

Glen Cove City School District, New York

Financial Statements and
Supplementary Information

Year Ended June 30, 2017

Glen Cove City School District, New York

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Independent Auditors' Report

**The Board of Education of the
Glen Cove City School District, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Glen Cove City School District, New York ("School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles 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.

Auditors' 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 auditors' 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 School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School District, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General and Special Aid funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents 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.

Supplementary and Other Information

Our audit for the year ended June 30, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 for the year ended June 30, 2017 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the School District as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated October 13, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended June 30, 2016 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2016 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

October 4, 2017

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Glen Cove City School District, New York

Management's Discussion and Analysis June 30, 2017

The following is a discussion and analysis of the Glen Cove City School District's ("School District") financial performance for the fiscal year ended June 30, 2017. This section is a summary of the School District's financial activities based on currently known facts, decisions or conditions. It is also based on both the District-wide and fund-level 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 School District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for the fiscal year 2016-2017 are as follows:

- In the district-wide financial statements, revenues increased by 2.7% to \$86,674,053 and expenses increased 8.7% to \$87,688,709 resulting in a decrease in net position of \$1,014,656 for the year ended June 30, 2017.
- Also noteworthy on the district-wide financial statements for the year ended June 30, 2016, is the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 68. This pronouncement established accounting and financial reporting requirements associated with the School District's participation in the cost sharing multiple employer pension plans administered by the New York State and Local Employees' Retirement System ("ERS") and the New York State Teachers' Retirement System ("TRS"). Under the new standards, cost-sharing employers are required to report in their district-wide financial statements a net pension liability (asset), pension expense and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all of the municipalities and school districts in the plan. At June 30, 2017, the School District reported in its Statement of Net Position a liability of \$2,084,687 for its proportionate share of the ERS net pension liability, while also reporting a net pension liability of \$2,326,168 for its proportionate share of the TRS net pension liability. More detailed information about the School District's pension plan reporting in accordance with the provisions of GASB Statement No. 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in note 3,E in the notes to financial statements.
- The School District's General Fund reflected an increase in fund balance of \$2,250,319.
- The amount of unassigned fund balance that can be retained by the General Fund is limited to no more than 4% of the ensuing year's budget. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,436,315 or 4%, and therefore within the statutory limit.
- The School District continued to offer all programs, without reducing services, while maintaining adequate fund balances.

Overview of the Financial Statements

This annual report consists of an introductory section, 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 School District:

- The first two statements are *District-wide financial statements* that provide both *short-term and long-term* information about the School District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School 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.
- *Fiduciary fund financial statements* provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

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

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

Table A-1: Major Features of the District-Wide and Fund Financial Statements			
	District-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activity monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities and Changes in Net Position 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or are 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 statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets, 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 statements, the Statement of Net Position and the Statement of Activities, report the School District's *net position* and how it has changed. Net position - the difference between the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the School District's financial health or *position*.

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

In the District-wide financial statements, the School District's activities are shown as *governmental activities*; most of the School 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 School District's funds, focusing on its most significant or "major" funds - not the School District as a whole. Funds are accounting devices the School 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 School 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 School District has two types of funds:

- **Governmental funds:** Most of the School 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 School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations of the district-wide and governmental funds statements are provided which explain the relationship (or differences) between them.

- **Fiduciary funds:** The School District is the trustee or fiduciary, for assets that belong to others, such as and student activities funds. The School 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 School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statements section of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to financial statements can be found following the basic financial statements section of this report.

Financial Analysis of the School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position. This MD&A includes a summary of two district-wide statements that focus on operations of the School District as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

In the case of the School District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by (\$7,874,289) at the close of the current fiscal year.

Net Position

	2017	2016
Current Assets	\$ 25,804,859	\$ 24,310,551
Net Pension Asset	-	22,704,389
Capital Assets, net	12,923,770	13,439,639
Total Assets	38,728,629	60,454,579
Deferred Outflows of Resources		
Deferred amounts on pensions	24,193,771	8,211,200
Current Liabilities	7,067,141	8,115,958
Long-term Liabilities	62,609,647	59,137,920
Total Liabilities	69,676,788	67,253,878
Deferred Inflows of Resources		
Deferred amounts on pensions	1,119,901	8,271,534
Net Position		
Net Investment in capital assets	7,780,281	7,508,988
Restricted		
Capital projects	211,718	51,624
Tax certiorari	5,531,786	2,481,208
Workers compensation benefits	639,549	404,923
Unemployment benefits	110,323	94,910
Retirement system contributions	1,206,525	1,500,000
School lunch	209,747	270,309
Special Purposes	86,741	97,739
Unrestricted	(23,650,959)	(19,269,334)
Total Net Position	\$ (7,874,289)	\$ (6,859,633)

By far, the largest component of the School District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Those assets subject to external restrictions listed above constitute \$7,996,389 of net position and are comprised of amounts restricted for specific purposes. The remaining balance represents an unrestricted net deficit of \$(23,650,959). This deficit results mainly from the accrual of the School District's Other Post Employment Benefit Obligations ("OPEB") aggregating \$44,772,714 which is reflected as a liability on the district-wide financial statement. The recognition of OPEB obligations is required under the provisions of GASB Statement No. 45. These obligations include any benefits provided to retirees, other than a pension, including health insurance.

Net investment in capital assets at June 30, 2017, increased by \$271,293 due to a reduction in bonds and installment purchase debt.

Overall, the School District's total net position decreased by \$(1,014,656) for the year ending June 30, 2017 due to the impact of GASB Statements Nos. 68 and 71, as discussed in detail in Note 3,E in the notes to financial statements.

Changes in Net Position

	2017	2016
REVENUES		
Program Revenues		
Charges for Services	\$ 774,955	\$ 706,613
Operating Grants and Contributions	4,481,378	4,222,750
Capital Grants and Contributions	27,629	-
	<u>5,283,962</u>	<u>4,929,363</u>
Total Program Revenues		
General Revenues		
Real Property Taxes	60,524,954	60,548,376
Other Tax Items	8,803,417	7,432,322
Non-property taxes	1,412,769	1,467,391
Unrestricted Use of Money and Property	15,795	19,473
Sale of Property and Compensation		
for Loss	84,546	213,631
Unrestricted State Aid	10,161,064	9,480,294
Miscellaneous	387,546	305,461
	<u>81,390,091</u>	<u>79,466,948</u>
Total General Revenues		
Total Revenues	<u>86,674,053</u>	<u>84,396,311</u>
PROGRAM EXPENSES		
General Support	10,315,704	10,685,796
Instruction	69,853,421	63,869,700
Pupil Transportation	5,824,981	4,489,416
Community Services	21,211	20,922
Cost of Food Sales	1,511,389	1,419,390
Other	12,000	10,999
Interest	150,003	169,536
	<u>87,688,709</u>	<u>80,665,759</u>
Total Expenses		
Change in Net Position	(1,014,656)	3,730,552
NET POSITION		
Beginning, as reported	<u>(6,859,633)</u>	<u>(10,590,185)</u>
Ending	<u>\$ (7,874,289)</u>	<u>\$ (6,859,633)</u>

As seen above, governmental activities decreased the School District's net position by \$1,104,656 during the current fiscal year. Noteworthy is the impact of the requirements of GASB Statement No. 45 that requires recognition of OPEB expenses and GASB Statement Nos. 68 and 71 that requires school districts to recognize their proportionate share of assets, deferred outflows of resources, liabilities and deferred inflows of resources of the various pension systems (ERS and TRS). Other changes in these activities follow below:

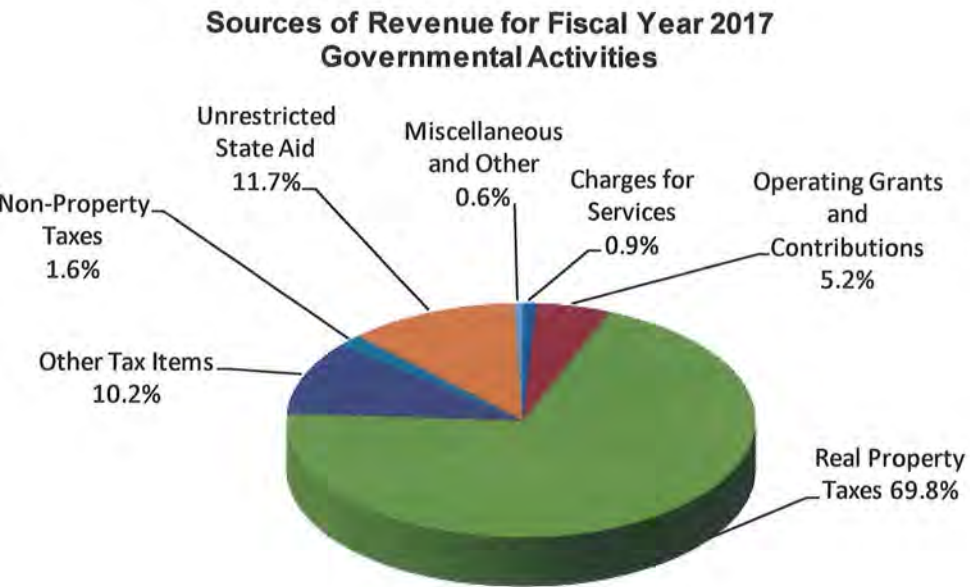
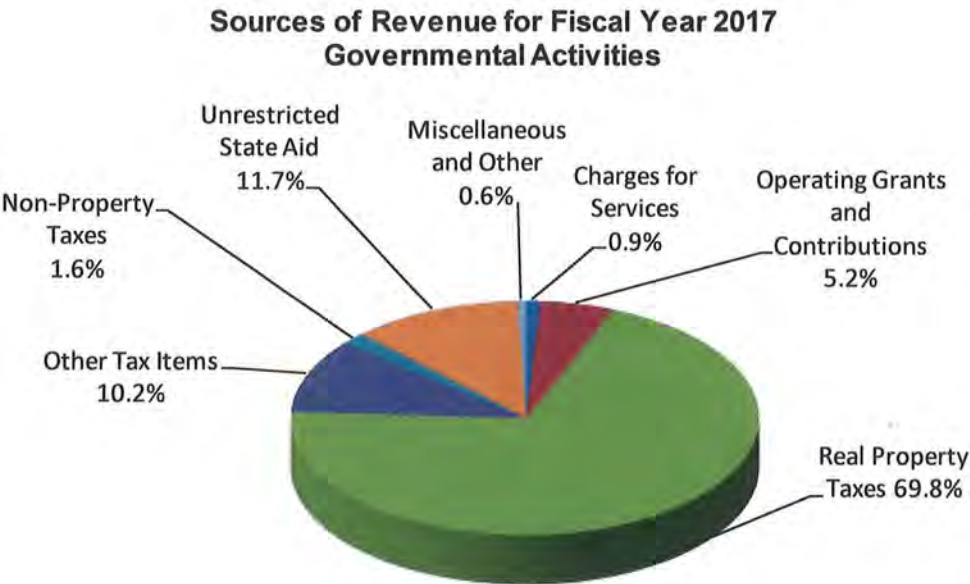
Revenues

- The School District's fiscal year 2017 revenues totaled \$86,674,053. Property and other taxes and State sources accounted for most of the School District's revenue representing 80.0% and 11.7%, respectively. The remainder came from other charges for services, operating grants, miscellaneous and use of money and property.
- Revenues increased 2.7% or \$2,277,742, primarily as a direct result of an increase in Other Tax Items (Payments in Lieu of Taxes) of \$1,371,095 and an increase in unrestricted state aid of \$680,770. The tax levy was under the maximum allowable tax levy limit associated with the New York State Real Property Tax Cap Legislation.

Expenses

- The School District's fiscal year 2017 expenses totaled \$87,688,709. These expenses (86.3%) are predominantly related to instruction and transporting students. The School District's administrative and business activities accounted for 13.7% of total costs.
- Instruction program expenses in the aggregate increased by \$5,983,721 or 9.4% from the prior year due in part to the implementation of GASB Statement No. 68.

As indicated on the graphs that follow, the School District relies upon real property taxes as its primary revenue source for Governmental Activities. The School District's instruction costs account for approximately 79.7% of its expenses.



Expenses for Fiscal Year 2017 Governmental Activities



Expenses for Fiscal Year 2016 Governmental Activities



Financial Analysis of the School 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 School 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.

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the School District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The GASB issued Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" in February 2009. The requirements of GASB Statement No. 54 became effective for the School District's fiscal period ending June 30, 2012. GASB Statement No. 54 abandoned the reserved and unreserved classifications of fund balance and replaced them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. As of the end of the current fiscal year, the School District's governmental funds reported combined fund balances of \$17,424,981, an increase of \$2,303,548 from the prior year. The composition of the combined fund balances are as follows:

Nonspendable	\$ 11,048
Restricted	10,970,550
Assigned	3,007,068
Unassigned	3,436,315

The definitions of the types of items included in each of these categories are included in Note 1 to the financial statements. A detailed chart of each of the individual amounts in each category is included in Note 3,H to the financial statements.

General Fund Budgetary Highlights

The General Fund is the primary operating fund of the School District. The adopted budget for fiscal year 2016-2017 of \$83,705,760 was increased by \$252,523 as a result of prior year encumbrances and \$8,045 for a budget amendment. During the fiscal year, appropriation transfers within the budget were made to address the operational needs of the School District. The final adjusted budget for the fiscal year ending June 30, 2017 was \$83,966,328.

Revenues exceeded the amount contained in the final budget by \$1,357,372 and savings of \$3,097,101 were derived on the expenditure side of the budget, thus creating a budgetary surplus of \$4,454,473 at June 30, 2017. The revenues were more than budgeted due to the timing of tax collections. The expenditure savings occurred as a result of favorable salary breakage across all functional areas, combined with lower than expected increases in the health insurance premiums which resulted in lower than expected employee benefit costs and savings realized by curtailing discretionary spending in all functional areas. Expenditures under budget were realized in General Support (\$582,903), Instruction (\$1,579,886) and Employee Benefits (\$909,612).

At the end of the current fiscal year, the total fund balance of the General Fund was \$16,952,080, of which \$3,436,315 was unassigned, representing 4.00% of the ensuing year's budget. As previously mentioned, New York State Law limits the amount of unassigned fund balance that can be retained to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget.

Capital Assets and Debt Administration

Capital Assets

By the end of 2017, the School District had invested \$12,923,770 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 change in capital assets, net of accumulated depreciation, is delineated below and provides comparative balances from the prior year.

Class	June 30, 2017	June 30, 2016
Land	\$ 239,225	\$ 239,225
Construction-in-Progress	80,342	-
Land Improvements	-	24,208
Buildings and Improvements	11,843,597	12,383,460
Machinery and Equipment	760,606	792,746
Total Capital Assets, net of accumulated depreciation	<u>\$ 12,923,770</u>	<u>\$ 13,439,639</u>

Long-Term Debt

The School District had general obligation and other long-term debt outstanding as follows:

	June 30, 2017	June 30, 2016
Bonds Payable	\$ 2,175,000	\$ 2,400,000
Installment Purchase Debt Payable	2,968,489	3,530,651
Claims Payable	1,811,928	3,330,985
Compensated Absences	6,470,661	6,165,229
Net Pension Liability	4,410,855	3,694,725
Other Post Employment Benefit Obligations Payable	44,772,714	40,016,330
	<u>\$ 62,609,647</u>	<u>\$ 59,137,920</u>

At June 30, 2017, the School District reported a liability of \$2,084,687 for its proportionate share of the net pension liability of ERS. The net pension liability was measured as of March 31, 2017. For TRS, the School District reported a liability of \$2,326,168 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability for ERS and TRS was determined by an actuarial valuation as of those respective dates.

More detailed information about the School District's long-term liabilities is presented in Note 3,E in the notes to financial statements.

Factors Bearing on the Future of District

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

- The voters of the School District approved the 2017-2018 budget for \$85,907,869. The School District plans on the use of \$2,475,000 of reserves for next year's budget.
- The national economy continues to have a negative impact on virtually every municipal budget. A result could be that State aid to the School District could be negatively impacted in amount and/or timing.
- The "Tax Levy Limitation Law" which was enacted on June 24, 2011 and extended through June 2020, 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.
- Significant increases in the cost of health insurance and contributions to the retirement systems continue to place a greater burden on the School District's finances. Contributions to the State Retirement Systems are one of the exemptions to the "Tax Levy Limitation Law".
- The School District is currently the only one in both Nassau and Suffolk Counties which must pay tax certiorari judgments directly to the taxpayers. In all other school districts, they are paid by the County. This is an unanticipated annual expenditure which places significant financial burden on the budget.

Contacting the District's Financial Management

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

Glen Cove City School District
District Offices
Attn: Assistant Superintendent for Business
Dosoris Lane
Glen Cove, New York 11542
(516) 759-7214

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Glen Cove City School District, New York

Statement of Net Position

June 30, 2017

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 21,328,371
Receivables	
Taxes	1,304,869
Accounts	69,224
State and Federal aid	2,841,281
Due from other governments	250,066
Inventories	11,048
Capital assets	
Not being depreciated	319,567
Being depreciated, net	12,604,203
Total Assets	<u>38,728,629</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>24,193,771</u>
LIABILITIES	
Accounts payable	514,358
Accrued liabilities	1,079,573
Due to other governments	956,492
Due to retirement systems	4,443,521
Unearned revenues	16,893
Accrued interest payable	56,304
Non-current liabilities	
Due within one year	2,318,966
Due in more than one year	60,290,681
Total Liabilities	<u>69,676,788</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,119,901</u>
NET POSITION	
Net investment in capital assets	7,780,281
Restricted	
Capital projects	211,718
Tax certiorari	5,531,786
Workers' compensation benefits	639,549
Unemployment benefits	110,323
Retirement system contributions	1,206,525
School lunch	209,747
Special purposes	86,741
Unrestricted	<u>(23,650,959)</u>
Total Net Position	<u><u>\$ (7,874,289)</u></u>

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

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Glen Cove City School District, New York

Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General support	\$ 10,315,704	\$ 25,601	\$ 38,347	\$ 27,629	\$ (10,224,127)
Instruction	69,853,421	274,427	3,345,515	-	(66,233,479)
Pupil transportation	5,824,981	-	136,254	-	(5,688,727)
Community services	21,211	12,950	-	-	(8,261)
Cost of food sales	1,511,389	461,977	960,260	-	(89,152)
Other	12,000	-	1,002	-	(10,998)
Interest	150,003	-	-	-	(150,003)
Total Governmental Activities	\$ 87,688,709	\$ 774,955	\$ 4,481,378	\$ 27,629	(82,404,747)
General revenues					
Real property taxes					60,524,954
Other tax items					
School tax relief reimbursement					5,252,082
Payments in lieu of taxes					3,334,276
Interest and penalties on real property taxes					217,059
Non-property taxes					
Non-property tax distribution from County					1,412,769
Unrestricted use of money and property					15,795
Sale of property and compensation for loss					84,546
Unrestricted State aid					10,161,064
Miscellaneous					387,546
Total General Revenues					81,390,091
Change in Net Position					(1,014,656)
Net Position - Beginning					(6,859,633)
Net Position - Ending					\$ (7,874,289)

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

Glen Cove City School District, New York

Balance Sheet
 Governmental Funds
 June 30, 2017

	General	Special Aid	Capital Projects
ASSETS			
Cash and equivalents	\$ 20,704,821	\$ 13,978	\$ 473,689
Receivables			
Taxes	1,304,869	-	-
Accounts	62,486	-	-
State and Federal aid	624,782	2,156,366	-
Due from other governments	250,066	-	-
Due from other funds	2,435,150	-	-
Inventories	-	-	-
Total Assets	<u>\$ 25,382,174</u>	<u>\$ 2,170,344</u>	<u>\$ 473,689</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 447,455	\$ 29,477	\$ 35,304
Accrued liabilities	1,038,170	344	-
Due to other governments	954,627	-	-
Due to other funds	868,302	1,432,608	261,972
Due to retirement systems	4,443,521	-	-
Unearned revenues	406	16,487	-
Total Liabilities	<u>7,752,481</u>	<u>1,478,916</u>	<u>297,276</u>
Deferred inflows of resources			
Unavailable revenues - State aid	-	691,428	-
Deferred tax revenues	677,613	-	-
Total Deferred Inflows of Resources	<u>677,613</u>	<u>691,428</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>8,430,094</u>	<u>2,170,344</u>	<u>297,276</u>
Fund balances			
Nonspendable	-	-	-
Restricted	10,707,396	-	176,413
Assigned	2,808,369	-	-
Unassigned	3,436,315	-	-
Total Fund Balances	<u>16,952,080</u>	<u>-</u>	<u>176,413</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 25,382,174</u>	<u>\$ 2,170,344</u>	<u>\$ 473,689</u>

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

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ 135,883	\$ 21,328,371
-	1,304,869
6,738	69,224
60,133	2,841,281
-	250,066
176,874	2,612,024
11,048	11,048
<u>\$ 390,676</u>	<u>\$ 28,416,883</u>

\$ 2,122	\$ 514,358
41,059	1,079,573
1,865	956,492
49,142	2,612,024
-	4,443,521
-	16,893
<u>94,188</u>	<u>9,622,861</u>

-	691,428
-	677,613

-	1,369,041
---	-----------

<u>94,188</u>	<u>10,991,902</u>
---------------	-------------------

11,048	11,048
86,741	10,970,550
198,699	3,007,068
-	3,436,315

<u>296,488</u>	<u>17,424,981</u>
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<u>\$ 390,676</u>	<u>\$ 28,416,883</u>
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Glen Cove City School District, New York

Reconciliation of Governmental Funds Balance Sheet to the District-Wide Statement of Net Position June 30, 2017

Fund Balances - Total Governmental Funds	\$ 17,424,981
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>12,923,770</u>
Governmental funds do not report the effect of liabilities related related to net pension liabilities whereas these amounts are deferred and amortized in the statement of activities. Deferred amounts on net pension liabilities	<u>23,073,870</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes	677,613
State aid	<u>691,428</u>
	<u>1,369,041</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(56,304)
Bonds payable	(2,175,000)
Installment purchase debt payable	(2,968,489)
Claims payable	(1,811,928)
Compensated absences	(6,470,661)
Net pension liability	(4,410,855)
Other post employment benefit obligations payable	<u>(44,772,714)</u>
	<u>(62,665,951)</u>
Net Position of Governmental Activities	<u>\$ (7,874,289)</u>

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

Glen Cove City School District, New York

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	General	Special Aid	Capital Projects
REVENUES			
Real property taxes	\$ 60,986,419	\$ -	\$ -
Other tax items	8,803,417	-	-
Non-property taxes	1,412,769	-	-
Charges for services	287,377	-	-
Use of money and property	79,743	-	-
Sale of property and compensation for loss	84,546	-	-
State aid	10,556,520	228,542	-
Federal aid	176,605	1,978,503	-
Food sales	-	-	-
Miscellaneous	398,781	-	27,629
Total Revenues	82,786,177	2,207,045	27,629
EXPENDITURES			
Current			
General support	9,126,645	-	-
Instruction	45,949,600	2,841,587	-
Pupil transportation	5,617,561	170,317	-
Community services	18,269	-	-
Employee benefits	17,674,611	-	-
Cost of food sales	-	-	-
Other	-	-	-
Debt service			
Principal	787,162	-	-
Interest	159,617	-	-
Capital outlay	-	-	300,374
Total Expenditures	79,333,465	3,011,904	300,374
Excess (Deficiency) of Revenues Over Expenditures	3,452,712	(804,859)	(272,745)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	804,859	397,534
Transfers out	(1,202,393)	-	-
Total Other Financing Sources (Uses)	(1,202,393)	804,859	397,534
Net Change in Fund Balances	2,250,319	-	124,789
FUND BALANCES			
Beginning of Year	14,701,761	-	51,624
End of Year	\$ 16,952,080	\$ -	\$ 176,413

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

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 60,986,419
-	8,803,417
-	1,412,769
-	287,377
1,097	80,840
-	84,546
27,458	10,812,520
932,707	3,087,815
355,911	355,911
106,066	532,476
<u>1,423,239</u>	<u>86,444,090</u>
-	9,126,645
-	48,791,187
-	5,787,878
-	18,269
-	17,674,611
1,482,799	1,482,799
12,000	12,000
-	787,162
-	159,617
-	300,374
<u>1,494,799</u>	<u>84,140,542</u>
<u>(71,560)</u>	<u>2,303,548</u>
-	1,202,393
-	<u>(1,202,393)</u>
-	-
<u>(71,560)</u>	<u>2,303,548</u>
<u>368,048</u>	<u>15,121,433</u>
<u>\$ 296,488</u>	<u>\$ 17,424,981</u>

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Glen Cove City School District, New York

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2017

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	\$ 2,303,548
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.	
Capital outlay expenditures	366,372
Depreciation expense	(882,241)
	(515,869)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes	(461,465)
State aid	691,428
	229,963
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal paid on serial bonds	225,000
Principal paid on installment purchase debt	562,162
	787,162
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.	
Accrued interest	9,614
Claims	1,519,057
Compensated absences	(305,432)
Pension liabilities	(286,315)
Other post employment benefit obligations	(4,756,384)
	(3,819,460)
Change in Net Position of Governmental Activities	\$ (1,014,656)

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

Glen Cove City School District, New York

Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual
General and Special Aid Funds
Year Ended June 30, 2017

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 60,517,247	\$ 60,517,247	\$ 60,986,419	\$ 469,172
Other tax items	8,459,713	8,459,713	8,803,417	343,704
Non-property taxes	1,300,000	1,300,000	1,412,769	112,769
Charges for services	145,000	145,000	287,377	142,377
Use of money and property	65,000	65,000	79,743	14,743
Sale of property and compensation for loss	-	-	84,546	84,546
State aid	10,757,300	10,757,300	10,556,520	(200,780)
Federal aid	111,500	111,500	176,605	65,105
Miscellaneous	65,000	73,045	398,781	325,736
Total Revenues	81,420,760	81,428,805	82,786,177	1,357,372
EXPENDITURES				
Current				
General support	9,998,851	9,998,520	9,126,645	871,875
Instruction	48,625,928	47,573,883	45,949,600	1,624,283
Pupil transportation	4,394,091	5,629,871	5,617,561	12,310
Community services	23,350	23,350	18,269	5,081
Employee benefits	19,386,455	18,584,223	17,674,611	909,612
Debt service				
Principal	772,441	787,163	787,162	1
Interest	157,837	159,617	159,617	-
Total Expenditures	83,358,953	82,756,627	79,333,465	3,423,162
Excess (Deficiency) of Revenues Over Expenditures	(1,938,193)	(1,327,822)	3,452,712	4,780,534
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(599,330)	(1,209,701)	(1,202,393)	7,308
Total Other Financing Sources (Uses)	(599,330)	(1,209,701)	(1,202,393)	7,308
Net Change in Fund Balances	(2,537,523)	(2,537,523)	2,250,319	4,787,842
FUND BALANCES				
Beginning of Year	2,537,523	2,537,523	14,701,761	12,164,238
End of Year	\$ -	\$ -	\$ 16,952,080	\$ 16,952,080

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

Special Aid Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
496,715	496,715	228,542	(268,173)
2,476,748	2,476,748	1,978,503	(498,245)
-	-	-	-
2,973,463	2,973,463	2,207,045	(766,418)
-	-	-	-
2,968,146	3,608,005	2,841,587	766,418
170,317	170,317	170,317	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,138,463	3,778,322	3,011,904	766,418
(165,000)	(804,859)	(804,859)	-
165,000	804,859	804,859	-
-	-	-	-
165,000	804,859	804,859	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Glen Cove City School District, New York

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2017

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 57,245
Accounts receivable	<u>17,932</u>
 Total Assets	 <u><u>\$ 75,177</u></u>
 LIABILITIES	
Accounts payable	\$ 4,962
Employee payroll deductions	177
Student activity funds	<u>70,038</u>
 Total Liabilities	 <u><u>\$ 75,177</u></u>

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

Note 1 - Summary of Significant Accounting Policies

The Glen Cove City School District, New York ("School District"), operates in accordance with the provisions of the Education Law of the State of New York. The Board of Education is the legislative body responsible for overall operation of the School District and is elected by the voters of the School District. The Superintendent serves as the chief executive officer. The School District's primary function is to provide education for its pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

The accounting policies of the School District conform to generally accepted accounting principles for local governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the School District's more significant accounting policies:

A. Financial Reporting Entity

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

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the School District's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

The School District participates in the Nassau County Board of Cooperative Educational Services ("BOCES"), a jointly governed entity. BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs, which provide educational and support services. There is no authority or process by which a school district can terminate its status as a BOCES Component. BOCES' governing board is elected based on the vote of members of the participating districts' governing boards. BOCES' budget is comprised of separate budgets for administrative, program and capital costs. BOCES charges the districts for program costs based on participation and for administrative and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school enrollment as defined in Education Law. Copies of BOCES' financial statements can be requested from Nassau County BOCES, 71 Clinton Road, Garden City, New York 11530.

B. District-Wide Financial Statements

The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the School District as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Statement of Net Position presents the financial position of the School District at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The School District does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

C. Fund Financial Statements

The accounts of the School District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The School District maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the district-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explain the adjustments necessary to transform the fund based financial statements into the governmental activities column of the district-wide presentation. The School District's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following represents the School District's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditure for specified purposes other than debt service or capital

Note 1 - Summary of Significant Accounting Policies (Continued)

projects. The major special revenue fund of the School District is the Special Aid Fund. The Special Aid Fund is used to account for special projects or programs supported in whole or in part with Federal or State funds.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

The School District also reports the following non-major governmental funds:

Special Revenue Funds:

School Lunch Fund - The School Lunch Fund is used to record the operations of the breakfast and lunch programs of the School District.

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the School District in accordance with the terms of a trust agreement.

- b. Fiduciary Fund (Not Included in District-Wide Financial Statements) - Fiduciary Funds are used to account for assets held by the School District in an agency capacity on behalf of others. Among the activities included in the Agency Fund are the student activity funds. The Agency Fund is also utilized to account for payroll tax withholdings that are payable to other jurisdictions.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The 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 (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are recognized as revenues when the expenditure is made. A ninety day

Note 1 - Summary of Significant Accounting Policies (Continued)

availability period is generally used for revenue recognition for most other governmental fund revenues. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, certain claims, net pension liability and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The School District follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The School District does not have a formal investment policy that limits investment maturities as a means of managing its

Note 1 - Summary of Significant Accounting Policies (Continued)

exposure to fair value losses arising from changing interest rates. Generally, the School District does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2017.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The School District does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The School District's investment policy limits the amount on deposit at each of its banking institutions.

Taxes Receivable - Real property taxes attach as an enforceable lien on real property as of July 1st. Taxes are collected during the period August 1 to June 30. The City of Glen Cove, New York ("City") is responsible for the billing and collection of the taxes. The City guarantees the full payment of the School District warrant and assumes responsibility for the uncollected taxes. The taxes receivable amount of \$1,304,869 is generally paid to the School District no later than December 31st.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the School District. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the School District has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories - Inventories in the School Lunch Fund consist of food and supplies and are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at a stated value which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased. The School District uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by a reservation of fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant and equipment of the School District are depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Land Improvements	20
Buildings and Improvements	30-50
Machinery and Equipment	5-20

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the district-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has reported unearned revenues of \$406 for miscellaneous revenue collected in advance in the General Fund and \$16,487 for grants received in advance in the Special Aid Fund.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The School District has reported deferred inflows of resources of \$677,613 for real property taxes in the General Fund and \$691,428 for State aid in the Special Aid Fund. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 1 - Summary of Significant Accounting Policies (Continued)

The School District also reports deferred outflows of resources and deferred inflows of resources in relation to its pension obligations. These amounts are detailed in the discussion of the School District's pension plans in Note 3E.

Long-Term Liabilities - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects or Debt Service funds expenditures.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation from service. The liability for such accumulated leave is reflected in the district-wide Statement of Net Position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

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

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets, restricted for capital projects, tax certiorari, workers' compensation benefits, unemployment benefits, retirement system contributions, school lunch and special purposes. The balance is classified as unrestricted.

Fund Balance - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they

Note 1 - Summary of Significant Accounting Policies (Continued)

are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law of the State of New York.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The Board of Education is the highest level of decision making authority for the School that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board of Education.

Assigned fund balance, in the General Fund, represents amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order: committed, assigned, and unassigned.

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General and Special Aid funds. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 4, 2017.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The School District generally follows the procedures enumerated below in establishing the budgetary data reflected in the fund financial statements:

- a) At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- b) At the budget hearing, the voters may raise questions concerning the items contained in the budget.
- c) The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- d) The voters are permitted to vote upon the General Fund budget at the annual meeting.
- e) If the original proposed budget is not approved by the voters, the Board of Education has the option of either resubmitting the original or revising the budget for voter approval at a special meeting held at a later date; or the Board of Education may, at that point, adopt a contingency budget. If the Board of Education decides to submit either the original or a revised budget to the voters

Note 2 - Stewardship, Compliance and Accountability (Continued)

for a second time, and the voters do not approve the second budget submittal, the Board of Education must adopt a contingency budget and the tax levy cannot exceed the total tax levy of the prior year (0% levy growth). In addition, the administrative component of the contingency budget shall not comprise a greater percentage of the contingency budget exclusive of the capital component than the lesser of either 1) the percentage the administrative component had comprised in the prior year budget exclusive of the capital component; or 2) the percentage the administrative component had comprised in the last proposed defeated budget exclusive of the capital component.

- f) Formal budgetary integration is employed during the year as a management control device for General and Special Aid funds.
- g) Budgets for General and Special Aid funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the School Lunch and Special Purpose funds.
- h) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in General and Special Aid funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board of Education.

B. Limitation on Fund Balance

The School District is limited to the amount of committed, assigned and unassigned fund balance, with certain exceptions, that can be retained. New York State law limits this amount to 4% of the ensuing year's budget.

C. Property Tax Limitation

The School District is not limited as to the maximum amount of real property taxes which may be raised. However, on June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This law applies to all local governments, including school districts.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a School District in a particular year. The original legislation that established the Tax levy Limitation Law was set to expire on June 16, 2016. Chapter 20 of the Laws of 2015 extends the Tax Levy Limitation Law through June 2020.

Note 2 - Stewardship, Compliance and Accountability (Continued)

Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of two percent or the annual increase in the consumer price index. Certain adjustments would be permitted as defined by Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation only if the budget is approved by at least 60% of the vote. There are certain exemptions to the tax levy limitation, such as expenditures made on account of certain tort settlements and certain increases in the actuarial contribution rates of the various public employee retirement systems.

D. Capital Project Deficits

The deficits in various individual capital projects arise because of expenditures exceeding current financing on the project. These deficits will be eliminated with the subsequent receipt or issuance of authorized financing.

Note 3 - Detailed Notes on All Funds

A. Taxes Receivable

Taxes receivable at June 30, 2017 consisted of the following:

Current Year Taxes	<u>\$ 1,304,869</u>
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Taxes receivable are offset in the fund financial statements by deferred tax revenues of \$677,613, which represents taxes receivable which are not collected within the first sixty days of the subsequent year.

B. Due From/To Other Funds

The composition of interfund balances at June 30, 2017 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 2,435,150	\$ 868,302
Special Aid	-	1,432,608
Capital Projects	-	261,972
Non-Major Governmental	176,874	49,142
	<u>\$ 2,612,024</u>	<u>\$ 2,612,024</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

Glen Cove City School District, New York

Notes to Financial Statements (Continued)
June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

C. Capital Assets

Changes in the School District's capital assets are as follows:

Class	Balance July 1, 2016	Additions	Balance June 30, 2017
Capital Assets, not being depreciated:			
Land	\$ 239,225	\$ -	\$ 239,225
Construction-in-Progress	-	80,342	80,342
Total Capital Assets, not being depreciated	<u>\$ 239,225</u>	<u>\$ 80,342</u>	<u>\$ 319,567</u>
Capital Assets, being depreciated:			
Land Improvements	\$ 882,273	\$ -	\$ 882,273
Buildings and Improvements	29,333,882	220,032	29,553,914
Machinery and Equipment	3,175,939	65,998	3,241,937
Total Capital Assets, being depreciated	<u>33,392,094</u>	<u>286,030</u>	<u>33,678,124</u>
Less Accumulated Depreciation for:			
Land Improvements	858,065	24,208	882,273
Buildings and Improvements	16,950,422	759,895	17,710,317
Machinery and Equipment	2,383,193	98,138	2,481,331
Total Accumulated Depreciation	<u>20,191,680</u>	<u>882,241</u>	<u>21,073,921</u>
Total Capital Assets, being Depreciated, net	<u>\$ 13,200,414</u>	<u>\$ (596,211)</u>	<u>\$ 12,604,203</u>
Capital Assets, net	<u>\$ 13,439,639</u>	<u>\$ (515,869)</u>	<u>\$ 12,923,770</u>

Depreciation expense was charged to School District functions and programs as follows:

General Support	\$ 89,997
Instruction	762,913
Pupil Transportation	741
Cost of Food Sales	<u>28,590</u>
Total Depreciation Expense	<u>\$ 882,241</u>

D. Accrued Liabilities

Accrued liabilities at June 30, 2017 were as follows:

	General Fund	Special Aid Fund	Non-Major Governmental Funds	Total
Payroll and Employee Benefits	<u>\$ 1,038,170</u>	<u>\$ 344</u>	<u>\$ 41,059</u>	<u>\$ 1,079,573</u>

Note 3 - Detailed Notes on All Funds (Continued)**E. Long-Term Liabilities**

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2017:

	Balance July 1, 2016	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2017	Due Within One-Year
Bonds Payable	\$ 2,400,000	\$ -	\$ 225,000	\$ 2,175,000	\$ 225,000
Other Non-current Liabilities:					
Installment Purchase Debt Payable	3,530,651	-	562,162	2,968,489	576,211
Claims Payable	3,330,985	741,617	2,260,674	1,811,928	870,755
Compensated Absences	6,165,229	922,432	617,000	6,470,661	647,000
Net Pension Liability	3,694,725	716,130	-	4,410,855	-
Other Post Employment Benefit Obligations Payable	40,016,330	8,310,004	3,553,620	44,772,714	-
Total Non-current Liabilities	56,737,920	10,690,183	6,993,456	60,434,647	2,093,966
Total Long-Term Liabilities	\$ 59,137,920	\$ 10,690,183	\$ 7,218,456	\$ 62,609,647	\$ 2,318,966

The School District's indebtedness for bonds, installment purchase debt, claims, compensated absences, net pension liability and other post employment benefit obligations is satisfied by the General Fund.

Bonds Payable

Bonds payable at June 30, 2017 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2017
Serial Bonds	2010	\$ 3,456,250	May 2026	2.5 - 3.375 %	\$ 2,175,000

Interest expenditures of \$72,563 were recorded in the fund financial statements in the General Fund. Interest expense of \$71,860 was recorded in the district-wide financial statements.

Installment Purchase Debt Payable

The School District, in 2012, entered into a lease agreement for the acquisition of certain equipment. The terms of the agreement provide for the repayment of the principal amount of \$5,621,161 in ten annual installments of \$632,715, including interest at 2.44%. The balance due at June 30, 2017 was \$2,944,388.

The School District, in 2014, entered into a lease agreement for the acquisition of a utility truck. The terms of the agreement provide for the repayment of the principal amount of \$33,832 in five annual installments of \$7,414, including interest at 4.59%. The balance due at June 30, 2017 was \$7,075.

Note 3 - Detailed Notes on All Funds (Continued)

The School District, in 2015, entered into a lease agreement for the acquisition of a plow truck. The terms of the agreement provide for the repayment of the principal amount of \$41,714 in five annual installments of \$9,088, including interest at 4.47%. The balance due at June 30, 2017 was \$17,026.

Interest expenditures of \$87,054 were recorded in the fund financial statements in the General Fund. Interest expense of \$78,143 was recorded in the district-wide financial statements.

Payments to Maturity

The annual requirements to amortize all outstanding bonded and installment purchase debt as of June 30, 2017 including interest payments of \$574,737 are as follows:

Year Ending June 30,	Bonds		Installment Purchase Debt	
	Principal	Interest	Principal	Interest
2018	\$ 225,000	\$ 66,937	\$ 576,211	\$ 73,005
2019	225,000	61,313	583,203	58,599
2020	225,000	54,562	588,535	44,180
2021	250,000	47,813	602,908	29,807
2022	250,000	40,313	617,632	15,083
2023-2026	1,000,000	83,125	-	-
	<u>\$ 2,175,000</u>	<u>\$ 354,063</u>	<u>\$ 2,968,489</u>	<u>\$ 220,674</u>

Year Ending June 30,	Total	
	Principal	Interest
2018	\$ 801,211	\$ 139,942
2019	808,203	119,912
2020	813,535	98,742
2021	852,908	77,620
2022	867,632	55,396
2023-2026	1,000,000	83,125
	<u>\$ 5,143,489</u>	<u>\$ 574,737</u>

The above general obligation bonds and installment purchase debt are direct obligations of the School District for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the School District.

Claims Payable

The district-wide financial statement reflects workers' compensation benefit liabilities, which are based upon estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported (IBNR's). The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims

Note 3 - Detailed Notes on All Funds (Continued)

liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and other factors that are considered to be appropriate modifiers of past experience.

An analysis of unpaid claim liabilities is as follows:

	2017	2016
Unpaid Claims - Beginning of Year	\$ 963,703	\$ 893,685
Incurred Claims including IBNR's	180,860	364,347
Claims Paid	<u>(249,026)</u>	<u>(294,329)</u>
Unpaid Claims - End of Year	<u>\$ 895,537</u>	<u>\$ 963,703</u>
Due within One Year	<u>\$ 90,000</u>	<u>\$ 96,000</u>

This amount has been recorded as an expense and liability in the district-wide financial statements. Claims payable also includes a liability of \$916,391 for court ordered tax certiorari refunds, which were not due and payable at year-end. These amounts have been recorded as an expense in the district-wide financial statements. The portion of tax certiorari due and payable within one year is \$780,755.

Compensated Absences

Under the terms of existing collective bargaining agreements, the School District is required to compensate certain employees for accumulated sick leave. For these employees to receive reimbursement, they must be eligible for retirement, and must give notice pursuant to contract provisions. Clerical, custodial employees and administrators are granted vacation in varying amounts, based primarily on length of service and service position. These benefits may be forfeited if not taken within the varying time periods. The value of the compensated absences is calculated based on pay rates in effect at year-end has been reflected in the district-wide financial statements.

Pension Plans*Employees' Retirement System*

The School District participates in the New York State and Local Employees' Retirement System ("ERS"). This is a cost-sharing, multiple-employer defined benefit pension plan. ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan, which

Note 3 - Detailed Notes on All Funds (Continued)

provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The ERS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31. Contribution rates for the plan's year ending in 2017 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
1 75I	20.9%
2 75I	19.0
3 A14	16.1
4 A15	16.1
5 A15	13.2
6 A15	9.4

At June 30, 2017, the School District reported a liability of \$2,084,687 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. At June 30, 2017, the School District's proportion was .0221864% which was a decrease of .0008333% from its proportion measured as of March 31, 2016.

For the year ended June 30, 2017, the School District recognized pension expense in the district-wide financial statements of \$1,227,834. Pension expenditures of \$922,526 were recorded in the fund financial statements and were charged to the General Fund. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 52,240	\$ 316,572
Changes of assumptions	712,205	-
Net difference between projected and actual earnings on pension plan investments	416,396	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	122,744	47,659
School District contributions subsequent to the measurement date	234,669	-
	<u>\$ 1,538,254</u>	<u>\$ 364,231</u>

Note 3 - Detailed Notes on All Funds (Continued)

\$234,669 reported as deferred outflows of resources related to ERS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the ERS will be recognized in pension expense as follows:

Year Ended March 31,	
2018	\$ 428,270
2019	428,270
2020	358,815
2021	(276,001)

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. Significant actuarial assumptions used in the April 1, 2016 valuation were as follows:

Inflation	2.5%
Salary scale	3.8%, indexed by service
Investment rate of return	7.0%, compounded annually, net of Investment expenses, including inflation
Cost of living adjustments	1.3% annually

Annuitant mortality rates are based on the April 1, 2010 - March 31, 2015 ERS's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study of the period April 1, 2010 - March 31, 2015.

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

Note 3 - Detailed Notes on All Funds (Continued)

Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	4.55 %
International Equity	14	6.35
Private Equity	10	7.75
Real Estate	10	5.80
Absolute Return Strategies	2	4.00
Opportunistic Portfolio	3	5.89
Real Assets	3	5.54
Bonds and Mortgages	17	1.31
Cash	1	(0.25)
Inflation Indexed Bonds	4	1.50
	<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.5%.

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension liability (asset)	<u>\$ 6,658,077</u>	<u>\$ 2,084,687</u>	<u>\$ (1,782,106)</u>

Note 3 - Detailed Notes on All Funds (Continued)

The components of the current year net pension liability of ERS as of the March 31, 2017 measurement date were as follows:

Total pension liability	\$ 177,400,586,000
ERS fiduciary net position	<u>168,004,363,000</u>
Employers' net pension liability	<u>\$ 9,396,223,000</u>
ERS fiduciary net position as a percentage of total pension liability	<u>94.7%</u>

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Accrued retirement contributions to ERS as of June 30, 2017 were \$234,669.

Teachers' Retirement System

The School District participates in the New York State Teachers' Retirement System ("TRS"). This is a cost-sharing, multiple-employer defined benefit pension plan. TRS provides retirement benefits as well as death and disability benefits. The TRS is governed by a ten member Board of Trustees, which sets policy and oversees operations consistent with its fiduciary obligations under applicable law. Obligations of employers and employees to contribute and benefits to employees are governed by the Education Law of the State of New York. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The TRS issues a stand-alone financial report which may be found at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

The TRS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% depending on salary levels for their entire length of service. Pursuant to Article 11 of the Education Law of the State of New York, actuarially determined employer contributions are established annually for the TRS by its Board of Trustees. The employer contribution rate for the plan's year ending in 2017 was 11.72%.

At June 30, 2017, the School District reported a liability of \$2,326,168 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's contributions to the pension plan relative to the contributions of all participating members. At June 30, 2016, the School District's proportion was .217187%, which was a decrease of .001402% from its proportion measured as of June 30, 2015.

Note 3 - Detailed Notes on All Funds (Continued)

For the year ended June 30, 2017, the School District recognized pension expense in the district-wide financial statements of \$4,021,399. Pension expenditures of \$4,040,392 were recorded in the fund financial statements and were charged to the General Fund. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 755,670
Changes of assumptions	13,251,337	-
Net difference between projected and actual earnings on pension plan investments	5,230,450	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	167,006	-
School District contributions subsequent to the measurement date	4,006,724	-
	<u>\$ 22,655,517</u>	<u>\$ 755,670</u>

\$4,006,724 reported as deferred outflows of resources related to TRS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TRS will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ 1,642,599
2018	1,642,599
2019	5,704,711
2020	4,440,870
2021	2,050,082
Thereafter	2,412,262

The total pension liability for the June 30, 2016 measurement date was determined by using an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation	2.5%
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent TRS member experience.

Note 3 - Detailed Notes on All Funds (Continued)

	<u>Service</u>	<u>Rate</u>
	5	4.72 %
	15	3.46
	25	2.37
	35	1.90
Projected COLAs	1.5% compounded annually	
Investment rate of return	7.5% compounded annually, net of pension plan investment expense, including inflation	

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generation basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice ("ASOP") No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of the valuation date of June 30, 2015 is summarized in the following table:

Asset Class:	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Equities:		
Domestic equities	37 %	6.10 %
International equities	18	7.30
Real estate	10	5.40
Private equities	7	9.20
Total Equities	72	
Fixed Income:		
Domestic fixed income securities	17	1.00
Global fixed income securities	2	0.80
Mortgages	8	3.10
Short-term	1	0.10
Total Fixed Income	28	
Total	100 %	

* Real rates of return are net of the long-term inflation assumption of 2.1% for 2015.

Note 3 - Detailed Notes on All Funds (Continued)

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, TRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability (asset)	<u>\$ 30,350,155</u>	<u>\$ 2,326,168</u>	<u>\$ (21,178,882)</u>

The components of the collective net pension liability of TRS as of the June 30, 2016 measurement date were as follows:

Total pension liability	\$ 108,577,184,039
TRS fiduciary net position	<u>107,506,142,099</u>
Employers' net pension liability	<u>\$ 1,071,041,940</u>
TRS fiduciary net position as a percentage of total pension liability	<u>99.01%</u>

Employer and employee contributions for the year ended June 30, 2017 are paid to TRS in the following fiscal year through a state aid intercept or, if state aid is insufficient, through a payment by the School District to TRS. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employers' contribution rate plus employee contributions for the fiscal year as reported to TRS. Accrued retirement contributions to TRS as of June 30, 2017 were \$4,208,852.

Voluntary Defined Contribution Plan

The School District can offer a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending upon salary and the School District will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in the program.

Note 3 - Detailed Notes on All Funds (Continued)**Other Post Employment Benefit Obligations**

The School District provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the School District may vary according to length of service. The cost of providing post-employment health care benefits is shared between the School District and the retired employee. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. The cost of retiree health care benefits is recognized as an expenditure/expense as claims are paid.

The School District's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The School District is required to accrue on the district-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in post retirement benefits are as follows:

<u>Year Ended June 30,</u>	<u>Assumed Increase</u>
2017	6.75 %
2018	6.25
2019	5.75
2020	5.50
2021	5.25
2022	5.00
2023+	4.75

Glen Cove City School District, New York

Notes to Financial Statements (Continued)
 June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

The amortization basis is the level percentage of payroll basis with an open amortization approach over 30 years. The actuarial assumptions include a 3.5% investment rate of return and a 2.75% inflation and annual payroll growth rate. The School District currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the unit credit method.

The number of participants as of June 30, 2017 was as follows:

Active Employees	474
Retired Employees and Surviving Spouses	<u>347</u>
Total	<u>821</u>

Amortization Component:	
Actuarial Accrued Liability as of July 1, 2016	\$ 103,612,367
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 103,612,367</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (active plan members)	<u>\$ 33,900,000</u>
UAAL as a Percentage of Covered Payroll	<u>305.64%</u>
Annual Required Contribution	\$ 9,079,618
Interest on Net OPEB Obligation	1,390,535
Adjustment to Annual Required Contribution	<u>(2,160,149)</u>
Annual OPEB Cost	8,310,004
Contributions Made	<u>(3,266,848)</u>
Increase in Net OPEB Obligation	5,043,156
One-Time Prior Year Adjustment	(286,772) *
Net OPEB Obligation - Beginning of Year	<u>40,016,330</u>
Net OPEB Obligation - End of Year	<u>\$ 44,772,714</u>

*Adjustment represents the difference in the premium payments that were made and the premium payments that were reported on the financial statements.

Note 3 - Detailed Notes on All Funds (Continued)

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding years is as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 8,310,004	39.3 %	\$ 44,772,714
2016	8,040,238	35.8	40,016,330
2015	8,634,676	40.9	34,855,644

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

F. Revenues and Expenditures

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without equivalent flows of assets in return. The interfund transfers reflected below have been reported as transfers.

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Total</u>
	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	
General Fund	<u>\$ 804,859</u>	<u>\$ 397,534</u>	<u>\$ 1,202,393</u>

Transfers are used to move amounts earmarked in the operating funds to fulfill commitments for Special Aid and Capital Projects fund expenditures.

G. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Capital Projects - the component of net position that reports the amounts restricted for capital projects, exclusive of unexpended bond proceeds and unrestricted interest earnings.

Restricted for Tax Certiorari - the component of net position that has been established in accordance with the Education Law of the State of New York to provide funding for court ordered tax refunds which are currently in process.

Note 3 - Detailed Notes on All Funds (Continued)

Restricted for Workers' Compensation Benefits - the component of net position that has been established to set aside funds to be used for a specific purpose in accordance with Section 6-j of the General Municipal Law of the State of New York.

Restricted for Unemployment Benefits - the component of net position that has been established to set aside funds to be used for a specific purpose in accordance with Section 6-m of the General Municipal Law of the State of New York.

Restricted for Retirement System Contributions - the component of net position that has been established in accordance with Section 6-r of the General Municipal Law of the State of New York to fund employee retirement contributions to the New York State Employees' Retirement System.

Restricted for School Lunch - the component of net position that reports the difference between assets and liabilities in the School Lunch Fund.

Restricted for Special Purposes - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by either external parties and/or statute.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Glen Cove School District, New York

Notes to Financial Statements (Continued)
June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

H. Fund Balances

	2017				2016			
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Nonspendable								
Inventories	\$ -	\$ -	\$ 11,048	\$ 11,048	\$ -	\$ -	\$ 14,252	\$ 14,252
Restricted								
Tax certiorari	6,448,177	-	-	6,448,177	4,848,490	-	-	4,848,490
Workers' compensation benefits	1,535,086	-	-	1,535,086	1,368,626	-	-	1,368,626
Employee benefit accrued liability	1,407,285	-	-	1,407,285	1,002,922	-	-	1,002,922
Unemployment benefits	110,323	-	-	110,323	94,910	-	-	94,910
Retirement system contributions	1,206,525	-	-	1,206,525	1,500,000	-	-	1,500,000
Capital projects	-	176,413	-	176,413	-	51,624	-	51,624
Special purposes	-	-	86,741	86,741	-	-	97,739	97,739
Total Restricted	10,707,396	176,413	86,741	10,970,550	8,814,948	51,624	97,739	8,964,311
Assigned								
Purchases on order								
General government support	288,972	-	-	288,972	212,602	-	-	212,602
Instruction	44,397	-	-	44,397	39,921	-	-	39,921
	333,369	-	-	333,369	252,523	-	-	252,523
Subsequent year's expenditures from:								
Tax certiorari restriction	1,150,000	-	-	1,150,000	2,000,000	-	-	2,000,000
Workers' compensation benefits restriction	200,000	-	-	200,000	250,000	-	-	250,000
Employee benefit accrued liability restriction	350,000	-	-	350,000	-	-	-	-
Unemployment benefits restriction	25,000	-	-	25,000	35,000	-	-	35,000
Retirement system contributions restriction	750,000	-	-	750,000	-	-	-	-
	2,475,000	-	-	2,475,000	2,285,000	-	-	2,285,000
School Lunch Fund	-	-	198,699	198,699	-	-	256,057	256,057
Total Assigned	2,808,369	-	198,699	3,007,068	4,822,523	-	256,057	5,078,580
Unassigned	3,436,315	-	-	3,436,315	1,064,290	-	-	1,064,290
Total Fund Balances	\$ 16,952,080	\$ 176,413	\$ 296,488	\$ 17,424,981	\$ 14,701,761	\$ 51,624	\$ 368,048	\$ 15,121,433

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. Those additional elements, which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet are described below.

Inventories in the School Lunch Fund have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditure because the asset is in the form of commodities and the School District anticipates utilizing them in the normal course of operations.

Employee Benefit Accrued Liability - the component of fund balance that has been restricted pursuant to Section 6-r of the General Municipal Law of the State of New York to provide funds for the payment of unused sick time and other forms of payment for accrued leave time granted upon termination or separation from service.

Purchases on order are assigned and represent the School District's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Subsequent year's expenditures represent that at June 30, 2017, the Board of Education has assigned the above amounts to be appropriated for the ensuing year's budget.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or assigned.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

The School District, in common with other School District's, receives numerous notices of claims for monetary damages arising from property damage or personal injury. Of all the claims currently pending, none are expected to have a material effect on the School District's financial position if adversely affected.

B. Contingencies

The School District participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Uniform Guidance. Accordingly, the School District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

The School District is subject to audits of State aid by the New York State Education Department. The amount of aid previously paid to the School District which may be disallowed cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)**C. Risk Management**

The School District is exposed to various risks of loss. The School District purchases various insurance coverages from independent third parties to reduce its exposure to loss. In addition to other coverages, the School District maintains commercial general liability insurance coverage with policy limits of \$1 million per occurrence. The School District also maintains school board legal and employment practices liability coverage for school board members and employees up to \$1 million per claim and \$3 million in the aggregate and an excess catastrophe liability policy (umbrella) with a limit of \$15 million per occurrence/claim. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District participates in the New York Schools Insurance Reciprocal (NYSIR), a not-for-profit municipally owned insurance company, for its School District property and liability insurance coverage. NYSIR is a New York State licensed and filed insurance company that exclusively insures its member New York public school districts and BOCES'. The School District has essentially transferred its property and liability risk to the reciprocal pool.

The School District has established a self-insured plan for risks associated with workers' compensation claims. The workers' compensation claims are covered up to statutory limits. Insurance coverage has been secured for losses in excess of \$500,000 up to statutory limits. 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. Liabilities include provisions for claims reported and claims incurred but not reported.

Note 5 - Tax Abatement

The School District has 8 real property tax abatement agreements with housing development and redevelopment companies organized pursuant to Article V or Article XI of the Private Housing Finance Law of the State of New York ("PHFL") for the purpose of creating or preserving affordable housing in the School District.

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes ("PILOT") and continue until the property no longer provides the required affordable housing or no longer complies with the requirements of the PHFL.

Copies of the agreements may be obtained from the School District. Information relevant to disclosure of these agreements for the fiscal year ended June 30, 2017 is as follows:

Start Date	Agreement	Taxable Assessed Value	Tax Rate	Tax Value	PILOT Received	Taxes Abated
11/1/2001	Avalon I	\$ 47,887,000	\$ 4.429	\$ 2,120,915	\$ 1,038,198	\$ 1,082,717
9/1/2005	Avalon II	16,698,500	4.429	739,577	423,551	316,026
8/17/2011	Men on the Move	3,950,000	4.429	174,946	133,408	41,538
12/20/2011	Fair Housing	8,017,000	1.451	116,327	28,650	87,677
12/27/2013	Movie Theatre	2,357,853	4.429	104,429	40,448	63,981
1/1/2015	Long Island Power Authority	39,803,595	4.429	1,762,901	1,416,579	346,322
4/19/2016	The Regency	7,837,000	4.429	347,101	226,009	121,092
12/1/2016	Samuel Pierce Apartments	5,929,300	4.429	262,609	27,433	235,176
		<u>\$ 132,480,248</u>		<u>\$ 5,628,804</u>	<u>\$ 3,334,276</u>	<u>\$ 2,294,528</u>

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Glen Cove City School District, New York

Required Supplementary Information - Schedule of Funding Progress

Other Post Employment Benefits

Last Three Fiscal Years

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2014	\$ -	\$ 99,865,349	\$ 99,865,349	- %	\$ 36,682,038	272.25 %
July 1, 2015	-	100,025,719	100,025,719	-	33,900,000	295.06
July 1, 2016	-	103,612,367	103,612,367	-	33,900,000	305.64

See independent auditors' report.

Glen Cove City School District, New York

Required Supplementary Information - Schedule of the
School District's Proportionate Share of the Net Pension Liability (Asset)
New York State Teachers' Retirement System
Last Ten Fiscal Years (1)

	2017 (2)	2016	2015
School District's proportion of the net pension liability (asset)	<u>0.217187%</u>	<u>0.218589%</u>	<u>0.221498%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 2,326,168</u>	<u>\$ (22,704,389)</u>	<u>\$ (24,673,535)</u>
School District's covered payroll	<u>\$ 34,406,892</u>	<u>\$ 32,834,973</u>	<u>\$ 32,506,623</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>6.76%</u>	<u>(69.15)%</u>	<u>(75.90)%</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	<u>99.01%</u>	<u>110.46%</u>	<u>111.48%</u>

Note - The amounts presented for each fiscal year were determined as of the June 30 measurement date of the prior fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) 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.

Glen Cove City School District, New York**Required Supplementary Information - Schedule of Contributions
New York State Teachers' Retirement System
Last Ten Fiscal Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,006,724	\$ 4,562,354	\$ 5,755,971
Contributions in relation to the contractually required contribution	<u>(4,006,724)</u>	<u>(4,562,354)</u>	<u>(5,755,971)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 34,187,065</u>	<u>\$ 34,406,892</u>	<u>\$ 32,834,973</u>
Contributions as a percentage of covered payroll	<u>11.72%</u>	<u>13.26%</u>	<u>17.53%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Glen Cove City School District, New York

Required Supplementary Information - Schedule of the
School District's Proportionate Share of the Net Pension Liability
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	2017	2016 (2)	2015
School District's proportion of the net pension liability	<u>0.0221864%</u>	<u>0.0230197%</u>	<u>0.0242949%</u>
School District's proportionate share of the net pension liability	<u>\$ 2,084,687</u>	<u>\$ 3,694,725</u>	<u>\$ 820,741</u>
School District's covered payroll	<u>\$ 6,181,669</u>	<u>\$ 6,155,611</u>	<u>\$ 6,221,449</u>
School District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>33.72%</u>	<u>60.02%</u>	<u>13.19%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>94.70%</u>	<u>90.70%</u>	<u>97.90%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) 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.

Glen Cove City School District, New York**Required Supplementary Information - Schedule of Contributions
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 929,770	\$ 1,031,048	\$ 1,343,082
Contributions in relation to the contractually required contribution	<u>(929,770)</u>	<u>(1,031,048)</u>	<u>(1,343,082)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 6,237,893</u>	<u>\$ 6,107,293</u>	<u>\$ 6,179,303</u>
Contributions as a percentage of covered payroll	<u>14.91%</u>	<u>16.88%</u>	<u>21.74%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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Glen Cove City School District, New York

General Fund
Comparative Balance Sheet
June 30,

	2017	2016
ASSETS		
Cash and equivalents	\$ 20,704,821	\$ 19,048,968
Receivables		
Taxes	1,304,869	1,703,635
Accounts	62,486	5,699
State and Federal aid	624,782	864,021
Due from other governments	250,066	144,379
Due from other funds	2,435,150	2,220,527
	4,677,353	4,938,261
Total Assets	\$ 25,382,174	\$ 23,987,229
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 447,455	\$ 687,980
Accrued liabilities	1,038,170	637,696
Due to other governments	954,627	1,632,493
Due to other funds	868,302	187,781
Due to retirement systems	4,443,521	4,920,436
Unearned revenues	406	80,004
Total Liabilities	7,752,481	8,146,390
Deferred inflows of resources		
Deferred tax revenues	677,613	1,139,078
Total Liabilities and Deferred Inflows of Resources	8,430,094	9,285,468
Fund balance		
Restricted	10,707,396	8,814,948
Assigned	2,808,369	2,537,523
Unassigned	3,436,315	3,349,290
Total Fund Balance	16,952,080	14,701,761
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 25,382,174	\$ 23,987,229

See independent auditors' report.

Glen Cove City School District, New York

General Fund
Comparative Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Years Ended June 30,

	2017				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbrances	
REVENUES					
Real property taxes	\$ 60,517,247	\$ 60,517,247	\$ 60,986,419	\$	\$ 469,172
Other tax items	8,459,713	8,459,713	8,803,417		343,704
Non-property taxes	1,300,000	1,300,000	1,412,769		112,769
Charges for services	145,000	145,000	287,377		142,377
Use of money and property	65,000	65,000	79,743		14,743
Sale of property and compensation for loss	-	-	84,546		84,546
State aid	10,757,300	10,757,300	10,556,520		(200,780)
Federal aid	111,500	111,500	176,605		65,105
Miscellaneous	65,000	73,045	398,781		325,736
Total Revenues	81,420,760	81,428,805	82,786,177		1,357,372
EXPENDITURES					
Current					
General support					
Board of education	81,750	82,022	65,601	-	16,421
Central administration	324,272	330,185	326,822	275	3,088
Finance	838,310	827,143	753,230	42,832	31,081
Staff	537,842	577,185	556,971	-	20,214
Central services	5,351,086	5,315,777	4,558,446	245,865	511,466
Special items	2,865,591	2,866,208	2,865,575	-	633
Total General Support	9,998,851	9,998,520	9,126,645	288,972	582,903
Instruction					
Instruction, administration and improvement	3,771,229	3,775,328	3,663,706	-	111,622
Teaching - Regular school	24,141,689	24,212,856	24,080,191	7,514	125,151
Programs for students with disabilities	13,289,615	12,213,549	11,434,377	-	779,172
Occupational education	998,576	990,969	799,207	-	151,762
Teaching - Special schools	330,500	319,890	305,876	-	14,014
Instructional media	2,086,612	2,096,167	1,914,088	12,647	169,432
Pupil services	4,007,707	4,005,124	3,752,155	24,236	228,733
Total Instruction	48,625,928	47,573,883	45,949,600	44,397	1,579,886
Pupil transportation	4,394,091	5,629,871	5,617,561	-	12,310
Community services	23,350	23,350	18,269	-	5,081
Employee benefits	19,386,455	18,584,223	17,674,611	-	909,612
Debt service					
Principal	772,441	787,163	787,162	-	1
Interest	157,837	159,617	159,617	-	-
Total Expenditures	83,358,953	82,756,627	79,333,465	333,369	3,089,793
Excess (Deficiency) of Revenues Over Expenditures	(1,938,193)	(1,327,822)	3,452,712	(333,369)	4,447,165
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(599,330)	(1,209,701)	(1,202,393)	-	7,308
Total Other Financing Uses	(599,330)	(1,209,701)	(1,202,393)	-	7,308
Net Change in Fund Balance	(2,537,523)	(2,537,523)	2,250,319	\$ (333,369)	\$ 4,454,473
FUND BALANCE					
Beginning of Year	2,537,523	2,537,523	14,701,761		
End of Year	\$ -	\$ -	\$ 16,952,080		

See independent auditors' report.

2016				
Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
\$ 60,774,617	\$ 60,774,617	\$ 60,053,949	\$	\$ (720,668)
7,352,902	7,352,902	7,432,322		79,420
1,300,000	1,300,000	1,467,391		167,391
175,850	175,850	236,974		61,124
77,000	77,000	64,193		(12,807)
-	29,449	213,631		184,182
9,959,249	9,959,249	9,866,908		(92,341)
156,500	156,500	103,975		(52,525)
65,000	75,350	398,263		322,913
79,861,118	79,900,917	79,837,606		(63,311)
108,550	95,188	59,988	-	35,200
320,071	329,071	324,358	-	4,713
917,913	875,752	824,669	44,025	7,058
673,256	738,990	635,647	243	103,100
4,968,959	4,985,990	4,510,318	168,334	307,338
2,436,864	2,467,605	2,253,588	-	214,017
9,425,613	9,492,596	8,608,568	212,602	671,426
4,028,153	4,269,094	3,878,934	-	390,160
24,501,506	24,223,551	23,550,772	5,858	666,921
12,839,659	12,929,648	11,595,781	-	1,333,867
984,381	1,054,240	832,115	-	222,125
315,500	313,463	298,398	-	15,065
2,141,025	2,098,500	1,874,003	-	224,497
3,785,307	3,864,731	3,666,087	34,063	164,581
48,595,531	48,753,227	45,696,090	39,921	3,017,216
4,356,049	4,364,876	4,362,895	-	1,981
23,350	23,350	18,411	-	4,939
19,232,324	19,020,616	17,400,461	-	1,620,155
746,651	773,463	773,463	-	-
193,752	183,441	178,941	-	4,500
82,573,270	82,611,569	77,038,829	252,523	5,320,217
(2,712,152)	(2,710,652)	2,798,777	(252,523)	5,256,906
-	62,732	62,732	-	-
(145,000)	(145,000)	(113,386)	-	31,614
(145,000)	(82,268)	(50,654)	-	31,614
(2,857,152)	(2,792,920)	2,748,123	\$ (252,523)	\$ 5,288,520
2,857,152	2,792,920	11,953,638		
\$ -	\$ -	\$ 14,701,761		

Glen Cove City School District, New York

General Fund

Schedule of Revenues Compared to Budget

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	<u>\$ 60,517,247</u>	<u>\$ 60,517,247</u>	<u>\$ 60,986,419</u>	<u>\$ 469,172</u>
OTHER TAX ITEMS				
School tax relief reimbursement	5,374,648	5,374,648	5,252,082	(122,566)
Payments in lieu of taxes	2,885,065	2,885,065	3,334,276	449,211
Interest and penalties on real property taxes	<u>200,000</u>	<u>200,000</u>	<u>217,059</u>	<u>17,059</u>
	<u>8,459,713</u>	<u>8,459,713</u>	<u>8,803,417</u>	<u>343,704</u>
NON-PROPERTY TAXES				
Non-property tax distribution from County	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,412,769</u>	<u>112,769</u>
CHARGES FOR SERVICES				
Day school tuition	85,000	85,000	194,695	109,695
Adult education fees	15,000	15,000	12,950	(2,050)
Other student fees and charges	<u>45,000</u>	<u>45,000</u>	<u>79,732</u>	<u>34,732</u>
	<u>145,000</u>	<u>145,000</u>	<u>287,377</u>	<u>142,377</u>
USE OF MONEY AND PROPERTY				
Earnings on investments	50,000	50,000	54,142	4,142
Rental of real property	<u>15,000</u>	<u>15,000</u>	<u>25,601</u>	<u>10,601</u>
	<u>65,000</u>	<u>65,000</u>	<u>79,743</u>	<u>14,743</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Insurance recoveries	<u>-</u>	<u>-</u>	<u>84,546</u>	<u>84,546</u>

STATE AID

Basic formula	9,546,928	8,264,837	7,934,696	(330,141)
Lottery aid	25,000	1,307,091	1,307,091	-
BOCES aid	842,163	842,163	780,379	(61,784)
Textbook aid	235,390	235,390	230,845	(4,545)
Computer software aid	81,854	81,854	85,052	3,198
Disabled students tuition/transfer aid	-	-	54,214	54,214
Library aid	25,965	25,965	25,345	(620)
Other	-	-	138,898	138,898
	<u>10,757,300</u>	<u>10,757,300</u>	<u>10,556,520</u>	<u>(200,780)</u>

FEDERAL AID

Impact aid	6,500	6,500	8,284	1,784
Medical assistance	105,000	105,000	168,321	63,321
	<u>111,500</u>	<u>111,500</u>	<u>176,605</u>	<u>65,105</u>

MISCELLANEOUS

Refund of prior year's expenditures	-	-	136,333	136,333
Refund for BOCES aided services	-	-	150,609	150,609
Gifts and donations	-	8,045	11,235	3,190
E-rate recovery	65,000	65,000	81,704	16,704
Other	-	-	18,900	18,900
	<u>65,000</u>	<u>73,045</u>	<u>398,781</u>	<u>325,736</u>

TOTAL REVENUES

<u>\$ 81,420,760</u>	<u>\$ 81,428,805</u>	<u>\$ 82,786,177</u>	<u>\$ 1,357,372</u>
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See independent auditors' report.

Glen Cove City School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
BOARD OF EDUCATION					
Board of education	\$ 43,750	\$ 45,733	\$ 43,770	\$ -	\$ 1,963
District meeting	38,000	36,289	21,831	-	14,458
Total Board of Education	81,750	82,022	65,601	-	16,421
CENTRAL ADMINISTRATION					
Chief school administrator	324,272	330,185	326,822	275	3,088
FINANCE					
Business administration	598,805	565,721	546,158	118	19,445
Auditing	173,855	173,855	131,141	42,714	-
Tax collection service	50,000	50,000	50,000	-	-
Treasurer	10,650	37,567	25,931	-	11,636
Fiscal agent fees	5,000	-	-	-	-
Total Finance	838,310	827,143	753,230	42,832	31,081
STAFF					
Legal	212,875	298,675	292,739	-	5,936
Personnel	218,601	172,257	162,167	-	10,090
Records management	54,623	54,510	54,374	-	136
Public information and services	51,743	51,743	47,691	-	4,052
Total Staff	537,842	577,185	556,971	-	20,214

CENTRAL SERVICES

Operation and maintenance of plant	5,149,306	5,105,997	4,379,312	245,827	480,858
Central printing and mailing	201,780	209,780	179,134	38	30,608
Total Central Services	5,351,086	5,315,777	4,558,446	245,865	511,466

SPECIAL ITEMS

Unallocated insurance	384,275	372,627	371,994	-	633
School association dues	30,500	31,117	31,117	-	-
Refunds of real property taxes	2,000,000	2,011,648	2,011,648	-	-
Administrative charge - BOCES	450,816	450,816	450,816	-	-
Total Special Items	2,865,591	2,866,208	2,865,575	-	633
Total General Support	9,998,851	9,998,520	9,126,645	288,972	582,903

INSTRUCTION**INSTRUCTION, ADMINISTRATION AND IMPROVEMENT**

Curriculum development and supervision	1,778,600	1,485,110	1,412,616	-	72,494
Supervision - Regular school	1,992,629	2,290,218	2,251,090	-	39,128
Total Instruction, Administration and Improvement	3,771,229	3,775,328	3,663,706	-	111,622

TEACHING - REGULAR SCHOOL

24,141,689	24,212,856	24,080,191	7,514	125,151
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PROGRAMS FOR STUDENTS WITH DISABILITIES

13,289,615	12,213,549	11,434,377	-	779,172
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OCCUPATIONAL EDUCATION

998,576	950,969	799,207	-	151,762
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TEACHING - SPECIAL SCHOOLS

330,500	319,890	305,876	-	14,014
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(Continued)

Glen Cove City School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
INSTRUCTION (Continued)					
<i>INSTRUCTIONAL MEDIA</i>					
School library and audiovisual	\$ 562,895	\$ 552,785	\$ 516,573	\$ -	\$ 36,212
Computer assisted instruction	1,523,717	1,543,382	1,397,515	12,647	133,220
Total Instructional Media	2,086,612	2,096,167	1,914,088	12,647	169,432
<i>PUPIL SERVICES</i>					
Attendance - Regular school	99,080	96,195	96,012	-	183
Guidance - Regular school	927,752	944,324	928,124	-	16,200
Health services - Regular school	962,381	957,550	852,305	-	105,245
Psychological services - Regular school	683,204	683,204	674,851	-	8,353
Social work services - Regular school	359,476	364,307	363,807	-	500
Co-curricular activities - Regular school	153,529	153,549	129,016	-	24,533
Interscholastic athletics - Regular school	822,285	805,995	708,040	24,236	73,719
Total Pupil Services	4,007,707	4,005,124	3,752,155	24,236	228,733
Total Instruction	48,625,928	47,573,883	45,949,600	44,397	1,579,886
<i>PUPIL TRANSPORTATION</i>					
District transportation services	52,900	64,065	63,915	-	150
Contract and public carrier transportation	4,341,191	5,565,806	5,553,646	-	12,160
Total Pupil Transportation	4,394,091	5,629,871	5,617,561	-	12,310
<i>COMMUNITY SERVICES</i>					
Summer recreation	4,150	4,150	1,446	-	2,704
Adult continuing education	19,200	19,200	16,823	-	2,377
Total Community Services	23,350	23,350	18,269	-	5,081

EMPLOYEE BENEFITS

State retirement	1,336,500	1,336,500	922,526	-	413,974
Teachers' retirement	4,052,536	4,129,295	4,040,392	-	88,903
Social security	3,293,860	2,952,101	2,902,004	-	50,097
Life insurance	6,450	6,450	3,568	-	2,882
Unemployment benefits	35,000	35,000	30,000	-	5,000
Hospital, medical and dental insurance	10,279,309	9,742,077	9,523,409	-	218,668
Workers' compensation benefits	375,000	375,000	249,026	-	125,974
Administrative fees	2,800	2,800	-	-	2,800
Disability insurance	5,000	5,000	3,686	-	1,314
	<u>19,386,455</u>	<u>18,584,223</u>	<u>17,674,611</u>	<u>-</u>	<u>909,612</u>
Total Employee Benefits					

DEBT SERVICE

Principal					
Serial bonds	210,279	225,001	225,000	-	1
Installment purchase debt	562,162	562,162	562,162	-	-
	<u>772,441</u>	<u>787,163</u>	<u>787,162</u>	<u>-</u>	<u>1</u>
Interest					
Serial bonds	70,783	72,563	72,563	-	-
Installment purchase debt	87,054	87,054	87,054	-	-
	<u>157,837</u>	<u>159,617</u>	<u>159,617</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>930,278</u>	<u>946,780</u>	<u>946,779</u>	<u>-</u>	<u>1</u>
TOTAL EXPENDITURES	<u>83,358,953</u>	<u>82,756,627</u>	<u>79,333,465</u>	<u>333,369</u>	<u>3,089,793</u>

OTHER FINANCING USES

Transfers out					
Special Aid Fund	165,000	804,859	804,859	-	-
Capital Projects Fund	434,330	404,842	397,534	-	7,308
TOTAL OTHER FINANCING USES	<u>599,330</u>	<u>1,209,701</u>	<u>1,202,393</u>	<u>-</u>	<u>7,308</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 83,958,283</u>	<u>\$ 83,966,328</u>	<u>\$ 80,535,858</u>	<u>\$ 333,369</u>	<u>\$ 3,097,101</u>

See independent auditors' report.

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Glen Cove City School District, New York

Special Aid Fund
Comparative Balance Sheet
June 30,

	2017	2016
ASSETS		
Cash and equivalents	\$ 13,978	\$ 66,906
State and Federal aid receivable	2,156,366	1,744,788
Total Assets	<u>\$ 2,170,344</u>	<u>\$ 1,811,694</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Liabilities		
Accounts payable	\$ 29,477	\$ 64,799
Accrued liabilities	344	2,776
Due to other governments	-	2,660
Due to other funds	1,432,608	1,724,972
Unearned revenues	16,487	16,487
Total Liabilities	1,478,916	1,811,694
Deferred inflows of resources		
Unavailable revenues - State aid	691,428	-
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,170,344</u>	<u>\$ 1,811,694</u>

See independent auditors' report.

Glen Cove City School District, New York

Special Aid Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Years Ended June 30,

	2017			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State aid	\$ 496,715	\$ 496,715	\$ 228,542	\$ (268,173)
Federal aid	2,476,748	2,476,748	1,978,503	(498,245)
Miscellaneous	-	-	-	-
Total Revenues	2,973,463	2,973,463	2,207,045	(766,418)
EXPENDITURES				
Current				
Instruction	2,968,146	3,608,005	2,841,587	766,418
Pupil transportation	170,317	170,317	170,317	-
Total Expenditures	3,138,463	3,778,322	3,011,904	766,418
Deficiency of Revenues Over Expenditures	(165,000)	(804,859)	(804,859)	-
OTHER FINANCING SOURCES				
Transfers in	165,000	804,859	804,859	-
Net Change in Fund Balance	-	-	-	-
FUND BALANCE				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

2016			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 939,234	\$ 939,234	\$ 927,258	\$ (11,976)
2,085,789	2,085,789	1,785,231	(300,558)
425	425	425	-
3,025,448	3,025,448	2,712,914	(312,534)
3,023,198	3,023,198	2,679,050	344,148
147,250	147,250	147,250	-
3,170,448	3,170,448	2,826,300	344,148
(145,000)	(145,000)	(113,386)	31,614
145,000	145,000	113,386	(31,614)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Glen Cove City School District, New York

Capital Projects Fund
Comparative Balance Sheet
June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	<u>\$ 473,689</u>	<u>\$ 503,037</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 35,304	\$ -
Due to other funds	<u>261,972</u>	<u>451,413</u>
 Total Liabilities	 297,276	 451,413
 Fund balance		
Restricted	<u>176,413</u>	<u>51,624</u>
 Total Liabilities and Fund Balance	 <u>\$ 473,689</u>	 <u>\$ 503,037</u>

See independent auditors' report.

Glen Cove City School District, New York

Capital Projects Fund
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Years Ended June 30,

	<u>2017</u>	<u>2016</u>
REVENUES		
Miscellaneous	\$ 27,629	\$ -
EXPENDITURES		
Capital outlay	<u>300,374</u>	<u>39,246</u>
Deficiency of Revenues Over Expenditures	<u>(272,745)</u>	<u>(39,246)</u>
OTHER FINANCING SOURCES (USES)		
Installment purchase debt issued	-	20,270
Transfers in	397,534	-
Transfers out	<u>-</u>	<u>(62,732)</u>
Total Other Financing Sources (Uses)	<u>397,534</u>	<u>(42,462)</u>
Net Change in Fund Balance	124,789	(81,708)
FUND BALANCE		
Beginning of Year	<u>51,624</u>	<u>133,332</u>
End of Year	<u>\$ 176,413</u>	<u>\$ 51,624</u>

See independent auditors' report.

Glen Cove City School District, New York

Capital Projects Fund

Project-Length Schedule

Inception of Project Through June 30, 2017

PROJECT	Authorization	Expenditures and Transfers to Date		
		Prior Years	Current Year	Total
High School Track Lighting	\$ 651,677	\$ 600,053	\$ -	\$ 600,053
High School Interior Bleacher Replacement	188,754	-	188,754	188,754
Connolly Oil Tank	31,278	-	31,278	31,278
High School Auditorium Renovation	477,502	-	45,037	45,037
Deasy Playground	77,629	-	-	-
Chairlift Project - Middle School	165,000	-	9,457	9,457
Gasline Project	135,000	-	12,364	12,364
Science Lab Project	250,000	-	13,484	13,484
Totals	<u>\$ 1,976,840</u>	<u>\$ 600,053</u>	<u>\$ 300,374</u>	<u>\$ 900,427</u>

See independent auditors' report.

Unexpended Balance	Methods of Financing			Fund Balance (Deficit) at June 30, 2017
	Transfers	Miscellaneous	Totals	
\$ 51,624	\$ 651,677	\$ -	\$ 651,677	\$ 51,624
-	188,754	-	188,754	-
-	31,278	-	31,278	-
432,465	177,502	-	177,502	132,465
77,629	-	27,629	27,629	27,629
155,543	-	-	-	(9,457)
122,636	-	-	-	(12,364)
236,516	-	-	-	(13,484)
<u>\$ 1,076,413</u>	<u>\$ 1,049,211</u>	<u>\$ 27,629</u>	<u>\$ 1,076,840</u>	<u>\$ 176,413</u>

Glen Cove City School District, New York

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017
(With Comparative Totals for 2016)

	School Lunch	Special Purpose
ASSETS		
Cash and equivalents	\$ -	\$ 135,883
Receivables		
Accounts	6,738	-
State and Federal aid	60,133	-
Due from other funds	176,874	-
	243,745	-
Inventories	11,048	-
Total Assets	\$ 254,793	\$ 135,883
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 2,122	\$ -
Accrued liabilities	41,059	-
Due to other governments	1,865	-
Due to other funds	-	49,142
Total Liabilities	45,046	49,142
Fund balances		
Nonspendable	11,048	-
Restricted	-	86,741
Assigned	198,699	-
Total Fund Balances	209,747	86,741
Total Liabilities and Fund Balances	\$ 254,793	\$ 135,883

See independent auditors' report.

Total Non-Major Governmental Funds	
2017	2016
\$ 135,883	\$ 152,690
6,738	-
60,133	62,176
176,874	187,781
243,745	249,957
11,048	14,252
\$ 390,676	\$ 416,899
\$ 2,122	\$ -
41,059	2,715
1,865	1,994
49,142	44,142
94,188	48,851
11,048	14,252
86,741	97,739
198,699	256,057
296,488	368,048
\$ 390,676	\$ 416,899

Glen Cove City School District, New York

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2017
(With Comparative Totals for 2016)

			Total Non-Major Governmental Funds	
	School Lunch	Special Purpose	2017	2016
REVENUES				
Use of money and property	\$ 95	\$ 1,002	\$ 1,097	\$ 974
State aid	27,458	-	27,458	26,240
Federal aid	932,707	-	932,707	865,327
Food sales	355,911	-	355,911	374,069
Miscellaneous	106,066	-	106,066	84,754
Total Revenues	1,422,237	1,002	1,423,239	1,351,364
EXPENDITURES				
Current				
Cost of food sales	1,482,799	-	1,482,799	1,392,654
Other	-	12,000	12,000	10,999
Total Expenditures	1,482,799	12,000	1,494,799	1,403,653
Deficiency of Revenues Over Expenditures	(60,562)	(10,998)	(71,560)	(52,289)
FUND BALANCES				
Beginning of Year	270,309	97,739	368,048	420,337
End of Year	\$ 209,747	\$ 86,741	\$ 296,488	\$ 368,048

See independent auditors' report.

Glen Cove City School District, New York

School Lunch Fund
Comparative Balance Sheet
June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ -	\$ 10,809
Receivables		
Accounts	6,738	-
State and Federal aid	60,133	62,176
Due from other funds	<u>176,874</u>	<u>187,781</u>
	<u>243,745</u>	<u>249,957</u>
Inventories	<u>11,048</u>	<u>14,252</u>
Total Assets	<u>\$ 254,793</u>	<u>\$ 275,018</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,122	\$ -
Accrued liabilities	41,059	2,715
Due to other governments	<u>1,865</u>	<u>1,994</u>
Total Liabilities	<u>45,046</u>	<u>4,709</u>
Fund balance		
Nonspendable	11,048	14,252
Assigned	<u>198,699</u>	<u>256,057</u>
Total Fund Balance	<u>209,747</u>	<u>270,309</u>
Total Liabilities and Fund Balance	<u>\$ 254,793</u>	<u>\$ 275,018</u>

See independent auditors' report.

Glen Cove City School District, New York

School Lunch Fund

**Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended June 30,**

	<u>2017</u>	<u>2016</u>
REVENUES		
Use of money and property	\$ 95	\$ 77
State aid	27,458	26,240
Federal aid	932,707	865,327
Food sales	355,911	374,069
Miscellaneous	<u>106,066</u>	<u>84,754</u>
Total Revenues	1,422,237	1,350,467
EXPENDITURES		
Current		
Cost of food sales	<u>1,482,799</u>	<u>1,392,654</u>
Deficiency of Revenues Over Expenditures	(60,562)	(42,187)
FUND BALANCE		
Beginning of Year	<u>270,309</u>	<u>312,496</u>
End of Year	<u>\$ 209,747</u>	<u>\$ 270,309</u>

See independent auditors' report.

Glen Cove City School District, New York

Special Purpose Fund
Comparative Balance Sheet
June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	<u>\$ 135,883</u>	<u>\$ 141,881</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ 49,142	\$ 44,142
Fund balance		
Restricted	<u>86,741</u>	<u>97,739</u>
Total Liabilities and Fund Balance	<u>\$ 135,883</u>	<u>\$ 141,881</u>

See independent auditors' report.

Glen Cove City School District, New York

Special Purpose Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended June 30,

	<u>2017</u>	<u>2016</u>
REVENUES		
Use of money and property	\$ 1,002	\$ 897
EXPENDITURES		
Current		
Other	<u>12,000</u>	<u>10,999</u>
Deficiency of Revenues Over Expenditures	(10,998)	(10,102)
FUND BALANCE		
Beginning of Year	<u>97,739</u>	<u>107,841</u>
End of Year	<u><u>\$ 86,741</u></u>	<u><u>\$ 97,739</u></u>

See independent auditors' report.

Glen Cove City School District, New York

General Fund

Analysis of Change from Adopted Budget to Final Budget

Year Ended June 30, 2017

Adopted Budget	\$ 83,705,760
Additions	
Encumbrances	<u>252,523</u>
Original Budget	83,958,283
Budget Amendments	<u>8,045</u>
Final Budget	<u><u>\$ 83,966,328</u></u>

General Fund

Section 1318 of Real Property Tax Law Limit Calculation

Year Ended June 30, 2017

2017-18 Expenditure Budget	<u>\$ 85,907,869</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted fund balance	
Assigned	2,808,369
Unassigned	<u>3,436,315</u>
Total Unrestricted Fund Balance	<u>6,244,684</u>
Less	
Appropriated for subsequent year's budget	2,475,000
Encumbrances	<u>333,369</u>
Total Adjustments	<u>2,808,369</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 3,436,315</u></u>
Actual Percentage	<u><u>4.00%</u></u>

See independent auditors' report.

Glen Cove City School District, New York

Schedule of Net Investment in Capital Assets
Year Ended June 30, 2017

Capital Assets, net		\$	12,923,770
Less			
Bonds payable	2,175,000		
Installment purchase debt payable	<u>2,968,489</u>		<u>(5,143,489)</u>
Net Investment in Capital Assets		\$	<u>7,780,281</u>

**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**

Independent Auditors' Report

**The Board of Education of the
Glen Cove City School District, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Glen Cove City School District, New York ("School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 4, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

October 4, 2017

**Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance Required by
the Uniform Guidance**

Independent Auditors' Report

**The Board of Education of the
Glen Cove City School District, New York**

Report on Compliance for Each Major Federal Program

We have audited the Glen Cove City School District, New York's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2017. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

October 4, 2017

Glen Cove City School District, New York

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Sub- Recipients</u>	<u>Federal Program Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Indirect Programs - Passed through New York State Department of Education				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	10.553	N/A	\$ -	\$ 153,836
National School Lunch Program - Cash	10.555	N/A		719,591
National School Lunch Program - Commodities	10.555	N/A	-	59,280
Total U.S. Department of Agriculture			-	932,707
<u>U.S. Department of Education</u>				
Direct Program				
Impact Aid	84.041		-	8,284
Indirect Programs - Passed through New York State Department of Education				
<i>Special Education Cluster (IDEA)</i>				
Special Education - Grants to States	84.027	0032-17-0401	-	836,491
Special Education - Preschool Grants	84.173	0033-17-0401	-	28,629
			-	865,120
Title I Grants to Local Educational Agencies	84.010	0021-17-1445	-	828,703
Title I Grants to Local Educational Agencies	84.010	0021-16-1445		17,426
Title I Grants to Local Educational Agencies	84.010	0011-17-2526	-	10,718
			-	856,847
English Language Acquisition State Grants	84.365	0153-17-1445	-	9,660
English Language Acquisition State Grants	84.365	0293-17-1445	-	77,276
			-	86,936
Supporting Effective Instruction State Grants	84.367	0147-17-1445	-	148,254
Supporting Effective Instruction State Grants	84.367	0147-16-1445	-	21,346
			-	169,600
Total U.S. Department of Education			-	1,986,787
Total Expenditure of Federal Awards			\$ -	\$ 2,919,494

(1) Catalog of Federal Domestic Assistance number.
N/A Information not available

The accompanying notes are an integral part of this schedule.

Glen Cove City School District, New York

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of the Glen Cove City School District, New York's ("School District") under programs of the federal government for the year ended June 30, 2017. Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

Glen Cove City School District, New York

Summary Schedule of Prior Audit Findings
Year ended June 30, 2017

None

Glen Cove City School District, New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

____ Yes X No
____ Yes X None reported

Noncompliance material to financial statements
noted?

____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

____ Yes X No
____ Yes X None reported

Type of auditors' report issued on compliance
for major federal programs

Unmodified

Any audit findings disclosed that are
required to be reported in accordance with
2 CFR 200.516(a)?

____ Yes X No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553
10.555
10.555

Child Nutrition Cluster
School Breakfast Program
National School Lunch Program – Cash
National School Lunch Program – Commodities

Dollar threshold used to distinguish
between Type A and Type B programs:
Auditee qualified as low-risk auditee?

\$750,000
 X Yes ____ No

Glen Cove City School District, New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None