 3,797 | - | 2,940,002 | 3,104,059 |
| Due from fiduciary funds | 9,987 | - | - | - | - | 9,987 |
| Other receivables | - | - | 1,314 | - | - | 1,314 |
| Inventories | - | - | 7,488 | - | - | 7,488 |
| Total assets | \$ 21,468,743 | \$ 160,075 | \$ 467,647 | \$ 645,355 | \$ 2,959,020 | \$ 25,700,840 |
| LIABILITIES | | | | | | |
| Payables: | | | | | | |
| Accounts payable | \$ 497,656 | \$ - | \$ 1,847 | \$ - | \$ - | \$ 499,503 |
| Accrued liabilities | 479,058 | 285 | 2,337 | - | - | 481,680 |
| Due to other funds | 2,943,799 | 159,790 | - | 470 | - | 3,104,059 |
| Due to other governments | 138,831 | - | 373 | - | - | 139,204 |
| Due to teachers' retirement system | 3,674,723 | - | - | - | - | 3,674,723 |
| Due to employees' retirement system | 239,766 | - | - | - | - | 239,766 |
| Compensated absences | 3,648,599 | - | - | - | - | 3,648,599 |
| Unearned revenues: | | | | | | |
| Monies received in advance | - | - | 56,423 | - | - | 56,423 |
| Total liabilities | 11,622,432 | 160,075 | 60,980 | 470 | - | 11,843,957 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| State and local sources | 351,478 | - | - | - | - | 351,478 |
| Total deferred inflows of resources | 351,478 | - | - | - | - | 351,478 |
| FUND BALANCE | | | | | | |
| Fund balance: | | | | | | |
| Nonspendable | - | - | 7,488 | - | - | 7,488 |
| Restricted | 6,185,689 | - | 399,179 | 644,885 | 2,959,020 | 10,188,773 |
| Assigned | 709,735 | - | - | - | - | 709,735 |
| Unassigned | 2,599,409 | - | - | - | - | 2,599,409 |
| Total fund balance | 9,494,833 | - | 406,667 | 644,885 | 2,959,020 | 13,505,405 |
| Total liabilities, deferred inflows of resources and fund balance | \$ 21,468,743 | \$ 160,075 | \$ 467,647 | \$ 645,355 | \$ 2,959,020 | \$ 25,700,840 |

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balance - Governmental Funds \$ 13,505,405

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

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

| | | |
|--------------------------|---------------------|------------|
| Capital assets: | | |
| Non-depreciable | \$ 3,964,262 | |
| Depreciable | 68,931,931 | |
| Accumulated depreciation | <u>(35,380,608)</u> | 37,515,585 |

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:

| | | |
|--|--------------------|------------|
| Proportionate share of net pension asset - NYSTRS | 17,915,988 | |
| Deferred outflows of resources - NYSERS and NYSTRS pension related | 6,553,539 | |
| Proportionate share of net pension liability - NYSERS | (2,616,346) | |
| Deferred inflows of resources - NYSERS and NYSTRS pension related | <u>(6,485,536)</u> | 15,367,645 |

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

| | | |
|--|---------------------|--------------|
| Bonds payable, inclusive of premiums and discounts | (16,517,496) | |
| Installment purchase debt payable | (3,570,913) | |
| Workers' compensation claims payable | (491,617) | |
| Other post-employment benefits | <u>(38,652,359)</u> | (59,232,385) |

Revenue that was not accrued on the fund financial statements because it does not meet the availability criteria under the modified accrual basis of accounting is included in the Statement of Net Position. 351,478

Interest payable applicable to the District's activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position. (292,649)

Net Position - Governmental Activities \$ 7,215,079

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Major Funds</u> | | | | | <u>Total Governmental Funds</u> |
|---|------------------------------|------------------------|-------------------------|-------------------------|-----------------------------|---|
| | <u>Special Revenue Funds</u> | | | | | |
| | <u>General</u> | <u>Special Aid</u> | <u>School Lunch</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| REVENUES | | | | | | |
| Real property taxes | \$ 57,768,113 | \$ - | \$ - | \$ - | \$ - | \$ 57,768,113 |
| Other tax items | 1,613,580 | - | - | - | - | 1,613,580 |
| Charges for services | 543,705 | - | - | - | - | 543,705 |
| Use of money and property | 23,488 | - | 238 | - | - | 23,726 |
| Sale of property and compensation for loss | 4,929 | - | - | - | - | 4,929 |
| State sources | 3,313,352 | 104,600 | 4,115 | - | - | 3,422,067 |
| Federal sources | 16,165 | 350,396 | 29,709 | - | - | 396,270 |
| Sales | - | - | 846,255 | - | - | 846,255 |
| Miscellaneous | 299,730 | - | 13,934 | - | - | 313,664 |
| Total revenues | 63,583,062 | 454,996 | 894,251 | - | - | 64,932,309 |
| EXPENDITURES | | | | | | |
| Current - | | | | | | |
| General support | 6,779,911 | - | 474,004 | - | - | 7,253,915 |
| Instruction | 33,858,302 | 456,752 | - | - | - | 34,315,054 |
| Pupil transportation | 4,087,898 | 20,000 | 32,266 | - | - | 4,140,164 |
| Community services | 575 | - | - | - | - | 575 |
| Employee benefits | 13,576,944 | - | - | - | - | 13,576,944 |
| Cost of sales | - | - | 352,475 | - | - | 352,475 |
| Current and future - | | | | | | |
| Capital outlay | - | - | - | - | 906,035 | 906,035 |
| Debt service - | | | | | | |
| Principal | 2,422,861 | - | - | - | - | 2,422,861 |
| Interest | 929,580 | - | - | - | - | 929,580 |
| Total expenditures | 61,656,071 | 476,752 | 858,745 | - | 906,035 | 63,897,603 |
| Excess (deficiency) of revenues over (under) expenditures | 1,926,991 | (21,756) | 35,506 | - | (906,035) | 1,034,706 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Premium on obligations | 36,485 | - | - | - | - | 36,485 |
| Operating transfers in | 167,807 | 21,756 | - | - | 1,875,000 | 2,064,563 |
| Operating transfers out | (1,896,756) | - | - | - | (167,807) | (2,064,563) |
| Total other financing sources (uses) | (1,692,464) | 21,756 | - | - | 1,707,193 | 36,485 |
| Change in fund balance | 234,527 | - | 35,506 | - | 801,158 | 1,071,191 |
| Fund balance, beginning of year | 9,260,306 | - | 371,161 | 644,885 | 2,157,862 | 12,434,214 |
| Fund balance, end of year | \$ 9,494,833 | \$ - | \$ 406,667 | \$ 644,885 | \$ 2,959,020 | \$ 13,505,405 |

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net Change in Fund Balance - Governmental Funds \$ 1,071,191

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

| | | |
|----------------------|--------------------|-------------|
| Capital outlay | \$ 1,036,813 | |
| Depreciation expense | <u>(2,952,952)</u> | (1,916,139) |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (170,813)

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

| | | |
|--|----------------|-----------|
| Repayment of bond principal | 2,190,000 | |
| Repayment of installment purchase debt payable | <u>232,861</u> | 2,422,861 |

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

| | | |
|--|---------------|-------------|
| Other post-employment benefits | (6,452,617) | |
| Workers' compensation claims payable | (253,496) | |
| Amortization of bond issue premiums and discounts, net | 176,250 | |
| Accrued interest costs | <u>19,795</u> | (6,510,068) |

(Increases) decreases in the proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

| | | |
|---|------------------|------------------|
| District Pension plan contributions - NYSERS | 1,013,701 | |
| District Pension plan contributions - NYSTRS | 4,542,025 | |
| District proportionate share of pension expense - NYSERS | (1,051,281) | |
| District proportionate share of pension expense - NYSTRS | 1,185,766 | |
| Change in deferred outflows/inflows of resources - NYSERS | 210,873 | |
| Change in deferred outflows/inflows of resources - NYSTRS | <u>(477,667)</u> | <u>5,423,417</u> |

Change in Net Position - Governmental Activities \$ 320,449

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016

| | Scholarship Trusts | Agency Funds |
|------------------------------------|-------------------------------|-------------------------|
| ASSETS | | |
| Cash: | | |
| Restricted | \$ 15,120 | \$ 249,812 |
| Total assets | \$ 15,120 | \$ 249,812 |
| LIABILITIES | | |
| Extraclassroom activity balances | \$ - | \$ 175,449 |
| Other liabilities | - | 64,376 |
| Due to governmental funds | - | 9,987 |
| Total liabilities | - | \$ 249,812 |
| NET POSITION | | |
| Restricted: | | |
| Endowment scholarships | 15,120 | |
| Total net position | 15,120 | |
| Total liabilities and net position | \$ 15,120 | |

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Scholarship Trusts |
|---------------------------------|-------------------------------|
| ADDITIONS | |
| Contributions | \$ 2,500 |
| Investment earnings: | |
| Interest | 13 |
| Total additions | 2,513 |
| DEDUCTIONS | |
| Scholarships and awards | 4,650 |
| Total deductions | 4,650 |
| Change in net position | (2,137) |
| Net position, beginning of year | 17,257 |
| Net position, end of year | \$ 15,120 |

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cold Spring Harbor Central School District (the "District") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board ("GASB"), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

A. Reporting entity

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on such criteria the District's Extraclassroom Activity Funds have been included in the accompanying financial statements. See corresponding note below.

B. Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found elsewhere in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

C. Joint venture

The District is a component district in the Western Suffolk County Board of Cooperative Educational Services ("BOCES"). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year, the District was billed \$1,968,347 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$718,917.

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

D. Basis of presentation

1. District-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid (sources), intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund financial statements

The fund statements provide information about the 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 District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

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

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

The District reports the following fiduciary funds:

Fiduciary Funds

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

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

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

E. Measurement focus and basis of accounting

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

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

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time 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 and claims and judgments which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

F. Property taxes

Real property taxes for the Town of Oyster Bay residents are levied annually by the Board of Education during the month of September and become a lien on October 1st and April 1st. This portion of the District's tax levy is collected by the Town of Oyster Bay and remitted to the District. Uncollected real property taxes have been enforced by the County in which the District is located. Nassau County has paid an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1st.

Real property taxes for the Town of Huntington residents are levied annually by the Board of Education no later than November 1st, and become a lien on December 1st. This portion of the District's tax levy is collected by the Town of Huntington along with the respective Town and Suffolk County levies. These tax collections are remitted to the District and Town Comptroller until their respective taxes are satisfied in accordance with the Suffolk County Tax Act. All subsequent tax collections, through June 30th, are remitted by the Town to Suffolk County which in turn is responsible for any uncollected taxes.

G. Restricted resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

H. Interfund transactions

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

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

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

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

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

I. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, useful lives of long-lived assets and the proportionate share of net pension assets and liabilities.

J. Cash and cash equivalents

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

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

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

K. Accounts receivable

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

L. Inventories and prepaid items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

M. Other assets/restricted assets

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

Debt (bond) issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred on both the District-wide and fund financial statements. On the District-wide financial statements, prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic rational manner over the duration of the related debt.

N. Capital assets

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

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|-------------------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Buildings and building improvements | \$ 15,000 | Straight-line | 20-40 years |
| Furniture and equipment | \$ 2,000 | Straight-line | 5-20 years |

O. Deferred outflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the District-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (New York State Employees' Retirement System ("NYSERS") and New York State Teachers' Retirement System ("NYSTRS")) subsequent to the measurement date.

P. Deferred inflows of resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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 various items that qualify for reporting in this category. This may arise under the modified accrual basis of accounting and may be reported as unavailable revenue – property taxes. This may also arise when reporting on pensions in the District-wide Statement of Net 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. Deferred inflows of resources may be recognized when bonds are refunded prior to their maturity dates.

Q. Unearned revenues

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

R. Vested employee benefits - compensated absences

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

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

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

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

S. Other benefits

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

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

T. Short-term debt

The District may issue Revenue Anticipation Notes ("RAN") and Tax Anticipation Notes ("TAN"), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

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

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

As of June 30, 2016, the District does not have any outstanding RAN's, TAN's or deficiency notes. See Note 7 for additional disclosure regarding the District's outstanding short-term debt.

U. Accrued liabilities and long-term obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments and other post-employment benefits that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

V. Equity classifications

District-wide financial statements

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

1. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
2. Restricted net position: Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
3. Unrestricted net position: Is the amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position, and is deemed to be available for general use by the District.

Fund financial statements

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

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$7,488.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Capital

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

Employee Benefit Accrued Liability

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

Unemployment Insurance

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

Workers' Compensation

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

Tax Reduction

Reserve for Tax Reduction (Education Law §1604(36) and §1709(37)) is used for the gradual use of the proceeds of the sale of school district real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the school district is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. This is accounted for in the General Fund.

Debt Service

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

3. Committed - Includes amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board of Education is the decision-making authority that can, by Board resolution, commit fund balance. The District has no committed fund balances as of June 30, 2016.
4. Assigned - Includes amounts that are subject to a purpose constraint that represents an intended use established by the District's highest level of decision-making authority, or by their designated body or official. They also include amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the assignment must be narrower than the purpose of the General Fund. All encumbrances of the General Fund are classified as assigned fund balance as of June 30, 2016 based on the fact that there are no restricted resources on hand to liquidate them, and amounted to \$509,735.
5. Unassigned - Includes all other General Fund net position that does not meet the definition of the above four classifications and is deemed to be available for general use by the District.

Fund balances for all governmental funds as of June 30, 2016 were distributed as follows:

| | General | School Lunch | Debt Service | Capital Projects | Total Governmental Funds |
|---|---------------------|-------------------|-------------------|---------------------|--------------------------------|
| Nonspendable: | | | | | |
| Inventory | \$ - | \$ 7,488 | \$ - | \$ - | \$ 7,488 |
| Total nonspendable | - | 7,488 | - | - | 7,488 |
| Restricted: | | | | | |
| Capital | 3,203,567 | - | - | - | 3,203,567 |
| Employee Benefit Accrued Liability | 1,655,503 | - | - | - | 1,655,503 |
| Unemployment Insurance | 275,040 | - | - | - | 275,040 |
| Workers' Compensation | 700,040 | - | - | - | 700,040 |
| Tax Reduction | 351,539 | - | - | - | 351,539 |
| School Lunch Fund | - | 399,179 | - | - | 399,179 |
| Debt Service Fund | - | - | 644,885 | - | 644,885 |
| Capital Projects Fund | - | - | - | 2,959,020 | 2,959,020 |
| Total restricted | 6,185,689 | 399,179 | 644,885 | 2,959,020 | 10,188,773 |
| Assigned: | | | | | |
| Appropriated for subsequent year's expenditures | 200,000 | - | - | - | 200,000 |
| Encumbrances | 509,735 | - | - | - | 509,735 |
| Total assigned | 709,735 | - | - | - | 709,735 |
| Unassigned | 2,599,409 | - | - | - | 2,599,409 |
| Total | <u>\$ 9,494,833</u> | <u>\$ 406,667</u> | <u>\$ 644,885</u> | <u>\$ 2,959,020</u> | <u>\$ 13,505,405</u> |

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of use of fund balance

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

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

Due to the differences in the measurement focus and basis of accounting used in the funds 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 focus of the District-wide statements, compared with the current financial resources focus of the governmental funds.

A. Total fund balances of governmental funds vs. net position of governmental activities

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental funds Balance Sheets.

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

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

1. Long-term revenue/expense differences

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

2. Capital related differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund 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.

3. Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Pension differences

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments are approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted:

The following supplemental appropriations occurred during the year:

| | |
|---------------------------------------|---------------------|
| Voter-approved use of Capital Reserve | <u>\$ 1,000,000</u> |
|---------------------------------------|---------------------|

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

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

Encumbrances

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

The portion of the District's School Lunch Fund fund balance subject to Federal regulations 7CFR Part 210.14(b) limit exceeded the amount allowable, which is three months average expenditure level. Actions the District plans to pursue to address this issue include purchasing several new pieces of kitchen equipment and making substantial improvements to the school kitchen serving lines in the upcoming year.

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

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. District monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The District Treasurer is authorized to use demand accounts and certificates of deposit. 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 deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

Custodial credit risk - deposits/investments: Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

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

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks in the District's name. They consisted of:

| <u>Fund</u> | <u>Bank Balance</u> | <u>Carrying Amount</u> |
|-------------------|-------------------------|----------------------------|
| General Fund | \$ 20,928,982 | \$ 20,068,285 |
| Special Aid Fund | 79,636 | 58,221 |
| School Lunch Fund | 483,638 | 451,889 |
| Capital Fund | 169,017 | 19,018 |
| Debt Service Fund | 645,355 | 645,355 |
| Fiduciary Funds | 526,889 | 264,932 |
| | <u>\$ 22,833,517</u> | <u>\$ 21,507,700</u> |

5. **RECEIVABLES**

A. **State and federal aid**

State and federal aid receivables at June 30, 2016, consisted of the following:

General Fund:

| | |
|--------------------------------------|------------|
| BOCES aid | \$ 777,412 |
| New York State Aid - excess cost aid | 92,256 |

Special Aid Fund:

| | |
|--------------------------|---------|
| State and federal grants | 101,854 |
|--------------------------|---------|

School Lunch Fund:

| | |
|--|-------|
| School breakfast and lunch reimbursement | 3,159 |
|--|-------|

\$ 974,681

B. **Other receivables**

Other receivables at June 30, 2016, consisted of the following:

School Lunch Fund

| | |
|-------|----------|
| Sales | \$ 1,314 |
|-------|----------|

6. **CAPITAL ASSETS**

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements/ Reclassifications</u> | <u>Ending Balance</u> |
|--------------------------------------|------------------------------|-----------------------|---|---------------------------|
| Governmental activities: | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 125,075 | \$ - | \$ - | \$ 125,075 |
| Construction-in-progress | 7,722,648 | 906,035 | (4,789,496) | 3,839,187 |
| Total nondepreciable assets | <u>7,847,723</u> | <u>906,035</u> | <u>(4,789,496)</u> | <u>3,964,262</u> |
| Capital assets that are depreciated: | | | | |
| Buildings and building improvements | 62,345,259 | - | 4,789,496 | 67,134,755 |
| Furniture and equipment | 1,666,398 | 130,778 | - | 1,797,176 |
| Total depreciable assets | <u>64,011,657</u> | <u>130,778</u> | <u>4,789,496</u> | <u>68,931,931</u> |
| Less accumulated depreciation: | | | | |
| Buildings and building improvements | 31,233,857 | 2,884,839 | - | 34,118,696 |
| Furniture and equipment | 1,193,799 | 68,113 | - | 1,261,912 |
| Total accumulated depreciation | <u>32,427,656</u> | <u>2,952,952</u> | <u>-</u> | <u>35,380,608</u> |
| Total capital assets, net | <u>\$ 39,431,724</u> | <u>\$ (1,916,139)</u> | <u>\$ -</u> | <u>\$ 37,515,585</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------|---------------------|
| General support | \$ 359,681 |
| Instruction | 2,586,117 |
| Pupil transportation | 7,154 |
| | <u>\$ 2,952,952</u> |

7. SHORT-TERM DEBT OBLIGATIONS

Transactions in short-term debt for the year are summarized below:

| | Beginning Balance | Issued | Redeemed | Ending Balance |
|---------------------------------|----------------------|--------------|--------------|-------------------|
| TAN matured on 6/28/16 at 1.50% | \$ - | \$ 5,280,000 | \$ 5,280,000 | \$ - |

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

| | |
|---|------------------|
| Interest paid | \$ 52,800 |
| Less interest accrued in the prior year | - |
| Plus interest accrued in the current year | - |
| Interest expense | <u>\$ 52,800</u> |

8. LONG-TERM DEBT OBLIGATIONS

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|----------------------|---------------------|---------------------|----------------------|-----------------------------------|
| Governmental activities: | | | | | |
| Bonds payable | \$ 17,650,000 | \$ - | \$ 2,190,000 | \$ 15,460,000 | \$ 2,295,000 |
| Unamortized bond discounts and premiums | 1,233,746 | - | 176,250 | 1,057,496 | 176,250 |
| Total bonds payable | 18,883,746 | - | 2,366,250 | 16,517,496 | 2,471,250 |
| Installment purchase debt payable | 3,803,774 | - | 232,861 | 3,570,913 | 238,294 |
| Workers' compensation claims payable | 238,121 | 371,496 | 118,000 | 491,617 | - |
| Other post-employment benefits | 32,199,742 | 8,702,409 | 2,249,792 | 38,652,359 | - |
| Total long-term liabilities | <u>\$ 55,125,383</u> | <u>\$ 9,073,905</u> | <u>\$ 4,966,903</u> | <u>\$ 59,232,385</u> | <u>\$ 2,709,544</u> |

The following is a summary of the maturity of long-term indebtedness:

| Description of Issue | Issue Date | Final Maturity | Interest Rate | Outstanding at 6/30/16 |
|---------------------------|---------------|-------------------|------------------|---------------------------|
| Refunding serial bonds | 2011 | 2022 | 2.00 - 5.00% | \$ 13,685,000 |
| Refunding serial bonds | 2015 | 2022 | 2.00 - 4.00% | 1,775,000 |
| | | | | <u>\$ 15,460,000</u> |
| Installment purchase debt | 04/15/13 | 08/15/29 | 2.32% | <u>\$ 3,570,913</u> |

| | Serial Bonds | | Installment Purchase Debt | | Total |
|-----------------|----------------------|---------------------|---------------------------|-------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| <u>June 30,</u> | | | | | |
| 2017 | \$ 2,295,000 | \$ 695,875 | \$ 238,294 | \$ 81,471 | \$ 3,310,640 |
| 2018 | 2,405,000 | 589,225 | 243,855 | 75,910 | 3,313,990 |
| 2019 | 2,520,000 | 471,575 | 249,545 | 70,221 | 3,311,341 |
| 2020 | 2,640,000 | 348,175 | 255,368 | 64,397 | 3,307,940 |
| 2021 | 2,745,000 | 239,738 | 261,327 | 58,439 | 3,304,504 |
| 2022-2026 | 2,855,000 | 129,950 | 1,401,002 | 197,826 | 4,583,778 |
| 2027-2029 | - | - | 921,522 | 37,773 | 959,295 |
| | <u>\$ 15,460,000</u> | <u>\$ 2,474,538</u> | <u>\$ 3,570,913</u> | <u>\$ 586,037</u> | <u>\$ 22,091,488</u> |

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

| | |
|---|-------------------|
| Interest paid | \$ 876,780 |
| Less interest accrued in the prior year | (312,444) |
| Plus interest accrued in the current year | 292,649 |
| Less amortization of premiums/discounts | <u>(176,250)</u> |
| Total interest expense | <u>\$ 680,735</u> |

9. PENSION PLANS

General information

The District participates in the New York State and Local Employees' Retirement System ("NYSERS") and the New York State Teachers' Retirement System ("NYSTRS") (collectively referred to as the "Systems").

Plan descriptions and benefits provided

Employees' Retirement System

The New York State and Local Employees' Retirement System is a cost-sharing, multiple-employer retirement system. NYSERS provides retirement benefits, as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of NYSERS. NYSERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in NYSERS, 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 ("NYSGILIP"), which provides death benefits in the form of life insurance. NYSERS is included within New York State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Teachers' Retirement System

The New York State Teachers' Retirement System is a cost-sharing, multiple-employer retirement system. NYSTRS provides retirement benefits, as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS is governed by a 10 member Board of Trustees. NYSTRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in NYSTRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Contributions

The Systems are noncontributory for the employee who joined prior to July 27, 1976 (tiers I and II). For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary (tiers III and IV). For NYSERS, employees who joined the system between January 1, 2010 and April 1, 2012, are required to contribute 3% of their salary (tier V). For NYSTRS, employees who joined the system between January 1, 2010 and April 1, 2012, are required to contribute 3.5% of their salary (tier V). In addition, employee contribution rates (3% to 6%) under NYSERS and NYSTRS tier VI (those who joined after April 1, 2012) vary based on a sliding salary scale. With the exception of NYSERS and NYSTRS tier V and VI employees, employees in the system more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

| <u>Year</u> | <u>NYSERS</u> | <u>NYSTRS</u> |
|-------------|---------------|---------------|
| 2016 | \$ 1,013,701 | \$ 4,542,025 |
| 2015 | 1,071,511 | 4,128,412 |
| 2014 | 946,091 | 3,015,155 |

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

The net pension asset/(liability) was measured as of March 31, 2016 for NYSERS and June 30, 2015 for NYSTRS. 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 NYSERS and NYSTRS Systems in reports provided to the District.

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.

| | <u>NYSERS</u> | <u>NYSTRS</u> |
|--|----------------|---------------|
| Actuarial valuation date | April 1, 2015 | June 30, 2014 |
| Net pension asset (liability) | \$ (2,616,346) | \$ 17,915,988 |
| District's portion of the Plan's total net pension asset (liability) | 0.01630% | 0.17249% |

For the year ended June 30, 2016, the District recognized pension expense of \$1,051,281 for NYSERS and pension income of \$1,185,766 for NYSTRS. At June 30, 2016, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources - NYSERS</u> | <u>Deferred Outflows of Resources - NYSTRS</u> | <u>Deferred Inflows of Resources - NYSERS</u> | <u>Deferred Inflows of Resources - NYSTRS</u> |
|---|--|--|---|---|
| Difference between expected experience and actual experience | \$ 13,221 | \$ - | \$ (310,124) | \$ (496,529) |
| Changes of assumptions | 697,700 | - | - | - |
| Net difference between projected and actual earnings on pension plan investments | 1,552,160 | - | - | (5,663,337) |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 411,087 | 9,713 | - | (15,546) |
| Employer contributions subsequent to the measurement date | 210,873 | 3,658,785 | - | - |
| Total | <u>\$ 2,885,041</u> | <u>\$ 3,668,498</u> | <u>\$ (310,124)</u> | <u>\$ (6,175,412)</u> |

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

| | <u>NYSERS</u> | <u>NYSTRS</u> |
|----------------------------|---------------|----------------|
| <u>For the year ended:</u> | | |
| 2017 | \$ 611,919 | \$ (2,285,150) |
| 2018 | 611,919 | (2,285,150) |
| 2019 | 611,919 | (2,285,150) |
| 2020 | 528,287 | 940,934 |
| 2021 | - | (62,795) |
| Thereafter | - | (188,388) |

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.

Significant actuarial assumptions used in the valuations were as follows:

| | <u>NYSERS</u> | <u>NYSTRS</u> |
|--------------------------|--|--|
| Measurement date | March 31, 2016 | June 30, 2015 |
| Actuarial valuation date | April 1, 2015 | June 30, 2014 |
| Interest rate | 7.00% | 8.00% |
| Salary scale | 3.80% | 4.01% - 10.91% |
| Decrement tables | April 1, 2010 to March 31, 2015 System's Experience | July 1, 2005 to June 30, 2010 System's Experience |
| Inflation rate | 2.50% | 3.00% |

For NYSERS, 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 NYSTRS, 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 NYSERS, 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. For NYSTRS, 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.

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

| | <u>NYSERS</u> | | <u>NYSTRS</u> | |
|----------------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| | <u>Target allocation</u> | <u>Long-term rate</u> | <u>Target allocation</u> | <u>Long-term rate</u> |
| Measurement date | March 31, 2016 | March 31, 2016 | June 30, 2015 | June 30, 2015 |
| Asset type | | | | |
| Absolute return strategies | 3.00% | 6.75% | - | - |
| Alternative investments | - | - | 7.00% | 9.90% |
| Bonds and mortgages | 18.00% | 4.00% | 8.00% | 3.40% |
| Cash | 2.00% | 2.25% | - | - |
| Domestic equity | 38.00% | 7.30% | 37.00% | 6.50% |
| Domestic fixed income | - | - | 17.00% | 2.10% |
| Global fixed income | - | - | 2.00% | 1.90% |
| Inflation-indexed bonds | 2.00% | 4.00% | - | - |
| International equity | 13.00% | 8.55% | 18.00% | 7.70% |
| Opportunistic portfolio | 3.00% | 8.60% | - | - |
| Private equity | 10.00% | 11.00% | - | - |
| Real assets | 3.00% | 8.65% | - | - |
| Real estate | 8.00% | 8.25% | 10.00% | 4.60% |
| Short-term | - | - | 1.00% | 1.20% |
| | <u>100.00%</u> | | <u>100.00%</u> | |

Discount rate

The discount rate used to calculate the total pension liability was 7.0% for NYSERS and 8.0% for NYSTRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension 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 7.0% for NYSERS and 8.0% for NYSTRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% for NYSERS and 7.0% for NYSTRS) or 1-percentage point higher (8.0% for NYSERS and 9.0% for NYSTRS) than the current rate:

| | <u>1% Decrease (6.00%)</u> | <u>Current assumption (7.00%)</u> | <u>1% Increase (8.00%)</u> |
|--|--------------------------------|---|--------------------------------|
| <u>NYSERS</u> | | | |
| Employer's proportionate share of the net pension asset (liability) | \$ (5,899,669) | \$ (2,616,346) | \$ 157,923 |
| | | <u>Current assumption (8.00%)</u> | <u>1% Increase (9.00%)</u> |
| <u>NYSTRS</u> | | | |
| Employer's proportionate share of the net pension asset (liability) | \$ (1,222,101) | \$ 17,915,988 | \$ 34,236,760 |

Pension plan fiduciary net position

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

| | (Dollars in Thousands) | | |
|---|------------------------|----------------------|-----------------------|
| | <u>NYSERS</u> | <u>NYSTRS</u> | <u>Total</u> |
| Valuation date | April 1, 2015 | June 30, 2014 | |
| Employers' total pension asset/(liability) | \$ 172,303,544 | \$ 99,332,104 | \$ 271,635,648 |
| Plan net position | <u>156,253,265</u> | <u>109,718,917</u> | <u>265,972,182</u> |
| Employers' net pension asset/(liability) | <u>\$ (16,050,279)</u> | <u>\$ 10,386,813</u> | <u>\$ (5,663,466)</u> |
| Ratio of plan net position to the employers' total pension asset/(liability) | 90.68% | 110.46% | 97.92% |

Payables to the pension plan

For NYSERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. 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 NYSERS wages multiplied by the employer's contribution rate, by tier. Accrued employer retirement contributions as of June 30, 2016 amounted to \$210,873.

For NYSTRS, 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 employee and employer contributions for the fiscal year ended June 30, 2016 based on paid NYSTRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the NYSTRS System. Accrued employer retirement contributions as of June 30, 2016 amounted to \$3,658,785.

10. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

| | <u>Interfund</u> | | <u>Interfund</u> | |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Receivable</u> | <u>Payable</u> | <u>Revenues</u> | <u>Expenditures</u> |
| General Fund | \$ 170,247 | \$ 2,943,799 | \$ 167,807 | \$ 1,896,756 |
| Special Aid Fund | - | 159,790 | 21,756 | - |
| School Lunch Fund | 3,797 | - | - | - |
| Debt Service Fund | - | 470 | - | - |
| Capital Projects Fund | 2,940,002 | - | 1,875,000 | 167,807 |
| Fiduciary Funds | - | 9,987 | - | - |
| Totals | <u>\$ 3,114,046</u> | <u>\$ 3,114,046</u> | <u>\$ 2,064,563</u> | <u>\$ 2,064,563</u> |

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

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

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

Plan description and annual OPEB cost

The District provides post-employment (health insurance, life insurance etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District implemented GASB Standards for Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, (standards codified in 2012) in the school year June 30, 2009. This requires the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and actual contributions made.

Currently, 170 retired employees receive health benefits from the District. Retirees contribute 0% to 25% for coverage depending on position held, date of hire, years of service, and fiscal year of retirement.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2016, the District recognized \$2,249,792 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2014 which indicates that the total liability for other post-employment benefits is \$97,877,754.

The District's annual OPEB cost (expense) is calculated based on the *annual required contribution* ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty 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:

| | <u>For the Year Ended June 30, 2016</u> |
|--|---|
| Annual required contribution | \$ 9,291,069 |
| Interest on net OPEB obligation | 1,239,690 |
| Adjustment to annual required contribution | <u>(1,828,350)</u> |
| Annual OPEB cost | 8,702,409 |
| Contributions made | <u>2,249,792</u> |
| Increase in net OPEB obligation | 6,452,617 |
| Net OPEB obligation, beginning of year | <u>32,199,742</u> |
| Net OPEB obligation, end of year | <u>\$ 38,652,359</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 were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---|--------------------------------|
| 06/30/16 | \$ 8,702,409 | 25.9% | \$ 38,652,359 |
| 06/30/15 | 8,560,490 | 23.9% | 32,199,742 |
| 06/30/14 | 8,233,139 | 26.9% | 27,020,821 |

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 \$97,877,754 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$97,877,754. The covered payroll (annual payroll of active employees covered by the plan) was \$33,733,891 and the ratio of the UAAL to the covered payroll was 290.1%. Actuarial valuations of an ongoing plan involve 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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

In the July 1, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 3.85% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.00% initially, reduced by decrements to an ultimate rate of 3.89% after 8 years. Both rates included a 2.50% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 was 22 years.

12. RISK MANAGEMENT

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

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

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. General Fund liabilities only include amounts for reported claims and do not include claims which were incurred on or before year end but not reported ("IBNR").

Claims activity is summarized below:

| | <u>Beginning Balance</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Balance at End of Year</u> |
|---|------------------------------|---|---------------------------|-----------------------------------|
| Incurred but not reported for the fiscal years ended June 30: | | | | |
| 2016 | \$ 238,121 | \$ 371,496 | \$ 118,000 | \$ 491,617 |
| 2015 | 330,969 | 20,852 | 113,700 | 238,121 |
| 2014 | 261,909 | 330,969 | 261,909 | 330,969 |

The District has not purchased any annuity contracts.

13. CONTINGENCIES AND COMMITMENTS

Government grants

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

Library indebtedness

On September 1, 2004, the District entered into a tax pledge agreement with the Cold Spring Harbor Village Improvement Society Library and the Bank of New York Mellon, as trustee, in connection with issuance of \$9,500,000 of civic facility revenue bonds for the acquisition and construction of a library facility. Under the terms of the agreement, the District has agreed to cause to be levied on behalf of the Library the aggregate annual amount necessary to pay the debt service on the bonds; said payment to be remitted directly from the District to the trustee according to a time schedule established in the agreement. The annual debt service approximates \$700,000 and will be satisfied in full with the September 15, 2024 semi-annual payment.

Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years beginning in 2012-13 through at least June 15, 2016, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2 percent or the rate of inflation (but not less than 1 percent), whichever is less, with some exceptions. The New York State Comptroller recently set the allowable levy growth factor for school districts for fiscal years beginning July 1, 2015 at 1.62 percent (before exemptions). School districts can exceed the tax levy limit by a 60 percent vote of the governing body, or by local law. For fiscal years beginning July 1, 2016, the allowable levy growth factor was set at 0.12 percent. In July 2015, the Real Property Tax Cap Laws were extended to June 15, 2020.

Service concession arrangements

In accordance with GASB Standards, the District is required to recognize a liability for certain obligations to sacrifice financial resources (i.e. capital improvements) under the terms of a service concession arrangement or, a deferred inflow for up-front or installment payments received from the operator in advance of the revenue being earned. The District did not have any service concession arrangements for the fiscal year ended June 30, 2016, and accordingly, no liability or deferred inflow was reflected on the District's financial statements.

Litigation

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

14. LEASE COMMITMENTS

The District has entered into twenty-three leases for rental of office equipment. The operating lease expense for the year ended June 30, 2016 was \$142,658. Future minimum payments are as follows:

| Fiscal year ended June 30, | |
|----------------------------|------------------|
| 2017 | \$ 14,591 |
| 2018 | 10,160 |
| 2019 | 8,719 |
| 2020 | <u>5,279</u> |
| | <u>\$ 38,749</u> |

15. FUTURE ACCOUNTING STANDARDS

GASB has issued Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

GASB has issued Statement No. 77, Tax Abatement Disclosures, effective for the year ending June 30 2017. This Statement will required disclosure regarding tax abatement agreements, specifically: a brief description, the gross dollar amount of taxes abated, and commitments made by the government, other than to abate taxes, as part of a tax abatement agreement.

GASB has issued Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans, effective for the year ending June 30, 2017. This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing, multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local employees, and (3) has no predominant state or local governmental employer.

GASB has issued Statement No. 80, Blending Requirements For Certain Component Units - An Amendment of GASB No. 14, effective for the year ending June 30, 2017. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The new criteria will require blending of a component unit incorporated as not-for-profit corporation in which the primary government is the sole corporate member.

GASB has issued Statement No. 82, Pension Issues - an amendment of GASB Statement No. 67, No. 68. and No. 73, effective for the year ending June 30, 2018. This Statement addresses the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from actuarial standards, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

16. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of August 19, 2016 which is the date the financial statements were available to be issued, noting no matters requiring further financial statement disclosure.

REQUIRED
SUPPLEMENTARY
INFORMATION

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

| | Adopted Budget | Final Budget | Actual | Year-end Encumbrances | Variance Better (Worse) |
|--|-------------------|-----------------|---------------|--------------------------|-------------------------------|
| REVENUES | | | | | |
| Local sources: | | | | | |
| Real property taxes | \$ 59,381,530 | \$ 59,381,530 | \$ 57,768,113 | | \$ (1,613,417) |
| Other tax items | - | - | 1,613,580 | | 1,613,580 |
| Charges for services | 264,000 | 264,000 | 543,705 | | 279,705 |
| Use of money and property | 22,875 | 22,875 | 23,488 | | 613 |
| Sale of property and compensation for loss | - | - | 4,929 | | 4,929 |
| Miscellaneous | 494,190 | 494,190 | 299,730 | | (194,460) |
| Total local sources | 60,162,595 | 60,162,595 | 60,253,545 | | 90,950 |
| State sources | 3,691,958 | 3,691,958 | 3,313,352 | | (378,606) |
| Federal sources | 17,500 | 17,500 | 16,165 | | (1,335) |
| Total revenues | 63,872,053 | 63,872,053 | 63,583,062 | | (288,991) |
| OTHER FINANCING SOURCES | | | | | |
| Premium on obligations | - | - | 36,485 | | 36,485 |
| Interfund transfers | - | - | 167,807 | | 167,807 |
| Appropriated reserves | 120,000 | 1,588,100 | - | | (1,588,100) |
| Total revenues and other financing sources | 63,992,053 | 65,460,153 | 63,787,354 | | (1,672,799) |
| EXPENDITURES | | | | | |
| General support: | | | | | |
| Board of Education | 36,300 | 40,050 | 22,944 | \$ - | 17,106 |
| Central administration | 348,117 | 353,584 | 416,026 | 319 | (62,761) |
| Finance | 857,730 | 869,261 | 831,816 | 186 | 37,259 |
| Staff | 483,832 | 554,462 | 298,153 | 129,528 | 126,781 |
| Central services | 5,314,652 | 5,491,976 | 4,746,720 | 183,244 | 562,012 |
| Special items | 467,796 | 467,796 | 464,252 | - | 3,544 |
| Total general support | 7,508,427 | 7,777,129 | 6,779,911 | 313,277 | 683,941 |
| Instruction: | | | | | |
| Instruction, administration and improvement | 2,173,104 | 2,149,276 | 2,124,750 | 4,323 | 20,203 |
| Teaching - regular school | 21,173,054 | 21,262,308 | 21,225,440 | 21,693 | 15,175 |
| Programs for children with handicapping conditions | 4,847,106 | 4,789,342 | 4,326,395 | 157,058 | 305,889 |
| Teaching - special school | 22,500 | 22,500 | 16,948 | - | 5,552 |
| Instructional media | 1,420,949 | 1,608,763 | 1,572,819 | 6,384 | 29,560 |
| Pupil services | 4,488,548 | 4,527,663 | 4,591,950 | 7,000 | (71,287) |
| Total instruction | 34,125,261 | 34,359,852 | 33,858,302 | 196,458 | 305,092 |
| Pupil transportation | 4,222,647 | 4,203,174 | 4,087,898 | - | 115,276 |
| Community services | 1,110 | 1,110 | 575 | - | 535 |
| Employee benefits | 13,902,467 | 13,886,747 | 13,576,944 | - | 309,803 |
| Debt service: | | | | | |
| Principal | 2,422,861 | 2,422,861 | 2,422,861 | - | - |
| Interest | 909,280 | 909,280 | 929,580 | - | (20,300) |
| Total expenditures | 63,092,053 | 63,560,153 | 61,656,071 | 509,735 | 1,394,347 |
| OTHER FINANCING USES | | | | | |
| Interfund transfers | 900,000 | 1,900,000 | 1,896,756 | - | 3,244 |
| Total expenditures and other financing uses | 63,992,053 | 65,460,153 | 63,552,827 | \$ 509,735 | 1,397,591 |
| Net change in fund balance | \$ - | \$ - | 234,527 | | \$ (275,208) |
| Fund balance, beginning of year | | | 9,260,306 | | |
| Fund balance, end of year | | | \$ 9,494,833 | | |

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.

REQUIRED
SUPPLEMENTARY
INFORMATION

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
FOR THE YEAR ENDED JUNE 30, 2016

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)- Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 07/01/14 | \$ - | \$ 97,877,754 | \$ 97,877,754 | 0% | \$ 33,733,891 | 290.1% |
| 07/01/12 | - | 90,811,880 | 90,811,880 | 0% | 32,189,658 | 282.1% |
| 07/01/10 | - | 72,322,221 | 72,322,221 | 0% | 32,251,204 | 224.2% |

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>**2013</u> | <u>**2012</u> | <u>**2011</u> | <u>**2010</u> | <u>**2009</u> | <u>**2008</u> | <u>**2007</u> |
|--|-------------|-------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportionate share of the net pension liability | 0.01630% | 0.01625% | 0.01624% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension liability | \$ (2,616) | \$ (549) | \$ (734) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's covered payroll | \$ 5,335 | \$ 5,135 | \$ 4,688 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension liability as a percentage of covered payroll | -49.04% | -10.69% | -15.66% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 90.68% | 97.95% | 97.20% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

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

Not Available = N/A

****Note to Required Supplementary Information**

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET - NYSTRS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>**2013</u> | <u>**2012</u> | <u>**2011</u> | <u>**2010</u> | <u>**2009</u> | <u>**2008</u> | <u>**2007</u> |
|--|-------------|-------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportionate share of the net pension asset | 0.17249% | 0.17199% | 0.17385% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension asset | \$ 17,916 | \$ 19,159 | \$ 1,144 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's covered payroll | \$ 25,910 | \$ 25,403 | \$ 25,466 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension asset as a percentage of covered payroll | 69.15% | 75.42% | 4.49% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension asset | 110.46% | 111.48% | 100.70% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

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

Not Available = N/A

****Note to Required Supplementary Information**

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>**2013</u> | <u>**2012</u> | <u>**2011</u> | <u>**2010</u> | <u>**2009</u> | <u>**2008</u> | <u>**2007</u> |
|--|--------------|--------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 1,014 | \$ 1,072 | \$ 946 | \$ 1,014 | \$ 882 | \$ 609 | \$ 413 | \$ 371 | \$ 396 | \$ 360 |
| Contributions in relation to the contractually required contribution | <u>1,014</u> | <u>1,072</u> | <u>946</u> | <u>1,014</u> | <u>882</u> | <u>609</u> | <u>413</u> | <u>371</u> | <u>396</u> | <u>360</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 5,335 | \$ 5,135 | \$ 4,688 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered-employee payroll | 19.01% | 20.88% | 20.18% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

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

Not Available = N/A

****Note to Required Supplementary Information**

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

REQUIRED
SUPPLEMENTARY
INFORMATION

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - NYSTRS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>**2013</u> | <u>**2012</u> | <u>**2011</u> | <u>**2010</u> | <u>**2009</u> | <u>**2008</u> | <u>**2007</u> |
|--|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 4,542 | \$ 4,128 | \$ 3,015 | \$ 2,803 | \$ 2,151 | \$ 1,475 | \$ 1,877 | \$ 1,725 | \$ 1,722 | \$ 1,547 |
| Contributions in relation to the contractually required contribution | <u>4,542</u> | <u>4,128</u> | <u>3,015</u> | <u>2,803</u> | <u>2,151</u> | <u>1,475</u> | <u>1,877</u> | <u>1,725</u> | <u>1,722</u> | <u>1,547</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 25,910 | \$ 25,403 | \$ 25,466 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered-employee payroll | 17.53% | 16.25% | 11.84% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

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

Not Available = N/A

****Note to Required Supplementary Information**

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

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

Change from adopted budget to final budget:

| | | |
|---------------------------------------|--|----------------------|
| Adopted budget | | \$ 63,992,053 |
| Add: | | |
| Prior year's encumbrances | | 468,100 |
| Add: | | |
| Voter-approved use of Capital Reserve | | <u>1,000,000</u> |
| Final budget | | <u>\$ 65,460,153</u> |

§1318 of real property tax law limit calculation:

| | | |
|--|--|----------------------|
| 2016-2017 voter-approved budget | | <u>\$ 64,985,279</u> |
| Maximum allowed (4% of 2015-2016 budget) | | <u>\$ 2,599,411</u> |

General Fund fund balance subject to §1318 of real property tax law:

| | | |
|----------------------------|------------------|----------------|
| Unrestricted fund balance: | | |
| Assigned fund balance | \$ 709,735 | |
| Unassigned fund balance | <u>2,599,409</u> | \$ 3,309,144 |
| Less: | | |
| Appropriated fund balance | 200,000 | |
| Encumbrances | <u>509,735</u> | <u>709,735</u> |

General Fund fund balance subject to §1318 of real property tax law \$ 2,599,409

Actual percentage 4.0%

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

| Project Title | Expenditures | | | | | Methods of Financing | | | | Fund Balance June 30, 2016 | |
|--|---------------------------|--------------------------|---------------------|-------------------|---------------------|-----------------------|----------------------------|-------------|---------------------|-------------------------------|---------------------|
| | Original Appropriation | Revised Appropriation | Prior Years | Current Year | Total | Unexpended Balance | Proceeds of Obligations | State Aid | Local Sources | | Total |
| 2012/2013 Capital Reserve Interfund Transfers | | | | | | | | | | | |
| Goosehill Roof/Asphalt/Kitchen Hoods | \$ 306,640 | \$ 308,735 | \$ 301,163 | \$ (514) | \$ 300,649 | \$ 8,086 | \$ - | \$ - | \$ 308,735 | \$ 308,735 | \$ 8,086 |
| West Side Music Room/Kitchen Hoods | 290,000 | 307,000 | 287,253 | - | 287,253 | 19,747 | - | - | 307,000 | 307,000 | 19,747 |
| Lloyd Harbor HVAC/PA/Casework | 592,110 | 625,695 | 568,834 | 8,342 | 577,176 | 48,519 | - | - | 625,695 | 625,695 | 48,519 |
| High School HVAC/Roof/Track | 636,250 | 583,570 | 573,613 | (5,416) | 568,197 | 15,373 | - | - | 583,570 | 583,570 | 15,373 |
| 2013/2014 Capital Reserve Interfund Transfers | | | | | | | | | | | |
| Goosehill Case Work/HVAC/Security/Tanks | 211,450 | 226,450 | 221,267 | 1,319 | 222,586 | 3,864 | - | - | 226,450 | 226,450 | 3,864 |
| West Side Case Work/Security/Fuel Tanks | 263,965 | 223,600 | 177,435 | 14,249 | 191,684 | 31,916 | - | - | 223,600 | 223,600 | 31,916 |
| Lloyd Harbor Asphalt/Alarm/Main Office | 670,133 | 695,498 | 200,341 | 468,375 | 668,716 | 26,782 | - | - | 695,498 | 695,498 | 26,782 |
| High School Lot Drainage/HVAC/Security | 404,452 | 404,452 | 318,319 | 2,540 | 320,859 | 83,593 | - | - | 404,452 | 404,452 | 83,593 |
| High School Storage Building | 50,000 | 50,000 | 6,395 | 150 | 6,545 | 43,455 | - | - | 50,000 | 50,000 | 43,455 |
| 2014/2015 Capital Reserve Interfund Transfers | | | | | | | | | | | |
| Goosehill Asbestos/Playground | 234,000 | 234,000 | 229,542 | 10,360 | 239,902 | (5,902) | - | - | 234,000 | 234,000 | (5,902) |
| West Side Ceilings and Condensate Pumps | 145,366 | 145,366 | 6,072 | 83,195 | 89,267 | 56,099 | - | - | 145,366 | 145,366 | 56,099 |
| Lloyd Harbor Condensate Pumps and Drywells | 132,340 | 132,340 | 5,569 | 11,613 | 17,182 | 115,158 | - | - | 132,340 | 132,340 | 115,158 |
| High School Asbestos/Science Rooms/Bathrooms | 956,500 | 956,500 | 37,348 | 159,888 | 197,236 | 759,264 | - | - | 956,500 | 956,500 | 759,264 |
| District Wide Rooftop Exhaust Fans | 30,000 | 30,000 | - | - | - | 30,000 | - | - | 30,000 | 30,000 | 30,000 |
| 2015/2016 Capital Reserve Interfund Transfers | | | | | | | | | | | |
| Goosehill Building Shell Repairs | 16,500 | 16,500 | - | 648 | 648 | 15,852 | - | - | 16,500 | 16,500 | 15,852 |
| West Side Doors/Casework/Asbestos | 289,870 | 289,870 | - | 50,379 | 50,379 | 239,491 | - | - | 289,870 | 289,870 | 239,491 |
| Lloyd Harbor Art Room/Stage/Security | 314,000 | 314,000 | - | 11,214 | 11,214 | 302,786 | - | - | 314,000 | 314,000 | 302,786 |
| High School Flooring/Track/Art/Field House | 945,774 | 945,774 | - | 89,693 | 89,693 | 856,081 | - | - | 945,774 | 945,774 | 856,081 |
| District Wide Asbestos/Rooftop Fans/Doors | 308,856 | 308,856 | - | - | - | 308,856 | - | - | 308,856 | 308,856 | 308,856 |
| Totals | \$ 6,798,206 | \$ 6,798,206 | \$ 2,933,151 | \$ 906,035 | \$ 3,839,186 | \$ 2,959,020 | \$ - | \$ - | \$ 6,798,206 | \$ 6,798,206 | \$ 2,959,020 |

OTHER
SUPPLEMENTARY
INFORMATION

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

| | | |
|---|------------------|----------------------|
| Capital assets, net | | \$ 37,515,585 |
| Deduct: | | |
| Short-term portion of bonds payable | \$ 2,471,250 | |
| Long-term portion of bonds payable | 14,046,246 | |
| Short-term portion of installment purchase debt payable | 238,294 | |
| Long-term portion of installment purchase debt payable | <u>3,332,619</u> | <u>20,088,409</u> |
| Net investment in capital assets | | <u>\$ 17,427,176</u> |

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
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**INDEPENDENT AUDITOR'S REPORT ON EXTRACLASSROOM
ACTIVITY FUNDS FINANCIAL STATEMENTS**

To the Board of Education of the
Cold Spring Harbor Central School District
Cold Spring Harbor, New York:

We have audited the accompanying statement of cash receipts and disbursements of the various Extraclassroom Activity Funds of the Cold Spring Harbor Central School District (the "District") for the year ended June 30, 2016, and the related note to financial statement, which collectively comprise the financial statements of the District's Extraclassroom Activity Funds.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free of material misstatement.

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

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

NawrockiSmith

Opinion

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Extraclassroom Activity Funds of the Cold Spring Harbor Central School District for the year ended June 30, 2016 in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Melville, New York
August 19, 2016

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

| | Cash Balances July 1, 2015 | Receipts | Disbursements | Cash Balances June 30, 2016 |
|---------------------------------|----------------------------------|----------------------|----------------------|-----------------------------------|
| High School: | | | | |
| Class of 2014 | \$ 6,316.00 | \$ - | \$ 6,316.00 | \$ - |
| Class of 2015 | 6,619.30 | 6,316.04 | 12,935.34 | - |
| Class of 2016 | 6,492.65 | 33,810.17 | 23,881.19 | 16,421.63 |
| Class of 2017 | 2,976.19 | 30,194.42 | 27,954.29 | 5,216.32 |
| Class of 2018 | 1,009.50 | 2,377.00 | 1,531.71 | 1,854.79 |
| Class of 2019 | - | 6,148.34 | - | 6,148.34 |
| Animal Rescue Club | - | 96.00 | 67.83 | 28.17 |
| Aviation Club | 3,419.39 | 0.64 | - | 3,420.03 |
| Baking Club | - | 229.25 | 126.02 | 103.23 |
| Book Club | 100.00 | 350.00 | - | 450.00 |
| Brainstormers | 5.75 | - | - | 5.75 |
| Cheerleaders | 103.92 | - | - | 103.92 |
| Drama Club | 1,272.91 | 4,925.00 | 2,756.78 | 3,441.13 |
| Environmental Club | 297.39 | - | - | 297.39 |
| Fashion Club | 1,880.57 | 1,226.29 | 2,000.00 | 1,106.86 |
| FLAG | - | 1,000.00 | 164.55 | 835.45 |
| French Club | 1,704.43 | 2,980.23 | 2,766.01 | 1,918.65 |
| Future Business Leaders - Store | 197.37 | 4,026.02 | 2,856.13 | 1,367.26 |
| Gay/Straight Alliance | 1,240.90 | - | - | 1,240.90 |
| History Club | 260.47 | - | 40.00 | 220.47 |
| Holocaust Project | 646.89 | 282.00 | 331.00 | 597.89 |
| International Club | 5,111.61 | 1,351.28 | 372.00 | 6,090.89 |
| Jr. High Student Organization | 8,091.38 | 7,326.76 | 3,672.90 | 11,745.24 |
| Knitting for the Needy | - | 500.00 | - | 500.00 |
| Literary Magazine | 2,339.24 | 1,238.32 | 607.23 | 2,970.33 |
| Locks of Love | 4,987.55 | 1,129.73 | - | 6,117.28 |
| Model United Nations | 3,079.50 | 21,941.00 | 24,401.26 | 619.24 |
| Musical Club (Jr. High) | 9,048.86 | 11,752.37 | 16,338.98 | 4,462.25 |
| Musical Club (Sr. High) | 2,960.19 | 10,804.10 | 12,010.26 | 1,754.03 |
| Natural Helpers | 1,219.99 | 1,825.00 | 1,250.68 | 1,794.31 |
| Newspaper | 915.78 | 500.00 | 740.00 | 675.78 |
| Outreach | 62.03 | - | - | 62.03 |
| Political Science Club | 340.09 | - | - | 340.09 |
| Recording Music Club | 885.99 | - | - | 885.99 |
| Robotics Club | 655.93 | 1,501.00 | 1,345.98 | 810.95 |
| S.A.D.D. | 211.42 | - | - | 211.42 |
| S.W.W.A.T.: Other | 647.00 | - | 95.00 | 552.00 |
| Science Club | 71.91 | - | - | 71.91 |
| Spanish Club | 2,998.08 | 182.60 | 434.00 | 2,746.68 |
| Speech & Debate Club | 15,178.56 | 1,588.18 | 1,478.32 | 15,288.42 |
| Sr. High Art Club | 5,451.41 | 9.05 | 517.35 | 4,943.11 |
| Student Booster Club | 209.25 | 156.00 | - | 365.25 |
| Student Organization | 18,643.59 | 6,142.94 | 7,580.57 | 17,205.96 |
| Technology Club | 6,417.53 | 5,716.00 | 4,918.71 | 7,214.82 |
| Warhammer Club | 54.25 | 142.21 | - | 196.46 |
| Varsity Club | 372.79 | - | - | 372.79 |
| Vocal Chamber Ensemble | 53.83 | 7,663.00 | 6,496.14 | 1,220.69 |
| Yearbook (Jr. High) | 1,974.01 | 2,600.00 | 1,923.06 | 2,650.95 |
| Yearbook (Sr. High) | 31,104.99 | 7,990.78 | 293.61 | 38,802.16 |
| | <u>\$ 157,630.39</u> | <u>\$ 186,021.72</u> | <u>\$ 168,202.90</u> | <u>\$ 175,449.21</u> |

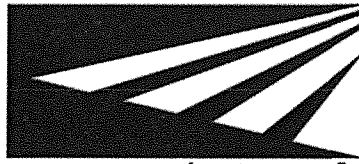
The accompanying note is an integral
part of this financial statement.

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
EXTRACLASROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Cold Spring Harbor Central School District (the "District").

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



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education of the
Cold Spring Harbor Central School District
Cold Spring Harbor, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and fiduciary funds of the Cold Spring Harbor Central School District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 19, 2016.

Internal Control Over Financial Reporting

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

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

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

NawrockiSmith

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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.

Melville, New York
August 19, 2016

COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

CURRENT YEAR FINDINGS:

1. Tax Reduction Reserve

New York State Education Law §1604(36) and §1604(37) permits for a school district to establish a Reserve for Tax Reduction when the sale of school district real property occurs and the proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the district is permitted to retain the proceeds of the sale for a period not to exceed ten years and to use the proceeds during a period not to exceed ten years. We noted the District has reached the ten year period permitted by law to maintain the Reserve for allowable Tax Reduction.

We recommend that the District dissolve the Reserve for Tax Reduction during the upcoming fiscal year and develop a plan to utilize the funds. In this manner, compliance with New York State Education Law will be ensured and additional reserves will be may be available for District needs.

2. Interfund transactions

During our review of interfund transactions, we noted that the District does not repay all internal interfund balances within a one year period. This situation increases the risk that interfund balances could be carried over the course of numerous years, and be deemed "long-term" loans.

We recommend that all interfund accounts be fully repaid/cleared at some point in time, on an annual basis. In this manner, proper accounting for interfund transactions may be reasonably assured.

STATUS OF PRIOR YEAR RECOMMENDATIONS:

1. User permissions

We recommended that the user permissions for Business Office employees be reviewed and updated to include only permissions that are necessary for performing their job duties.

Status - We noted that this recommendation was implemented.

2. Capital Projects Fund balance

We recommended that the District review and formally close out completed projects and redirect the fund balances as deemed appropriate.

Status - We noted that this recommendation was implemented.

3. Extraclassroom Activity Funds - inactive clubs

We recommended that the District review and evaluate any inactive clubs and merge the funds into other appropriate activities.

Status - We noted that this recommendation was implemented.

4. Vendor maintenance

We recommended that the District develop policies and procedures to include the following:

- (1) Performing periodic reviews of the vendor database to ensure consistency and appropriateness of stored data.
- (2) Periodically reviewing any changes or deletions to vendor data listed in the existing vendor master file.
- (3) Limiting the amount of time a vendor can remain in an "active" status but not be used.

Status - We noted that this recommendation was implemented.

5. Review of purchase orders

We recommended that controls and procedures be in place to ensure that all purchases are reviewed for accuracy, completeness and agreement with purchase orders and that purchase orders are completed on a timely basis.

Status - We noted that this recommendation was implemented.