

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**COLD SPRING HARBOR, NEW YORK**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**TABLE OF CONTENTS**

	<u>PAGE</u>
Independent Auditor's Report	1
Required Supplementary Information:	
Management's Discussion And Analysis ("MD&A")	3
Basic Financial Statements:	
District-Wide Financial Statements -	
Statement Of Net Position	14
Statement Of Activities	15
Fund Financial Statements -	
Balance Sheet - Governmental Funds	16
Reconciliation Of Governmental Funds Balance Sheet To The Statement Of Net Position	17
Fund Financial Statements -	
Statement Of Revenues, Expenditures And Changes In Fund Balance - Governmental Funds	18
Reconciliation Of Governmental Funds Statement Of Revenues, Expenditures And Changes In Fund Balance To The Statement Of Activities	19
Fund Financial Statements -	
Statement Of Fiduciary Net Position - Fiduciary Funds	20
Statement Of Changes In Fiduciary Net Position - Fiduciary Funds	21
Notes To Financial Statements	22
Required Supplementary Information Other Than MD&A:	
General Fund -	
Schedule Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual	50
Schedule Of Changes In The District's Total OPEB Liability And Related Ratios	51
Schedule Of District's Proportionate Share Of The Net Pension Liability - NYSERS	52
Schedule Of District's Proportionate Share Of The Net Pension Liability - NYSTRS	53
Schedule Of District Pension Contributions - NYSERS	54
Schedule Of District Pension Contributions - NYSTRS	55
Other Supplementary Information (Required by the New York State Education Department):	
General Fund -	
Schedule Of Change From Adopted Budget To Final Budget And The Real Property Tax Limit	56
Schedule Of Project Expenditures And Financing Sources - Capital Projects Fund	57
Net Investment In Capital Assets	58
Extraclassroom Activity Funds	59
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 <i>Government Auditing Standards</i>	
Schedule Of Findings And Recommendations	64
Schedule Of Findings And Recommendations	66



**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, 2018, 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, 2018, 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

## ***Changes in Accounting Principles and Prior Period Adjustment***

As described in Note 3 to the financial statements, in 2018 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The effect of GASB Statement No. 75 required a prior period adjustment as discussed in Note 17 to the financial statements. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3-13 and 50-55, 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 requested by the New York State Education Department.

The other supplementary information requested 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 October 3, 2018, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melville, New York  
October 3, 2018



**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

The following is a discussion and analysis of the Cold Spring Harbor Central School District's (the "District") financial performance as of and for the year ended June 30, 2018. 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 2.5% as a result of increased real property taxes and State sources offset by decreases in capital grants. Expenses decreased by 3.2% as a result of decreased instructional and general support 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 \$3,000,000 to the Reserve.
- As described in Note 3 to the financial statements, "New Accounting Standards", the District has adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the year ended June 30, 2018. The adoption of this principle resulted in a restatement of the District's net position as of July 1, 2017 in the amount of \$72,272,838, as indicated in Note 17 to the financial statements. Prior year balances in MD&A have been updated, for comparison purposes, to reflect the change where indicated.

**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 financial statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining financial 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 including a comparison of the District's General Fund budget and actual results 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.

<b>Table A-1: Major Features of the District-wide and Fund Financial Statements</b>			
	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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
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

### Net Position

The District's net position decreased by 1.2% from the year before to a net deficit position balance of \$70,643,367, as detailed in Tables A-2 and A-3.

The restricted net position balance of \$13,103,465 represents assets that are restricted by external sources, imposed by laws through constitutional provisions or enabling legislation.

As of June 30, 2018, the District has an unrestricted net deficit of \$106,650,801. This deficit is primarily driven by the District's required recognition the total other postemployment benefit ("OPEB") liability of \$112,590,862 as required by GASB Statement No. 75.

**Table A-2: Condensed Statements of Net Position - Governmental Activities**

	(As Restated)			
	<u>6/30/18</u>	<u>6/30/17</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 24,541,569	\$ 22,596,859	\$ 1,944,710	8.6
Capital assets, net	<u>37,457,729</u>	<u>36,363,787</u>	<u>1,093,942</u>	3.0
Total assets	<u>61,999,298</u>	<u>58,960,646</u>	<u>3,038,652</u>	5.2
Deferred outflows of resources	<u>19,204,894</u>	<u>19,421,189</u>	<u>(216,295)</u>	(1.1)
Current liabilities	7,946,075	8,459,928	(513,853)	(6.1)
Long-term liabilities	<u>128,701,310</u>	<u>138,861,917</u>	<u>(10,160,607)</u>	(7.3)
Total liabilities	<u>136,647,385</u>	<u>147,321,845</u>	<u>(10,674,460)</u>	(7.2)
Deferred inflows of resources	<u>15,200,174</u>	<u>889,956</u>	<u>14,310,218</u>	1,608.0
Net position:				
Net investment in capital assets	22,903,969	18,984,922	3,919,047	20.6
Restricted	13,103,465	9,585,312	3,518,153	36.7
Unrestricted (deficit)	<u>(106,650,801)</u>	<u>(98,400,200)</u>	<u>(8,250,601)</u>	(8.4)
Total net position (deficit)	<u>\$ (70,643,367)</u>	<u>\$ (69,829,966)</u>	<u>\$ (813,401)</u>	(1.2)

As of June 30, 2018, the District had positive working capital of \$2,569,878 as compared to \$7,350,904 as of June 30, 2017. The decrease is primarily due to a decrease in cash of approximately \$5.7 million, offset by increases in State and federal aid receivables and due from other governments.

As of June 30, 2018, the District had an investment in capital assets of \$37,457,729 as compared to \$36,363,787 as of June 30, 2017. The increase is due to the current year outlay for ongoing capital projects exceeding depreciation charges and asset disposals.

Long-term liabilities decreased \$10,160,607 due to the net change in the total OPEB liability, the reduction in bonds payable and the reduction of the proportionate share of the net pension liabilities.

### Changes in Net Position

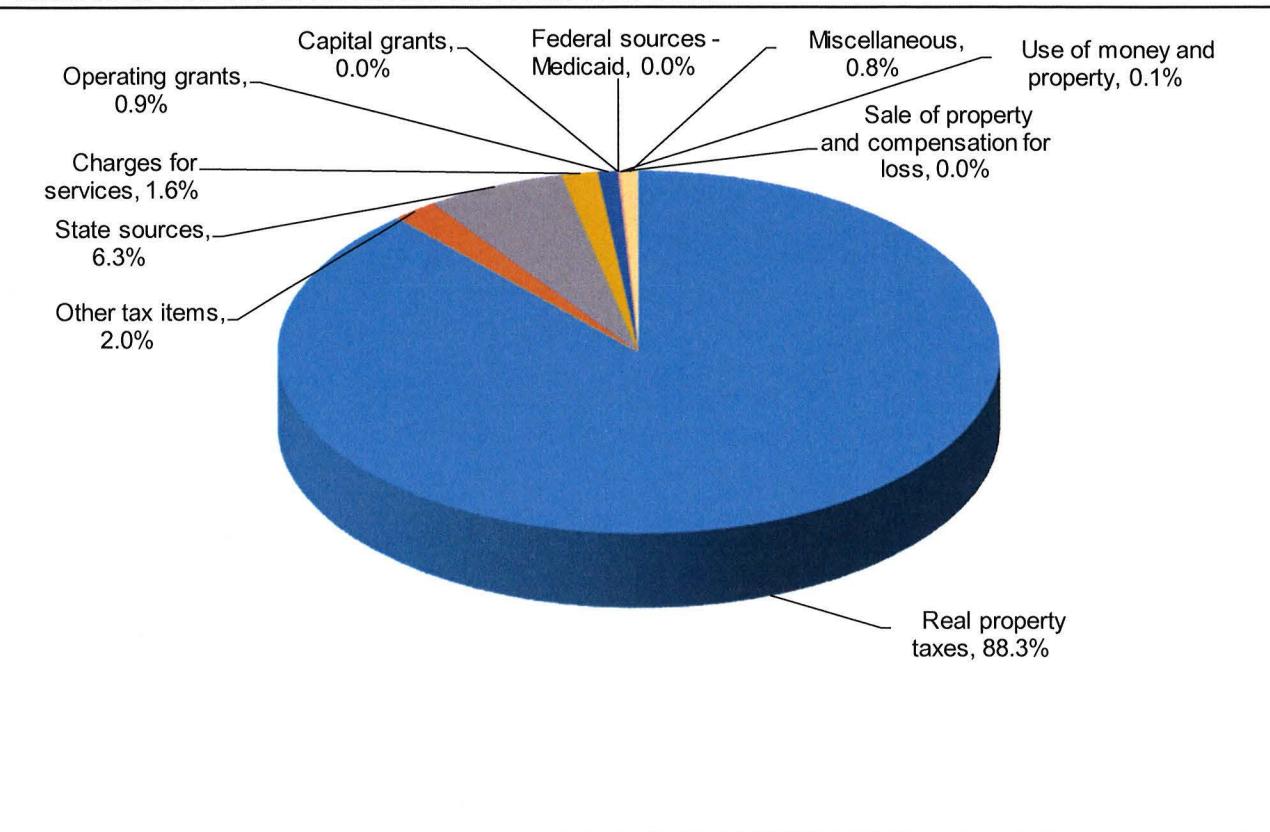
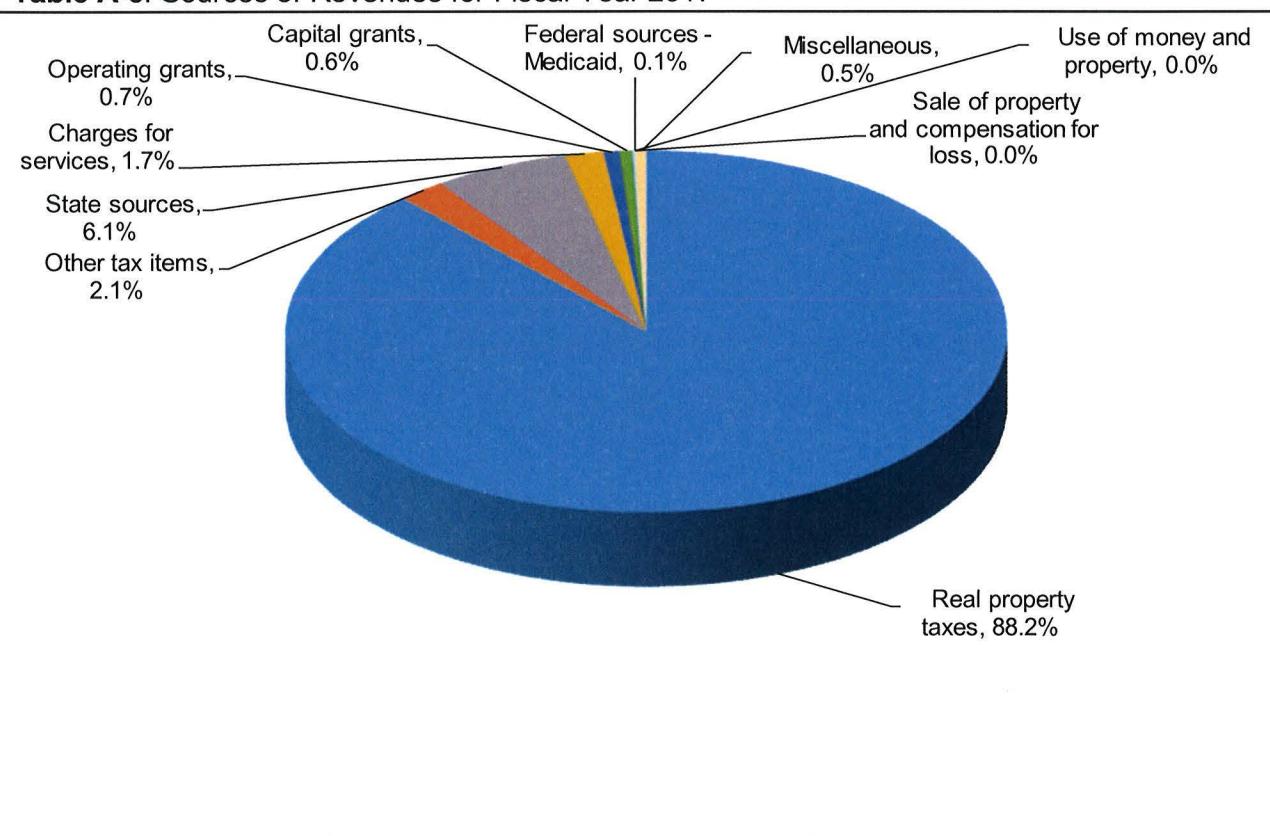
The District's fiscal year 2018 revenues totaled \$68,010,562 (See Table A-3). Real property taxes and State sources accounted for most of the District's revenue by contributing 88 cents and 6 cents, respectively, of every dollar raised (See Table A-4). The remainder came from other tax items, charges for services, operating grants, miscellaneous, and use of money and property.

Revenues increased 2.5% or \$1,659,608, primarily as a direct result of an increase in real property taxes of \$1,554,890 (based on assessed valuation) as well as an increase in State sources of \$235,816 and miscellaneous sources of \$227,709, offset by a decrease in capital grants of \$336,029.

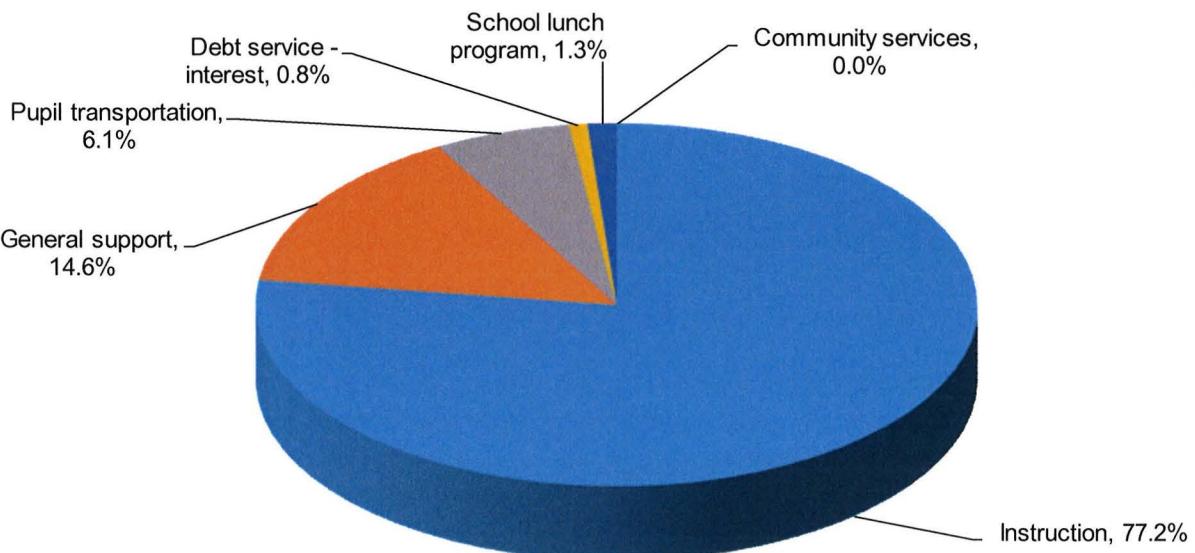
The District's fiscal year 2018 expenses totaled \$68,823,963 (See Table A-3). These expenses (83 percent) are predominantly related to instruction and transporting students (See Table A-6). The District's administrative and business activities accounted for 15 percent of total costs.

**Table A-3:** Changes in Net Position from Operating Results - Governmental Activities Only

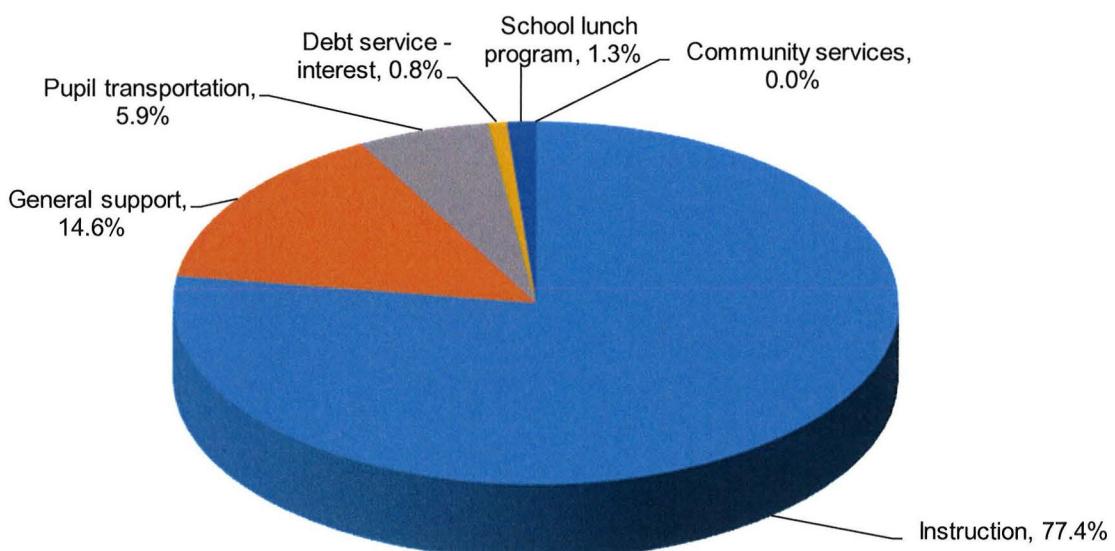
	<u>6/30/18</u>	<u>6/30/17</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 1,123,075	\$ 1,143,080	\$ (20,005)	(1.8)
Operating grants	591,427	474,020	117,407	24.8
Capital grants	-	366,029	(366,029)	(100.0)
General revenues:				
Real property taxes	60,084,353	58,529,463	1,554,890	2.7
Other tax items	1,331,106	1,421,110	(90,004)	(6.3)
Use of money and property	51,523	30,053	21,470	71.4
Sale of property and compensation for loss	-	7,525	(7,525)	(100.0)
State sources	4,257,937	4,022,121	235,816	5.9
Federal sources - Medicaid	29,494	43,615	(14,121)	(32.4)
Miscellaneous	541,647	313,938	227,709	72.5
Total revenues	<u>68,010,562</u>	<u>66,350,954</u>	<u>1,659,608</u>	<u>2.5</u>
<b>Expenses</b>				
General support	10,030,189	10,366,290	(336,101)	(3.2)
Instruction	53,144,065	55,028,073	(1,884,008)	(3.4)
Pupil transportation	4,212,008	4,226,317	(14,309)	(0.3)
Community services	614	596	18	3.0
Debt service - interest	517,036	588,799	(71,763)	(12.2)
School lunch program	920,051	913,086	6,965	0.8
Total expenses	<u>68,823,963</u>	<u>71,123,161</u>	<u>(2,299,198)</u>	<u>(3.2)</u>
Increase (decrease) in net position	(813,401)	(4,772,207)	3,958,806	83.0
Net position (deficit), beginning of year	(69,829,966)	7,215,079	(77,045,045)	(1,067.8)
Prior period adjustment, see Note 17	-	(72,272,838)	72,272,838	100.0
Net position (deficit), end of year	<u>\$ (70,643,367)</u>	<u>\$ (69,829,966)</u>	<u>\$ (813,401)</u>	<u>(1.2)</u>

**Table A-4: Sources of Revenues for Fiscal Year 2018****Table A-5: Sources of Revenues for Fiscal Year 2017**

**Table A-6:** Expenses for Fiscal Year 2018



**Table A-7:** Expenses for Fiscal Year 2017



## **Governmental Activities**

Revenues for the District's governmental activities totaled \$68,010,562 while total expenses were \$68,823,963. Therefore, the decrease in net position for governmental activities was \$813,401 in 2018. The District's financial condition was affected by:

- An increase in real property tax revenue;
- Changes in State aid (sources); and
- Changes in the total OPEB liability

The major changes in revenues and expenses are as follows:

### **Revenues:**

- Real property taxes increased by \$1,554,890. 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 decreased \$90,004 reflecting current agreements during the year ended June 30, 2018.
- Unrestricted State sources (aid) increased by \$235,816, or 5.9% during the year ended June 30, 2018.

### **Expenses:**

- Instruction expenses decreased by \$1,884,008. The primary reasons for the decrease in instruction expenses are decreased enrollment and the decrease in the total OPEB liability, offset by contractual salary increases and higher employee benefits, primarily due to higher retirement contribution rates, health insurance costs.

## **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, 2018, the District's governmental funds reported a combined fund balance of \$18,869,622, which is an increase of \$1,710,069 from June 30, 2017, as restated. Fund balances for the District's governmental funds for the past two years were distributed as follows:

**Table A-8: Fund Balances - Governmental Funds**

	(As Restated)			
	<u>6/30/18</u>	<u>6/30/17</u>	<u>\$ Change</u>	<u>% Change</u>
<b>General Fund</b>				
Restricted:				
Capital	\$ 4,549,280	\$ 2,984,280	\$ 1,565,000	52.4
Employee Benefit Accrued Liability	3,649,463	1,424,463	2,225,000	156.2
Unemployment Insurance	275,081	275,081	-	0.0
Workers' Compensation	700,082	700,082	-	0.0
Retirement	2,134,415	-	2,134,415	100.0
Assigned:				
Appropriated for subsequent year's expenditures	550,000	550,000	-	0.0
Encumbrances	131,407	285,425	(154,018)	(54.0)
Unassigned	2,738,664	6,400,808	(3,662,144)	(57.2)
Total General Fund	<u>14,728,392</u>	<u>12,620,139</u>	<u>2,108,253</u>	<u>16.7</u>
<b>School Lunch Fund</b>				
Nonspendable:				
Inventory	15,751	12,385	3,366	27.2
Assigned:				
School Lunch Fund	195,920	325,623	(129,703)	(39.8)
Total School Lunch Fund	<u>211,671</u>	<u>338,008</u>	<u>(126,337)</u>	<u>(37.4)</u>
<b>Debt Service Fund</b>				
Restricted:				
Debt Service Fund	644,885	644,885	-	0.0
Total Debt Service Fund	<u>644,885</u>	<u>644,885</u>	<u>-</u>	<u>0.0</u>
<b>Capital Projects Fund</b>				
Restricted:				
Capital Projects	3,284,674	3,556,521	(271,847)	(7.6)
Total Capital Projects Fund	<u>3,284,674</u>	<u>3,556,521</u>	<u>(271,847)</u>	<u>(7.6)</u>
Total fund balance	<u>\$ 18,869,622</u>	<u>\$ 17,159,553</u>	<u>\$ 1,710,069</u>	<u>10.0</u>

### **General Fund**

The General Fund reported an increase in fund balance of \$2,108,253 for fiscal 2018, as compared to a decrease of \$617,383 for fiscal 2017. Revenues increased \$2,346,516 mainly as a result of the increase in the budgeted property tax levy. Expenditures decreased \$427,856 due to decreased general support and instructional expenses. Other financing sources decreased \$48,736 due to increased transfers to the Capital Fund. As a result of the increase in revenues and the decrease in expenditures, the District reported an increase in fund balance. The District also performed favorably compared to the budgeted expectations, as shown on page 50.

### **General Fund Budgetary Highlights**

Reference is made to the supplementary schedule on page 50 which presents original and revised budget amounts, as well as actual results for the District's General Fund.

- Actual revenues were more than the final budgeted revenues by approximately \$825,000.

- Actual expenditures were approximately \$3,394,000 (including encumbrances of approximately \$131,000) less than final (not including interfund transfers) budget primarily due to lower than anticipated costs across all categories.

At June 30, 2018, the District's unassigned fund balance was \$2,738,664 which was within the allowable 4% of the subsequent year's budget (\$68,466,684) as promulgated by New York State (see page 56). The following is a reconciliation of the General Fund's unassigned fund balance for the year ended June 30, 2018:

Unassigned fund balance, beginning of year, as restated	\$ 6,400,808
Add:	
Net change in fund balance	2,108,253
Prior-year appropriated fund balance	550,000
Prior-year encumbrances	285,425
Voter approved use of Capital Reserve	1,435,000
Less:	
Current-year appropriated fund balance	(550,000)
Current-year encumbrances	(131,407)
Transfer to Capital Reserve	(3,000,000)
Transfer to Employee Benefit Accrued Liability Reserve	(2,225,000)
Transfer to Retirement Reserve	<u>(2,134,415)</u>
Unassigned fund balance, end of year	<u>\$ 2,738,664</u>

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

By the end of 2018, the District had invested \$37,457,729 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.

**Table A-9: Capital Assets (net of depreciation)**

	<u>6/30/18</u>	<u>6/30/17</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 125,075	\$ 125,075	\$ -	0.0
Construction-in-progress	4,703,055	3,896,475	806,580	20.7
Buildings and building improvements	32,120,342	31,781,401	338,941	1.1
Furniture and equipment	<u>509,257</u>	<u>560,836</u>	<u>(51,579)</u>	<u>(9.2)</u>
Totals	<u>\$ 37,457,729</u>	<u>\$ 36,363,787</u>	<u>\$ 1,093,942</u>	<u>3.0</u>

## Long-Term Debt

At year-end, the District had \$18,991,737 in general obligation bonds and other long-term debt.

**Table A-10: Outstanding Long-Term Debt**

	<u>6/30/18</u>	<u>6/30/17</u>	<u>\$ Change</u>	<u>% Change</u>
General obligation bonds	\$ 11,464,996	\$ 14,046,246	\$ (2,581,250)	(18.4)
Installment purchase debt payable	3,088,764	3,332,619	(243,855)	(7.3)
Workers' Compensation claims payable	414,574	458,114	(43,540)	(9.5)
Compensated absences	4,023,403	3,742,689	280,714	7.5
Totals	<u>\$ 18,991,737</u>	<u>\$ 21,579,668</u>	<u>\$ (2,587,931)</u>	<u>(12.0)</u>

## 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 2018-2019 school year was approved by the voters in the amount of \$68,466,684, which represents an increase of \$1,843,611 or 2.8% over the Original Budget for the 2017-18 school year of \$66,623,073.
- The General Fund budget for the 2018-2019 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: Assistant Superintendent for 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, 2018**

<b>ASSETS</b>		
Unrestricted cash	\$	8,768,317
Receivables:		
State and federal aid		312,258
Due from other governments		1,406,832
Due from fiduciary funds		8,347
Other		4,448
Inventories		15,751
Restricted cash		12,706,933
Proportionate share of net pension asset		1,318,683
Capital assets		
Non-depreciable		4,828,130
Depreciable, net of accumulated depreciation of \$41,330,821		<u>32,629,599</u>
Total assets		<u>61,999,298</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pensions		<u>19,204,894</u>
Total deferred outflows of resources		<u>19,204,894</u>
<b>LIABILITIES</b>		
Accounts payable		741,916
Accrued interest payable		203,219
Accrued liabilities		413,281
Due to other governments		84,069
Due to teachers' retirement system		2,839,267
Due to employees' retirement system		233,298
Unearned revenues		41,433
Long-term liabilities, due within one year:		
Bonds payable, inclusive of premiums and discounts		2,696,250
Installment purchase debt payable		249,545
Workers' Compensation claims payable		41,457
Compensated absences		402,340
Long-term liabilities, due after one year:		
Bonds payable, inclusive of premiums and discounts		8,768,746
Installment purchase debt payable		2,839,219
Workers' Compensation claims payable		373,117
Compensated absences		3,621,063
Proportionate share of net pension liability		508,303
Other postemployment benefits obligation		<u>112,590,862</u>
Total liabilities		<u>136,647,385</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pensions		5,327,436
Deferred inflows from OPEB		<u>9,872,738</u>
Total deferred inflows of resources		<u>15,200,174</u>
<b>NET POSITION</b>		
Net investment in capital assets		22,903,969
Restricted:		
Capital		4,549,280
Employee Benefit Accrued Liability		3,649,463
Unemployment Insurance		275,081
Workers' Compensation		700,082
Debt Service		644,885
District Improvements		3,284,674
Unrestricted		<u>(106,650,801)</u>
Total net position	\$	<u>(70,643,367)</u>

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

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants</b>	
Functions and programs:				
General support	\$ 10,030,189	\$ 45,068	\$ 68,521	\$ (9,916,600)
Instruction	53,144,065	323,022	491,114	(52,329,929)
Pupil transportation	4,212,008	467	710	(4,210,831)
Community services	614	-	-	(614)
Debt service - interest	517,036	-	-	(517,036)
School lunch program	920,051	754,518	31,082	(134,451)
Total functions and programs	<u>\$ 68,823,963</u>	<u>\$ 1,123,075</u>	<u>\$ 591,427</u>	<u>(67,109,461)</u>
General revenues:				
Real property taxes				60,084,353
Other tax items				1,331,106
Use of money and property				51,523
State sources				4,257,937
Federal sources - Medicaid assistance				29,494
Miscellaneous				541,647
Total general revenues				<u>66,296,060</u>
Change in net position				(813,401)
Total net position, beginning of year, as restated, see Note 17				<u>(69,829,966)</u>
Total net position, end of year				<u>\$ (70,643,367)</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, 2018**

	Major Funds						Total Governmental Funds	
	Special Revenue Funds							
	General	Special Aid	School Lunch	Debt Service	Capital Projects			
<b>ASSETS</b>								
Unrestricted cash	\$ 8,740,235	\$ -	\$ 28,082	\$ -	\$ -	\$ -	\$ 8,768,317	
Receivables:								
State and federal aid	89,544	220,296	2,418	-	-	-	312,258	
Due from other governments	1,009,628	-	-	-	-	-	1,009,628	
Property taxes	397,204	-	-	-	-	-	397,204	
Due from other funds	241,007	-	9,362	-	2,770,155	-	3,020,524	
Due from fiduciary funds	8,347	-	-	-	-	-	8,347	
Other	-	-	4,448	-	-	-	4,448	
Inventories	-	-	15,751	-	-	-	15,751	
Restricted cash	11,308,321	41,674	195,920	646,499	514,519	-	12,706,933	
Total assets	<u>\$ 21,794,286</u>	<u>\$ 261,970</u>	<u>\$ 255,981</u>	<u>\$ 646,499</u>	<u>\$ 3,284,674</u>	<u>\$ 26,243,410</u>		
<b>LIABILITIES</b>								
Payables:								
Accounts payable	\$ 733,923	\$ 6,771	\$ 1,222	\$ -	\$ -	\$ -	\$ 741,916	
Accrued liabilities	396,096	15,806	1,379	-	-	-	413,281	
Due to other funds	2,779,517	239,393	-	1,614	-	-	3,020,524	
Due to other governments	83,793	-	276	-	-	-	84,069	
Due to teachers' retirement system	2,839,267	-	-	-	-	-	2,839,267	
Due to employees' retirement system	233,298	-	-	-	-	-	233,298	
Unearned revenues	-	-	41,433	-	-	-	41,433	
Total liabilities	<u>7,065,894</u>	<u>261,970</u>	<u>44,310</u>	<u>1,614</u>	<u>-</u>	<u>-</u>	<u>7,373,788</u>	
<b>FUND BALANCE</b>								
Fund balance:								
Nonspendable	-	-	15,751	-	-	-	15,751	
Restricted	11,308,321	-	-	644,885	3,284,674	-	15,237,880	
Assigned	681,407	-	195,920	-	-	-	877,327	
Unassigned	2,738,664	-	-	-	-	-	2,738,664	
Total fund balance	<u>14,728,392</u>	<u>-</u>	<u>211,671</u>	<u>644,885</u>	<u>3,284,674</u>	<u>-</u>	<u>18,869,622</u>	
Total liabilities and fund balance	<u>\$ 21,794,286</u>	<u>\$ 261,970</u>	<u>\$ 255,981</u>	<u>\$ 646,499</u>	<u>\$ 3,284,674</u>	<u>\$ 26,243,410</u>		

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, 2018**

Total Fund Balance - Governmental Funds	\$ 18,869,622
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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	\$ 4,828,130
Depreciable	73,960,420
Accumulated depreciation	<u>(41,330,821)</u>
	37,457,729

Proportionate share of long-term liability, and deferred outflows of resources and inflows of resources 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	1,318,683
Deferred outflows of resources - pension related	19,204,894
Proportionate share of net pension liability	(508,303)
Deferred inflows of resources - pension related	<u>(5,327,436)</u>
	14,687,838

Amounts reported as deferred inflows of resources associated with the total OPEB liability are not current financial resources or obligations and are not reported in the funds.

(9,872,738)

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	(11,464,996)
Installment purchase debt payable	(3,088,764)
Workers' Compensation claims payable	(414,574)
Compensated absences	(4,023,403)
Total OPEB liability	<u>(112,590,862)</u>
	(131,582,599)

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.

(203,219)

Net Position - Governmental Activities

\$ (70,643,367)

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Major Funds						Total Governmental Funds	
	Special Revenue Funds							
	General	Special Aid	School Lunch	Debt Service	Capital Projects			
<b>REVENUES</b>								
Real property taxes	\$ 60,084,353	\$ -	\$ -	\$ -	\$ -		\$ 60,084,353	
Other tax items	1,331,106	-	-	-	-		1,331,106	
Charges for services	368,557	-	-	-	-		368,557	
Use of money and property	51,245	-	278	-	-		51,523	
State sources	4,670,774	191,421	3,465	-	-		4,865,660	
Federal sources	40,287	358,131	27,617	-	-		426,035	
Sales	-	-	754,518	-	-		754,518	
Miscellaneous	496,009	-	7,836	-	-		503,845	
Total revenues	<u>67,042,331</u>	<u>549,552</u>	<u>793,714</u>	<u>-</u>	<u>-</u>		<u>68,385,597</u>	
<b>EXPENDITURES</b>								
Current -								
General support	6,980,448	-	525,714	-	-		7,506,162	
Instruction	34,492,253	561,144	-	-	-		35,053,397	
Pupil transportation	4,137,691	48,170	-	-	-		4,185,861	
Community services	614	-	-	-	-		614	
Employee benefits	13,796,755	-	34,366	-	-		13,831,121	
Cost of sales	-	-	359,971	-	-		359,971	
Capital outlay	-	-	-	-	2,387,214		2,387,214	
Debt service -								
Principal	2,648,855	-	-	-	-		2,648,855	
Interest	740,135	-	-	-	-		740,135	
Total expenditures	<u>62,796,751</u>	<u>609,314</u>	<u>920,051</u>	<u>-</u>	<u>2,387,214</u>		<u>66,713,330</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>4,245,580</u>	<u>(59,762)</u>	<u>(126,337)</u>	<u>-</u>	<u>(2,387,214)</u>		<u>1,672,267</u>	
<b>OTHER FINANCING SOURCES (USES)</b>								
Premium on obligations	37,802	-	-	-	-		37,802	
Transfers in	19,633	59,762	-	-	2,135,000		2,214,395	
Transfers out	(2,194,762)	-	-	-	(19,633)		(2,214,395)	
Total other financing sources (uses)	<u>(2,137,327)</u>	<u>59,762</u>	<u>-</u>	<u>-</u>	<u>2,115,367</u>		<u>37,802</u>	
Change in fund balance	2,108,253	-	(126,337)	-	(271,847)		1,710,069	
Fund balance, beginning of year, as restated (see Note 17)	<u>12,620,139</u>	<u>-</u>	<u>338,008</u>	<u>644,885</u>	<u>3,556,521</u>		<u>17,159,553</u>	
Fund balance, end of year	<u>\$ 14,728,392</u>	<u>\$ -</u>	<u>\$ 211,671</u>	<u>\$ 644,885</u>	<u>\$ 3,284,674</u>		<u>\$ 18,869,622</u>	

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, 2018**

Net Change in Fund Balance - Governmental Funds	\$ 1,710,069
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 capital outlay exceeds depreciation in the current period is:	
Capital outlay	\$ 4,005,665
Depreciation expense	<u>(2,911,723)</u> 1,093,942
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	
	(412,837)
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	2,405,000
Repayment of installment purchase debt payable	<u>243,855</u> 2,648,855
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:	
Total OPEB liability	4,614,747
Workers' Compensation claims payable	43,540
Amortization of bond issue premiums and discounts, net	176,250
Compensated absences payable	<u>(280,714)</u>
Accrued interest costs	<u>46,849</u> 4,600,672
Changes in the amount of total OPEB liability deferred inflows of resources 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.	
	(9,872,738)
Changes in the proportionate share of the collective pension expense of the State retirement plans 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.	
Proportionate share of the net pension asset	3,169,557
Deferred outflows of resources from pensions	<u>(216,295)</u>
Proportionate share of the net pension liability	902,854
Deferred inflows of resources from pensions	<u>(4,437,480)</u> <u>(581,364)</u>
Change in Net Position - Governmental Activities	<u>\$ (813,401)</u>

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
JUNE 30, 2018

	<b>Scholarship Trusts</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash:		
Restricted	\$ 31,524	\$ 503,472
Total assets	<u>\$ 31,524</u>	<u>\$ 503,472</u>
<b>LIABILITIES</b>		
Extraclassroom activity balances	\$ -	\$ 166,241
Other liabilities	\$ -	\$ 328,884
Due to governmental funds	\$ -	\$ 8,347
Total liabilities	<u>\$ -</u>	<u>\$ 503,472</u>
<b>NET POSITION</b>		
Restricted:		
Endowment scholarships	<u>31,524</u>	
Total net position	<u>31,524</u>	
Total liabilities and net position	<u>\$ 31,524</u>	

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, 2018**

	<b>Scholarship Trusts</b>
<b>ADDITIONS</b>	
Contributions	\$ 6,660
Investment earnings:	
Interest	<u>82</u>
Total additions	<u><u>6,742</u></u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>3,750</u>
Total deductions	<u>3,750</u>
Change in net position	2,992
Net position, beginning of year	<u>28,532</u>
Net position, end of year	<u><u>\$ 31,524</u></u>

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

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

**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 has determined there are no component units to be included within their reporting entity.

**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 \$2,231,023 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$1,387,408.

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

E. Basis of presentation

1. District-wide 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 Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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 statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate financial 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 (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:

Special Aid Fund: Used to account for proceeds received from State and federal grants that are restricted for educational programs.

School Lunch Fund: Used to account for child nutrition activities whose funds are restricted as to use.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of District 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 Extracurricular Activity Funds and for payroll or employee withholding.

#### F. 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, State aid, 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 financial 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 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences 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.

G. 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 1<sup>st</sup> and April 1<sup>st</sup>. 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 1<sup>st</sup>.

Real property taxes for the Town of Huntington residents are levied annually by the Board of Education no later than November 1<sup>st</sup>, and become a lien on December 1<sup>st</sup>. 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 30<sup>th</sup>, are remitted by the Town to Suffolk County which in turn is responsible for any uncollected taxes.

H. 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.

I. 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 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses 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, the proportionate share of net pension assets and liabilities, and the total OPEB liability.

K. 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; obligations of the State and its municipalities and school districts and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization (if permitted by the District's policy).

L. 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.

M. 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.

N. 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.

In the District-wide financial statements, bond discounts and premiums, and any prepaid bond issuance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

O. 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.

Land and construction-in-progress are not depreciated. 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

P. Deferred outflows of resources

In addition to assets, the Statement of Net Position or Balance Sheet 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 four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the 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 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. The third item is the District contributions to the pension systems (NYSTRS and NYSERS Systems) and OPEB subsequent to the measurement date. The fourth item relates to OPEB reporting in the Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

Q. Deferred inflows of resources

In addition to liabilities, the Statement of Net Position or Balance Sheet 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 or fund balance 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 four items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue - property taxes. The second item is related to pensions reported in the 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 (NYSTRS and NYSERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth item is related to OPEB reported in the Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

R. 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.

S. 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.

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

T. Other benefits

Eligible District employees participate in the New York State and Local 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 (see Note 12 for more information).

U. 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, 2018, the District does not have any outstanding RAN's, TAN's, BAN's or deficiency notes. See Note 8 for additional disclosure regarding the District's outstanding short-term debt.

V. 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, other postemployment benefits payable and compensated absences 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.

W. 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 (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
2. Restricted net position: Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position: Reports the balance of net position that does not meet the definition of the above two classifications 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 \$15,751.
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.

### 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. This reserve is accounted for in the General Fund.

### 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. This reserve is accounted for in the General 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. This reserve is accounted for in the General Fund.

### Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions related to NYERS. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve 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. This reserve is accounted for in the General Fund.

3. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2018.
4. Assigned - Includes 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 constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.
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 and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts have been restricted or assigned.

Fund balances for all governmental funds as of June 30, 2018 were distributed as follows:

	General	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
Nonspendable:					
Inventory	\$ -	\$ 15,751	\$ -	\$ -	\$ 15,751
Total nonspendable	-	15,751	-	-	15,751
Restricted:					
Capital	4,549,280	-	-	-	4,549,280
Employee Benefit Accrued Liability	3,649,463	-	-	-	3,649,463
Unemployment Insurance	275,081	-	-	-	275,081
Workers' Compensation	700,082	-	-	-	700,082
Retirement	2,134,415	-	-	-	2,134,415
Debt Service	-	-	644,885	-	644,885
District Improvements	-	-	-	3,284,674	3,284,674
Total restricted	11,308,321	-	644,885	3,284,674	15,237,880
Assigned:					
Appropriated for subsequent year's expenditures	550,000	-	-	-	550,000
Encumbrances	131,407	-	-	-	131,407
School Lunch Fund	-	195,920	-	-	195,920
Total assigned	681,407	195,920	-	-	877,327
Unassigned	2,738,664	-	-	-	2,738,664
Total	<u>\$14,728,392</u>	<u>\$ 211,671</u>	<u>\$ 644,885</u>	<u>\$ 3,284,674</u>	<u>\$18,869,622</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, encumbrances and amounts reserved for insurance recoveries 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 STATEMENTS AND DISTRICT-WIDE 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, as applied to the reporting of capital assets and long-term liabilities, including pensions.

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 five 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.

**5. OPEB differences**

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

**3. NEW ACCOUNTING STANDARDS**

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of this statement had no impact on the governmental fund statements. The statement requires districts to report Other Postemployment Benefits ("OPEB") liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. The implementation resulted in a restatement of the District's beginning net position balance as required by the Statement. See Note 17 for financial statement impact of the implementation of this statement.

**4. 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	\$ 1,435,000
Educational foundation donation	<u>143,969</u>
	<u>\$ 1,578,969</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. The General Fund is the only fund with a legally approved budget for the year ended June 30, 2018.

Budgets are established and used for the individual Capital Projects Fund 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.

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

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

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ 23,181,208
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Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$12,706,933 within the governmental funds and \$534,996 in the fiduciary funds.

#### Investment and deposit policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, State and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Official of the District.

#### Interest rate risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### Credit risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts
- Certificates of deposit
- Obligations of the United States Treasury and United States agencies
- Obligations of New York State and its localities

#### Custodial credit risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies
- Obligations issued or fully insured or guaranteed by New York State and its localities
- Obligations issued by other than New York State in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

## 6. RECEIVABLES

Receivables at year end are as follows:

### A. State and federal aid

State and federal aid receivables at June 30, 2018 consisted of the following:

General Fund:

New York State Aid - excess cost aid	\$ 89,544
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Special Aid Fund:

State and federal grants	220,296
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School Lunch Fund:

School breakfast and lunch reimbursement	2,418
	<hr/>
	\$ 312,258

### B. Due from other governments

Due from other governments at June 30, 2018 consisted of the following:

General Fund:

BOCES aid	\$ 974,571
PILOT receivable	35,057
	<hr/>
	\$ 1,009,628

### C. Property taxes

Property taxes receivable at June 30, 2018 consisted of the following:

General Fund:

Town of Oyster Bay	\$ 397,204
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District management has deemed the amounts to be fully collectible.

## 7. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 125,075	\$ -	\$ -	\$ 125,075
Construction-in-progress	3,896,475	2,193,186	(1,386,606)	4,703,055
Total nondepreciable assets	<u>4,021,550</u>	<u>2,193,186</u>	<u>(1,386,606)</u>	<u>4,828,130</u>
Capital assets that are depreciated:				
Buildings and building improvements	68,868,030	1,728,864	1,386,606	71,983,500
Furniture and equipment	1,893,305	83,615	-	1,976,920
Total depreciable assets	<u>70,761,335</u>	<u>1,812,479</u>	<u>1,386,606</u>	<u>73,960,420</u>
Less accumulated depreciation:				
Buildings and building improvements	37,086,629	2,776,529	-	39,863,158
Furniture and equipment	1,332,469	135,194	-	1,467,663
Total accumulated depreciation	<u>38,419,098</u>	<u>2,911,723</u>	<u>-</u>	<u>41,330,821</u>
Total capital assets, net	<u>\$ 36,363,787</u>	<u>\$ 1,093,942</u>	<u>\$ -</u>	<u>\$ 37,457,729</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 356,055
Instruction	2,551,980
Pupil transportation	3,688
<u>\$ 2,911,723</u>	

## 8. SHORT-TERM DEBT OBLIGATIONS

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN matured on 6/27/18 at 2.00%	<u>\$ -</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ -</u>

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

Interest paid/expense	<u>\$ 75,000</u>
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## 9. 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
<b>Governmental activities:</b>					
Bonds payable	\$ 13,165,000	\$ -	\$ 2,405,000	\$ 10,760,000	\$ 2,520,000
Unamortized bond discounts and premiums	881,246	-	176,250	704,996	176,250
Total bonds payable	14,046,246	-	2,581,250	11,464,996	2,696,250
Installment purchase debt payable	3,332,619	-	243,855	3,088,764	249,545
Workers' Compensation claims payable	458,114	-	43,540	414,574	41,457
Compensated absences	3,742,689	280,714	-	4,023,403	402,340
<b>Total long-term liabilities</b>	<b>\$ 21,579,668</b>	<b>\$ 280,714</b>	<b>\$ 2,868,645</b>	<b>\$ 18,991,737</b>	<b>\$ 3,389,592</b>

Additions and deletions to compensated absences are shown net since it is impracticable to determine these amounts separately. The General Fund is typically used to liquidate the liabilities above.

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

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 6/30/2018
Refunding serial bonds	2011	2022	2.00 - 5.00%	\$ 9,535,000
Refunding serial bonds	2015	2022	2.00 - 4.00%	<u>1,225,000</u>
				<u>\$ 10,760,000</u>
Installment purchase debt	04/15/13	08/15/29	2.32%	<u>\$ 3,088,764</u>
		Serial Bonds	Installment Purchase Debt	
		Principal	Interest	Principal
				Interest
<u>June 30,</u>				Total
2019		\$ 2,520,000	\$ 471,575	\$ 249,545
2020		2,640,000	348,175	255,368
2021		2,745,000	239,738	261,327
2022		2,855,000	129,950	267,425
2023		-	-	273,666
2024-2028		-	-	1,467,147
2029		-	-	314,286
		<u>\$ 10,760,000</u>	<u>\$ 1,189,438</u>	<u>\$ 3,088,764</u>
				<u>\$ 428,656</u>
				<u>\$ 15,466,858</u>

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

Interest paid	\$ 665,135
Less interest accrued in the prior year	(250,068)
Plus interest accrued in the current year	203,219
Less amortization of premiums/discounts	(176,250)
Total interest expense	<u>\$ 442,036</u>

## **10. PENSION PLANS**

### General information

The District participates in the New York State Teachers' Retirement System ("NYSTRS") and the New York State and Local Employees' Retirement System ("NYSERS"). These are cost-sharing, multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

### Provisions and administration

A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law ("NYSRSSL"). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 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](http://www.nystrs.org).

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 the System. NYSRSSL governs obligations of employers and employees to contribute, and benefits to employees. 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. The District also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php).

### Funding policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under NYSERS tier VI vary based on a sliding salary scale. For NYSTRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For NYSERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the NYSERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the NYSTRS and NYSERS for the current year and each of the two preceding years.

The District share of the required contributions, based on covered payroll for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

Year	NYSERS	NYSTRS
2018	\$ 860,378	\$ 3,222,083
2017	824,732	3,535,967
2016	1,013,701	4,542,025

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

At June 30, 2018, the District reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2017 for NYSTRS and March 31, 2018 for NYSERS. 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 NYSTRS and NYSERS Systems in reports provided to the District:

	NYSERS	NYSTRS
Measurement date	March 31, 2018	June 30, 2017
Net pension asset/(liability)	\$ (508,303)	\$ 1,318,683
District's portion of the Plan's total net pension asset/(liability)	0.01575%	0.17349%
Change in proportion since the prior measurement date	0.00073%	0.00068%

For the year ended June 30, 2018, the District recognized pension expense of \$822,698 for NYSERS and \$3,311,834 for NYSTRS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources - NYSERS	Deferred Outflows of Resources - NYSTRS	Deferred Inflows of Resources - NYSERS	Deferred Inflows of Resources - NYSTRS
Difference between expected experience and actual experience	\$ 181,295	\$ 1,084,952	\$ (149,815)	\$ (514,139)
Net difference between projected and actual earnings on pension plan investments	738,269	-	(1,457,269)	(3,105,880)
Changes of assumptions	337,047	13,417,856	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	539,626	7,157	(31,318)	(69,015)
Employer contributions subsequent to the measurement date	213,001	2,685,691	-	-
Total	<u>\$ 2,009,238</u>	<u>\$ 17,195,656</u>	<u>\$ (1,638,402)</u>	<u>\$ (3,689,034)</u>

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

<u>For the year ended:</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2019	\$ 316,999	\$ 301,667
2020	234,326	3,546,462
2021	(278,161)	2,536,912
2022	(115,329)	627,162
2023	-	2,529,521
Thereafter	-	1,279,207

#### Actuarial assumptions

The total pension asset/(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 asset/(liability) to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.00%	7.25%
Salary scale	3.80%	*Rates of increase differ based on service
Decrement tables	April 1, 2010 to March 31, 2015 System's Experience	July 1, 2009 to June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%

\*The salary scale used for NYSTRS changes based upon levels of service as defined below:

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

For NYSTRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For NYSERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

For NYSTRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For NYSERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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:

	NYSERS		NYSTRS	
	Target allocation	Long-term rate	Target allocation	Long-term rate
Measurement date	March 31, 2018	March 31, 2018	June 30, 2017	June 30, 2017
<b>Asset type</b>				
Absolute return strategies	2.00%	3.75%	-	-
Bonds and mortgages	17.00%	1.31%	8.00%	2.80%
Cash	1.00%	(0.25%)	-	-
Domestic equity	36.00%	4.55%	35.00%	5.90%
Domestic fixed income	-	-	16.00%	1.60%
Global fixed income	-	-	2.00%	1.30%
High-yield fixed income	-	-	1.00%	3.90%
Inflation-indexed bonds	4.00%	1.25%	-	-
International equity	14.00%	6.35%	18.00%	7.40%
Opportunistic portfolio	3.00%	5.68%	-	-
Private equity	10.00%	7.50%	8.00%	9.00%
Real assets	3.00%	5.29%	-	-
Real estate	10.00%	5.55%	11.00%	4.30%
Short-term	-	-	1.00%	0.60%
	<b>100.00%</b>		<b>100.00%</b>	

#### Discount rate

The discount rate used to calculate the total pension asset/(liability) was 7.0% for NYSERS and 7.25% 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 asset/(liability).

#### Sensitivity of the proportionate share of the net pension asset (liability) to the discount rate assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for NYSERS and 7.25% 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 6.25% for NYSTRS) or 1 percentage point higher (8.0% for NYSERS and 8.25% 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)	\$ (3,845,954)	\$ (508,303)	\$ 2,315,217
<u>NYSTRS</u>	<u>1% Decrease (6.25%)</u>	<u>Current assumption (7.25%)</u>	<u>1% Increase (8.25%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (22,717,002)	\$ 1,318,683	\$ 21,447,376

#### 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	March 31, 2018	June 30, 2017	
Employers' total pension liability	\$ 183,400,590	\$ 114,708,261	\$ 298,108,851
Plan net position	<u>180,173,145</u>	<u>115,468,360</u>	<u>295,641,505</u>
Employers' net pension asset/(liability)	<u>\$ (3,227,445)</u>	<u>\$ 760,099</u>	<u>\$ (2,467,346)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	98.24%	100.66%	99.17%

#### Payables to the pension plan

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the system in September, October and November 2017 through a State aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 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, 2018 amounted to \$2,839,267.

For NYSERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid NYSERS covered wages multiplied by the employer's contribution rate, by tier. Accrued employer retirement contributions as of June 30, 2018 amounted to \$233,298. Employee contributions are remitted monthly.

## **11. INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS**

	Interfund		Interfund	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 249,354	\$ 2,779,517	\$ 19,633	\$ 2,194,762
Special Aid Fund	-	239,393	59,762	-
School Lunch Fund	9,362	-	-	-
Debt Service Fund	-	1,614	-	-
Capital Projects Fund	2,770,155	-	2,135,000	19,633
Fiduciary Funds	-	8,347	-	-
<b>Totals</b>	<b>\$ 3,028,871</b>	<b>\$ 3,028,871</b>	<b>\$ 2,214,395</b>	<b>\$ 2,214,395</b>

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.

As part of the voter approved budget, the General Fund budgets for appropriations made to the Capital Projects Fund to help support ongoing projects within the District. The current year transfer to the Capital Projects Fund was originally budgeted for \$700,000 and increased by a supplemental appropriation of \$1,435,000 from the voter approved capital reserve fund.

## **12. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”)**

### A. General information about the OPEB plan

#### Plan description

The District's defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board of Education. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

#### Benefits provided

The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

#### Employees covered by benefit terms

As of July 1, 2016, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	275
Active plan members	<u>292</u>
Total plan members	<u>567</u>

B. Total OPEB liability

The District's total OPEB liability of \$112,590,862 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, with update procedures used to roll forward the total OPEB liability to the measurement date, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Salary increases	2.00%
Discount rate	3.62%
Healthcare cost trend rates	*Rates differ based as defined below
Retirees' share of benefit-related costs	0% to 25% of premium based on department and date hired

\*As of the June 30, 2018 measurement date, the actuarial valuation uses healthcare cost trend rates as follows:

Pre-65 medical trend rate	7.00%
Post-65 Medicare advantage trend rate	6.00%
Prescription drug trend rate	10.25%
Medicare Part B trend rate	4.60%

The discount rate was based on the July 1, 2018 Fidelity General Obligation 20-Year AA Municipal Bond Index.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017.

C. Changes in the total OPEB liability

Balance as of June 30, 2017	\$ 117,205,609
<u>Changes for the year -</u>	
Service cost	3,611,287
Interest	4,254,660
Change in assumptions or other inputs	(9,872,738)
Benefit payments	<u>(2,607,956)</u>
Net changes	<u>(4,614,747)</u>
Balance as of June 30, 2018	<u>\$ 112,590,862</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

	1% Decrease (2.62%)	Current assumption	1% Increase (4.62%)
Total OPEB liability as of June 30, 2018	\$ 135,197,964	\$ 112,590,862	\$ 95,299,502

**Sensitivity of the total OPEB liability to changes in healthcare cost trend rates**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current discount rate as defined in the actuarial assumptions and other inputs above:

	1% Decrease*	Current assumption*	1% Increase*
Total OPEB liability as of June 30, 2018	\$ 94,140,794	\$ 112,590,862	\$ 136,332,509

**D. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$6,581,438. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from changes of assumptions of \$9,872,738.

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

	Deferred Outflows of Resources - OPEB	Deferred Inflows of Resources - OPEB
Changes of assumptions	<u>\$ -</u>	<u>\$ 9,872,738</u>

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

**For the year ended:**

2019	\$ (1,284,509)
2020	(1,284,509)
2021	(1,284,509)
2022	(1,284,509)
2023	(1,284,509)
Thereafter	(3,450,193)

**13. 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:

		Beginning Balance	Changes in Estimates	Claim Payments	Balance at End of Year
Fiscal years ended June 30:					
2018	\$ 458,114	\$ -	\$ 43,540	\$ 414,574	
2017	491,617	-	33,503	458,114	
2016	238,121	371,496	118,000	491,617	

The District has not purchased any annuity contracts.

#### **14. CONTINGENCIES AND COMMITMENTS**

##### Encumbrances

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

Assigned: Unappropriated Fund Balance	
General Fund	
General support	\$ 118,488
Instruction	<u>12,919</u>
	<u><u>\$ 131,407</u></u>

##### 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 a bank, 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. As of June 30, 2018, the remaining principal outstanding was of \$4,175,000.

### 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 through at least June 15, 2020, 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, plus the inflation factor (but not less than 0 percent), whichever is less, with some exceptions. The New York State Comptroller set the allowable levy growth factor for local governments for fiscal years beginning July 1, 2017 at 1.26% (before exemptions). School districts can exceed the tax levy limit by a 60% vote of the governing body, subject to voter approval.

### 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. It is the opinion of the District's attorneys that this will not exceed insurance coverage.

## **15. LEASE COMMITMENTS**

The District leases certain office equipment under the terms of various non-cancellable leases. Rental expense for the year ended June 30, 2018 was \$116,912.

Minimum annual rentals for each of the remaining years of the leases are:

<u>For the year ended:</u>	
2019	\$ 60,761
2020	57,321
2021	19,614
2022	8,160
2023	<u>3,673</u>
	<u>\$ 149,529</u>

## **16. TAX ABATEMENTS**

Nassau County and Suffolk County enter into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. The District's property tax revenues were reduced by \$82,107 under agreements entered into by Nassau County. Of the amount reduced, \$64,478, was collected via PILOT payments and \$17,629 was abated from the District's property tax revenues.

## **17. PRIOR PERIOD ADJUSTMENTS**

The District's financial statements for the year ended June 30, 2018 have been restated as of July 1, 2017 to give effect to the following:

	General Fund Fund Balance	District-wide Net Position
Balance as of July 1, 2017, as previously stated	\$ 8,877,450	\$ 2,442,872
GASB Statement No. 75 implementation: difference in total OPEB liability (calculated under GASB 75) and net OPEB liability (calculated under GASB 45)	-	(72,272,838)
Recognition of long-term obligation for compensated absences in fund balance	<u>3,742,689</u>	<u>-</u>
Balance as of July 1, 2017, as restated	<u>\$ 12,620,139</u>	<u>\$ (69,829,966)</u>

## **18. FUTURE ACCOUNTING STANDARDS**

The District will evaluate the impact each of these upcoming pronouncements may have on its financial statements and will implement them as applicable and when material. The following is a list of GASB pronouncements issued but not yet effective:

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
Statement No. 83	Certain Asset Retirement Obligations	June 30, 2019
Statement No. 87	Leases	June 30, 2021
Statement No. 88	Certain Disclosures Related To Debt, Including Direct Borrowings and Direct Placements	June 30, 2019
Statement No. 89	Accounting For Interest Cost Incurred Before The End Of A Construction Period	June 30, 2021

## **19. SUBSEQUENT EVENTS**

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of October 3, 2018, which is the date the financial statements were available to be issued, noting the following:

On September 26, 2018, the District issued a Tax Anticipation Note in the amount of \$6,000,000. The note matures on June 27, 2019, and bears an interest rate of 3.00%.

**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, 2018**

	Adopted Budget	Final Budget	Actual	Year-end Encumbrances	Variance Better (Worse)
<b>REVENUES</b>					
Local sources:					
Real property taxes	\$ 61,338,444	\$ 61,338,444	\$ 60,084,353		\$ (1,254,091)
Other tax items	62,095	62,095	1,331,106		1,269,011
Charges for services	299,000	299,000	368,557		69,557
Use of money and property	25,000	25,000	51,245		26,245
Miscellaneous	188,925	332,894	496,009		163,115
Total local sources	61,913,464	62,057,433	62,331,270		273,837
State sources	4,134,009	4,134,009	4,670,774		536,765
Federal sources	25,600	25,600	40,287		14,687
Total revenues	66,073,073	66,217,042	67,042,331		825,289
<b>OTHER FINANCING SOURCES</b>					
Premium on obligations	-	-	37,802		37,802
Interfund transfers	-	-	19,633		19,633
Appropriated reserves	835,425	2,270,425	-		(2,270,425)
Total revenues and other financing sources	66,908,498	68,487,467	67,099,766		(1,387,701)
<b>EXPENDITURES</b>					
General support:					
Board of Education	24,815	24,815	17,372	\$ -	7,443
Central administration	333,933	332,933	333,532	-	(599)
Finance	889,938	895,983	798,518	44,950	52,515
Staff	618,425	613,085	486,581	-	126,504
Central services	5,205,843	5,227,518	4,870,503	73,538	283,477
Special items	481,518	481,518	473,942	-	7,576
Total general support	7,554,472	7,575,852	6,980,448	118,488	476,916
Instruction:					
Instruction, administration and improvement	2,417,956	2,378,247	2,274,705	-	103,542
Teaching - regular school	22,194,367	22,278,182	21,094,618	12,919	1,170,645
Programs for children with handicapping conditions	5,439,658	5,435,609	4,838,530	-	597,079
Teaching - special school	24,500	24,500	11,292	-	13,208
Instructional media	1,760,449	1,833,673	1,671,360	-	162,313
Pupil services	4,693,730	4,712,198	4,601,748	-	110,450
Total instruction	36,530,660	36,662,409	34,492,253	12,919	2,157,237
Pupil transportation	4,327,119	4,327,119	4,137,691	-	189,428
Community services	950	965	614	-	351
Employee benefits	14,379,519	14,370,344	13,796,755	-	573,589
Debt service:					
Principal	2,648,855	2,648,855	2,648,855	-	-
Interest	736,923	736,923	740,135	-	(3,212)
Total expenditures	66,178,498	66,322,467	62,796,751	131,407	3,394,309
<b>OTHER FINANCING USES</b>					
Interfund transfers	730,000	2,165,000	2,194,762	-	(29,762)
Total expenditures and other financing uses	66,908,498	68,487,467	64,991,513	\$ 131,407	3,364,547
Net change in fund balance	\$ -	\$ -	2,108,253		\$ 1,976,846
Fund balance, beginning of year			12,620,139		
Fund balance, end of year			\$ 14,728,392		

**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 CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**LAST FISCAL YEAR**

Measurement date    June 30, 2018

Total OPEB Liability

Service cost	\$ 3,611,287
Interest	4,254,660
Changes of assumptions or other inputs	(9,872,738)
Benefit payments	<u>(2,607,956)</u>
Net change in total OPEB liability	(4,614,747)
Total OPEB liability - beginning of year	<u>117,205,609</u>
Total OPEB liability - end of year	<u>\$ 112,590,862</u>
Covered payroll	\$ 34,797,869
Total OPEB liability as a percentage of covered payroll	323.56%

**Note to Required Supplementary Information**

Ten years of historical information are not available upon implementation of GASB Statement No. 75. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits, as New York State currently does not allow Districts to establish this type of trust. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

**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)

	2018	2017	(A) 2016	2015	2014	**2013	**2012	**2011	**2010	**2009
District's proportionate share of the net pension liability	0.01575%	0.01502%	0.01630%	0.01625%	0.01624%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 508	\$ 1,411	\$ 2,616	\$ 549	\$ 734	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$ 5,709	\$ 5,394	\$ 5,335	\$ 5,135	\$ 4,688	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	8.90%	26.16%	49.04%	10.69%	15.66%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.68%	97.95%	97.20%	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.

(A) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

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 LIABILITY - NYSTRS**  
LAST TEN FISCAL YEARS\*  
(Dollar amounts in thousands)

	<b>(A) 2018</b>	<b>(B) 2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>**2013</b>	<b>**2012</b>	<b>**2011</b>	<b>**2010</b>	<b>**2009</b>
District's proportionate share of the net pension asset/(liability)	0.17349%	0.17281%	0.17249%	0.17199%	0.17385%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension asset/(liability)	\$ 1,319	\$ (1,851)	\$ 17,916	\$ 19,159	\$ 1,144	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$ 30,170	\$ 34,254	\$ 23,548	\$ 18,554	\$ 25,466	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	4.37%	-5.40%	76.08%	103.26%	4.49%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	100.66%	99.17%	110.46%	111.48%	100.70%	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.

**(A)** The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.25% effective with the June 30, 2017 measurement date

**(B)** The discount rate used to calculate the total pension liability was decreased from 8.0% to 7.5% effective with the June 30, 2016 measurement date

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 - NYSERS  
LAST TEN FISCAL YEARS\*  
(Dollar amounts in thousands)

	2018	2017	2016	2015	2014	**2013	**2012	**2011	**2010	**2009
Contractually required contribution	\$ 860	\$ 825	\$ 1,014	\$ 1,072	\$ 946	\$ 1,014	\$ 882	\$ 609	\$ 413	\$ 371
Contributions in relation to the contractually required contribution	860	825	1,014	1,072	946	1,014	882	609	413	371
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,526	\$ 5,394	\$ 5,335	\$ 5,135	\$ 4,688	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	15.57%	15.29%	19.01%	20.88%	20.18%	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)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>**2013</b>	<b>**2012</b>	<b>**2011</b>	<b>**2010</b>	<b>**2009</b>
Contractually required contribution	\$ 3,222	\$ 3,536	\$ 4,542	\$ 4,128	\$ 3,015	\$ 2,803	\$ 2,151	\$ 1,475	\$ 1,877	\$ 1,725
Contributions in relation to the contractually required contribution	<u>3,222</u>	<u>3,536</u>	<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>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 32,878	\$ 30,170	\$ 34,254	\$ 23,548	\$ 18,554	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	9.80%	11.72%	13.26%	17.53%	16.25%	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.

**OTHER  
SUPPLEMENTARY  
INFORMATION**

**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, 2018**

**Change from adopted budget to final budget:**

Original budget	\$ 66,623,073
Add: prior year encumbrances	<u>285,425</u>
Adopted budget	\$ 66,908,498
Add: Voter-approved use of Capital Reserve	1,435,000
Add: Educational foundation donation	<u>143,969</u>
Final budget	<u>\$ 68,487,467</u>

**§1318 of real property tax law limit calculation:**

2018-2019 voter-approved budget	<u>\$ 68,466,684</u>
Maximum allowed (4% of 2018-2019 budget)	<u>\$ 2,738,667</u>

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

Unrestricted fund balance:			
Assigned fund balance	\$ 681,407		
Unassigned fund balance	<u>2,738,664</u>	\$ 3,420,071	
Less:			
Appropriated fund balance	550,000		
Encumbrances	<u>131,407</u>	<u>681,407</u>	
General Fund fund balance subject to §1318 of real property tax law	<u>\$ 2,738,664</u>		
Actual percentage			<u>4.0%</u>

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Project Title	Original Appropriation	Revised Appropriation	Expenditures					Methods of Financing					Fund Balance June 30, 2018
			Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total			
<b>2013/14 Capital Improvement Plan</b>													
Goosehill Case Work/HVAC/Security/Tanks	\$ 211,450	\$ 222,587	\$ 222,587	\$ -	\$ 222,587	\$ -	\$ -	\$ -	\$ 222,587	\$ 222,587	\$ -	\$ -	
West Side Case Work/Security/Fuel Tanks	263,965	191,684	191,684	-	191,684	-	-	-	191,684	191,684	-	-	
Lloyd Harbor Asphalt/Alarm/Main Office	670,133	726,034	726,034	-	726,034	-	-	-	726,034	726,034	-	-	
High School Lot Drainage/HVAC/Security	404,452	320,859	320,859	-	320,859	-	-	-	320,859	320,859	-	-	
High School Storage Building	50,000	138,836	6,545	-	6,545	132,291	-	-	138,836	138,836	132,291	-	
<b>2014/15 Capital Improvement Plan</b>													
Goosehill Asbestos/Playground	234,000	240,000	239,902	-	239,902	98	-	-	240,000	240,000	98	-	
West Side Ceilings and Condensate Pumps	145,366	178,566	176,319	621	176,940	1,626	-	-	178,566	178,566	1,626	-	
Lloyd Harbor Condensate Pumps and Drywells	132,340	26,340	24,839	373	25,212	1,128	-	-	26,340	26,340	1,128	-	
High School Asbestos/Science Rooms/Bathrooms	956,500	1,053,300	745,631	163,594	909,225	144,075	-	-	1,053,300	1,053,300	144,075	-	
District Wide Rooftop Exhaust Fans	30,000	-	-	-	-	-	-	-	-	-	-	-	
<b>2015/16 Capital Improvement Plan</b>													
Goosehill Building Shell Repairs	16,500	16,500	648	223	871	15,629	-	-	16,500	16,500	15,629	-	
West Side Doors/Casework/Asbestos	289,870	229,870	145,744	64,378	210,122	19,748	-	-	229,870	229,870	19,748	-	
Lloyd Harbor Art Room/Stage/Security	314,000	399,500	35,141	363,527	398,668	832	-	-	399,500	399,500	832	-	
High School Flooring/Track/Art/Field House	945,774	1,166,274	491,822	626,516	1,118,338	47,936	-	-	1,166,274	1,166,274	47,936	-	
District Wide Asbestos/Rooftop Fans/Doors	308,856	62,856	2,695	-	2,695	60,161	-	-	62,856	62,856	60,161	-	
<b>2016/17 Capital Improvement Plan</b>													
Goosehill Parking Lots	330,736	180,736	13,867	66	13,933	166,803	-	-	180,736	180,736	166,803	-	
West Side Septic System	375,000	532,273	21,453	69	21,522	510,751	-	-	532,273	532,273	510,751	-	
Lloyd Harbor Playground Surface	55,130	85,130	15,228	-	15,228	69,902	-	-	85,130	85,130	69,902	-	
High School Tennis Courts/Lockers/Gym Floors	1,239,134	1,201,861	55,320	1,102,958	1,158,278	43,583	-	-	1,201,861	1,201,861	43,583	-	
<b>2016/17 Smart Schools Bond</b>													
District Wide Wire and Wireless Project	479,789	460,156	460,156	-	460,156	-	-	-	366,029	94,127	460,156	-	
<b>2017/18 Capital Improvement Plan</b>													
Goosehill Bathrooms/Cafeteria	272,400	272,400	-	7,609	7,609	264,791	-	-	272,400	272,400	264,791	-	
West Side Bathrooms/Kitchen/Casework	382,000	382,000	-	17,758	17,758	364,242	-	-	382,000	382,000	364,242	-	
Lloyd Harbor Bathrooms/Music Rooms	595,600	595,600	-	23,542	23,542	572,058	-	-	595,600	595,600	572,058	-	
High School Bathrooms/Drainage System	710,000	710,000	-	15,980	15,980	694,020	-	-	710,000	710,000	694,020	-	
District Wide Security/Electric Panels	175,000	175,000	-	-	-	175,000	-	-	175,000	175,000	175,000	-	
	<u>\$ 9,587,995</u>	<u>\$ 9,568,362</u>	<u>\$ 3,896,474</u>	<u>\$ 2,387,214</u>	<u>\$ 6,283,688</u>	<u>\$ 3,284,674</u>	<u>\$ -</u>	<u>\$ 366,029</u>	<u>\$ 9,202,333</u>	<u>\$ 9,568,362</u>	<u>\$ 3,284,674</u>		

OTHER  
SUPPLEMENTARY  
INFORMATION

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**NET INVESTMENT IN CAPITAL ASSETS**  
**JUNE 30, 2018**

Capital assets, net	\$ 37,457,729
Deduct:	
Short-term portion of bonds payable	\$ 2,696,250
Long-term portion of bonds payable	8,768,746
Short-term portion of installment purchase debt payable	249,545
Long-term portion of installment purchase debt payable	<u>2,839,219</u>
Net investment in capital assets	<u>\$ 22,903,969</u>

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**TABLE OF CONTENTS**

Independent Auditor's Report On Extraclassroom Activity Funds Financial Statements	60
Financial Statements:	
Statement Of Cash Receipts And Disbursements:	
High School	62
Note To Financial Statement	63



**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, 2018, 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 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 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, 2018 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  
October 3, 2018

*Nawrocki Smith LLP*

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Cash Balances July 1, 2017	Receipts	Disbursements	Cash Balances June 30, 2018
High School:				
Class of 2017	\$ 3,189.93	\$ -	\$ 3,189.93	\$ -
Class of 2018	4,224.04	29,734.72	32,405.82	1,552.94
Class of 2019	6,382.36	29,190.56	27,249.17	8,323.75
Class of 2020	1,533.00	2,233.00	2,007.56	1,758.44
Class of 2021	-	1,677.96	-	1,677.96
Amnesty International	-	366.60	240.00	126.60
Animal Rescue Club	319.17	744.00	528.51	534.66
Baking Club	237.12	86.00	-	323.12
Book Club	263.10	32.30	200.00	95.40
Cheerleaders	103.92	-	-	103.92
Drama Club	5,186.93	8,180.99	4,804.37	8,563.55
Environmental Club	297.39	-	-	297.39
Fashion Club	279.52	-	-	279.52
FLAG	815.00	-	-	815.00
French Club	1,596.14	3,844.86	4,018.08	1,422.92
Future Business Leaders - Other	332.37	-	-	332.37
Future Business Leaders - Store	320.32	6,728.00	4,491.50	2,556.82
Gay/Straight Alliance	1,201.50	99.60	47.58	1,253.52
History Club	250.47	-	-	250.47
Holocaust Project	553.86	-	-	553.86
International Club	6,171.92	3,209.87	4,339.49	5,042.30
Jr. High Student Organization	10,927.87	2,000.00	3,725.51	9,202.36
Knitting for the Needy	500.00	500.00	-	1,000.00
Literary Magazine	2,452.42	3,004.19	2,487.61	2,969.00
Locks of Love	6,930.37	1,477.60	1,000.00	7,407.97
Model United Nations	839.24	24,336.00	24,436.00	739.24
Musical Club (Jr. High)	7,469.01	16,888.85	13,611.64	10,746.22
Musical Club (Sr. High)	5,090.52	23,547.96	17,179.58	11,458.90
Natural Helpers	1,762.91	1,100.00	966.43	1,896.48
Newspaper	440.78	1,850.00	1,469.49	821.29
Outreach	62.03	-	-	62.03
Political Science Club	340.09	200.00	-	540.09
Recording Music Club (RMC)	885.99	-	-	885.99
RMC - Tri-M	3,832.00	8,160.12	6,629.23	5,362.89
Robotics Club	1,551.72	1,501.16	2,500.00	552.88
S.A.D.D.	211.42	-	211.42	-
S.W.W.A.T.: Other	676.57	263.92	-	940.49
Science Club	72.31	-	-	72.31
Spanish Club	2,747.70	3,140.00	3,230.74	2,656.96
Speech & Debate Club	15,368.39	8,625.00	11,879.94	12,113.45
Sr. High Art Club	3,722.66	820.00	902.91	3,639.75
Stock Market Club	-	1,012.00	76.37	935.63
Student Booster Club	572.25	42.90	150.00	465.15
Student Organization	27,254.08	8,389.16	8,525.70	27,117.54
Technology Club	7,274.24	7,656.09	7,351.77	7,578.56
Warhammer Club	196.46	-	48.72	147.74
Varsity Club	372.79	-	372.79	-
Vocal Chamber Ensemble	1,221.35	31.45	100.00	1,152.80
Yearbook (Jr. High)	4,186.98	13,383.56	14,455.45	3,115.09
Yearbook (Sr. High)	28,959.93	23,080.00	35,244.21	16,795.72
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 169,180.14	\$ 237,138.42	\$ 240,077.52	\$ 166,241.04

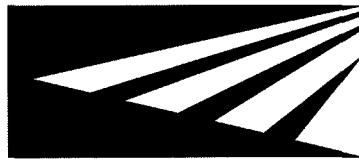
The accompanying note is an integral part of this financial statement.

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**EXTRACLASSROOM ACTIVITY FUNDS**  
**NOTE TO FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2018.

***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. Reference is made to the Schedule of Findings and Recommendations accompanying this report for additional observations on internal control.

# NawrockiSmith

## ***Compliance And Other Matters***

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

## ***Purpose of this Report***

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

Melville, New York  
October 3, 2018

*Nawrocki Smith LLP*

**COLD SPRING HARBOR CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS:**

1. Extraclassroom Activity Funds - inactive clubs

During our review of the Extraclassroom Activity Funds, we noted that there are several clubs with no activity during the year. Inactive clubs with small balances should either be closed or merged with other, larger activities.

We recommend that the District review and evaluate any inactive clubs and merge the funds with other appropriate activities. In this manner, internal control over Extraclassroom Activity Funds may be enhanced.

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS:**

1. Capital asset reconciliation

We recommended that the District establish procedures whereby all capital projects activity is reflected in the capital asset valuation listing.

Status - We noted that this recommendation was in the process of being implemented.

2. Debt Service Fund/Reserve for Debt Service inactivity

We recommended that the District establish a plan to utilize the cash reserve in the Debt Service Fund/Reserve for Debt Service.

Status - We noted that this recommendation was in the process of being implemented.

3. Interfund transactions

We recommended that all interfund accounts be fully repaid/cleared at some point in time, on an annual basis.

Status - We noted that this recommendation was implemented.