

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION WITH**  
**INDEPENDENT AUDITOR'S REPORTS**

**June 30, 2017**

**SYOSSET CENTRAL SCHOOL DISTRICT  
TABLE OF CONTENTS**

	<b>Page</b>
<b>Independent Auditor's Report</b>	<b>1</b>
<b>Management's Discussion and Analysis (MD&amp;A)</b>	<b>3</b>
<b>Financial Statements:</b>	
Statement of Net Position	16
Statement of Activities	17
Balance Sheet-- Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances -- Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
Statement of Fiduciary Net Position -- Fiduciary Funds	22
Statement of Changes in Fiduciary Net Position -- Fiduciary Funds	23
Notes to Financial Statements	24
<b>Required Supplementary Information other than MD&amp;A:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual -- General Fund	51
Schedule of Funding Progress -- Other Postemployment Benefits	53
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability	54
Schedule of District Pension Contributions	55
<b>Other Supplementary Information:</b>	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit -- General Fund	56
Schedule of Project Expenditures and Financing Resources -- Capital Projects Fund	57
Net Investment in Capital Assets	58
<b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</b>	<b>59</b>

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Syosset Central School District  
Syosset, New York

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Syosset Central School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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 fiduciary funds of the Syosset Central School District, as of June 30, 2017, and the respective changes in financial position 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, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District pension contributions on pages 3 through 15 and 51 through 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Syosset Central School District's basic financial statements. The other supplementary information on pages 56 through 58 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2017 on our consideration of the Syosset Central 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 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 Syosset Central School District's internal control over financial reporting and compliance.

*Cullen & Ranowski, LLP*

November 9, 2017



## SYOSSET CENTRAL SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The Syosset Central School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017 in comparison with the year ended June 30, 2016, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

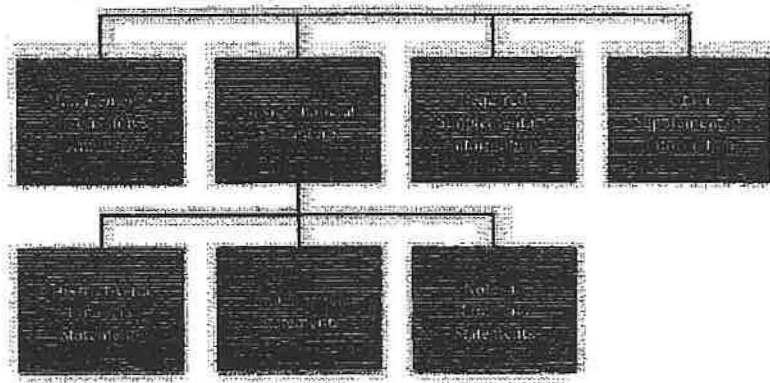
### 1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$9,955,147. This was due to an excess of expenses over revenues based on the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$227,095,533. Of this amount, \$5,026,408 was offset by program charges for services and operating grants. General revenues of \$212,113,978 amount to 97.7% of total revenues.
- The general fund's total fund balance, as reflected in the fund financial statements, decreased by \$9,271,235. This was due to an excess of expenditures over revenues based on the modified accrual basis of accounting.
- In May 2014, the voters approved the establishment and funding of the 2014 capital reserve to a maximum amount of \$20,000,000. The District has funded \$19,124,211 into the reserve as of June 30, 2017.
- The District's 2017 property tax levy of \$187,650,187 was a 0.14% increase over the 2016 tax levy. The District's property tax cap was 0.30%.
- On May 16, 2017, the proposed 2017-18 budget in the amount of \$223,702,174 was approved by the District's voters.
- On May 16, 2017, the voters also approved capital construction projects totaling \$7,727,990, which will be funded by the capital reserve.

### 2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



**SYOSSET CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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**A. District-Wide Financial Statements**

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

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

The Statement of Net Position

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

The Statement of Activities

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

**B. Fund Financial Statements**

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

Governmental Funds

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds: general fund, special aid fund, school food service fund, debt service fund, and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the District's district-wide financial statements because the District cannot use these assets to finance its operations.

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

**A. Net Position**

The District's total net position decreased by \$9,955,147 between fiscal year 2016 and 2017. The decrease is due to expenses in excess of revenues based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2017	2016	Increase (Decrease)	Percentage Change
<b>Assets</b>				
Current and Other Assets	\$ 80,788,430	\$ 81,440,342	\$ (651,912)	(0.80)%
Capital Assets, Net	80,765,444	80,007,640	757,804	0.95 %
Net Pension Asset - Proportionate Share		68,152,323	(68,152,323)	(100.00)%
<b>Total Assets</b>	<b>161,553,874</b>	<b>229,600,305</b>	<b>(68,046,431)</b>	<b>(29.64)%</b>
<b>Deferred Outflows of Resources</b>	<b>72,840,967</b>	<b>23,971,512</b>	<b>48,869,455</b>	<b>203.86 %</b>
<b>Liabilities</b>				
Current and Other Liabilities	22,179,900	22,722,636	(542,736)	(2.39)%
Long-Term Liabilities	32,462,431	35,997,511	(3,535,080)	(9.82)%
Net Other Postemployment Benefits Obligation	126,187,906	112,602,332	13,585,574	12.07 %
Net Pension Liability - Proportionate Share	12,752,343	9,987,393	2,764,950	27.68 %
<b>Total Liabilities</b>	<b>193,582,580</b>	<b>181,309,872</b>	<b>12,272,708</b>	<b>6.77 %</b>
<b>Deferred Inflows of Resources</b>	<b>3,279,713</b>	<b>24,774,250</b>	<b>(21,494,537)</b>	<b>(86.76)%</b>

**SYOSSET CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

	2017	2016	Increase (Decrease)	Percentage Change
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 57,465,444	\$ 53,102,640	\$ 4,362,804	8.22 %
Restricted	43,989,535	43,376,256	613,279	1.41 %
Unrestricted (Deficit)	<u>(63,922,431)</u>	<u>(48,991,201)</u>	<u>(14,931,230)</u>	30.48 %
Total Net Position	<u>\$ 37,532,548</u>	<u>\$ 47,487,695</u>	<u>\$ (9,955,147)</u>	(20.96)%

Current and other assets decreased by \$651,912, as compared to the prior year. The decrease is primarily related to decreases in taxes receivable and due from fiduciary funds, offset by increases in cash and due from state and federal.

Capital assets, net increased by \$757,804, as compared to the prior year. This increase is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset – proportionate share was eliminated in the current year as the New York State Teachers' Retirement System experienced a loss resulting in an ending balance that was a liability; therefore, the District's proportionate share is a liability.

Deferred outflows of resources represents contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by \$542,736, as compared to the prior year. This decrease is primarily in connection with the District's liability to the teachers' retirement system for the current year's contribution at a decreased contribution rate, offset by an increase in accrued liabilities.

Long-term liabilities decreased by \$3,535,080, as compared to the prior year. This decrease is primarily the result of the repayment of the current maturity of the bond indebtedness.

Net other postemployment benefits (OPEB) obligation increased by \$13,585,574, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by \$2,764,950 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System's and the New York State and Local Employees' Retirement System's collective net pension liabilities at the measurement date of the respective year.

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



**SYOSSET CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

The net investment in capital assets is the investment in capital assets at cost such as land; buildings and improvements; land improvements; and furniture, equipment and vehicles; net of depreciation and related outstanding debt. This number increased over the prior year as a result of asset additions and principal debt reductions offset by depreciation.

	Increase (Decrease)
Capital asset additions - total	\$ 4,243,714
Principal debt reduction of construction bonds	3,605,000
Depreciation expense	<u>(3,485,910)</u>
	<u>\$ 4,362,804</u>

The restricted amount of \$43,989,535 relates to the District's reserves. This number increased over the prior year by \$613,279, principally due to the transfer into the reserves for capital and retirement in the amount of \$4,602,027, offset by the use of reserves as appropriated in the budget.

The unrestricted deficit amount of \$(63,922,431) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$14,931,230.

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 2,268,498	\$ 2,433,024	\$ (164,526)	(6.76)%
Operating Grants	2,757,910	2,826,820	[68,910]	(2.44)%
General Revenues				
Property Taxes and STAR	187,625,843	187,388,641	237,202	0.13 %
State Sources	14,075,820	12,411,201	1,664,619	13.41 %
Other	10,412,315	10,568,092	(155,777)	(1.47)%
Total Revenues	<u>217,140,386</u>	<u>215,627,778</u>	<u>1,512,608</u>	0.70 %
<b>Expenses</b>				
General Support	27,179,743	23,877,092	3,302,651	13.83 %
Instruction	187,311,106	168,314,209	18,996,897	11.29 %
Pupil Transportation	9,396,661	9,423,628	(26,967)	(0.29)%
Community Service	323,907	287,882	36,025	12.51 %
Debt Service - Interest	1,164,269	1,328,087	(163,818)	(12.33)%
Food Service Program	1,719,847	1,687,159	32,688	1.94 %
Total Expenses	<u>227,095,533</u>	<u>204,918,057</u>	<u>22,177,476</u>	10.82 %
Increase/(Decrease) in Net Position	<u>\$ (9,955,147)</u>	<u>\$ 10,709,721</u>	<u>\$ (20,664,868)</u>	192.95 %

**SYOSSET CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

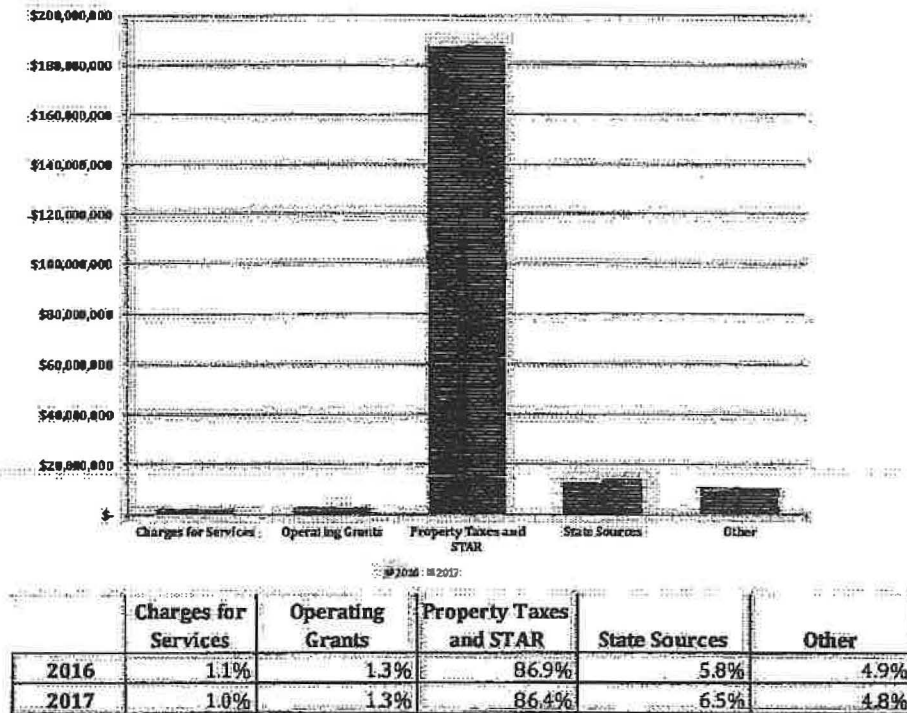
The District's net position decreased by \$9,955,147 and increased by \$10,709,721 for the years ended June 30, 2017 and 2016, respectively.

The District's revenues increased by \$1,512,608 or 0.70%. Most of this increase is attributable to an increase in state aid.

The District's expenses for the year increased by \$22,177,476 or 10.82%. The increase was primarily in instruction expenses, as a result of increases to salaries and benefits including an increase in employee benefit costs (\$17,405,874) related to the aggregate pension expense allocated from the state retirement systems compared to the prior year.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 86.4% and 86.9% of the total for the years 2017 and 2016, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 82.5% and 82.2% of the total for the years 2017 and 2016, respectively).

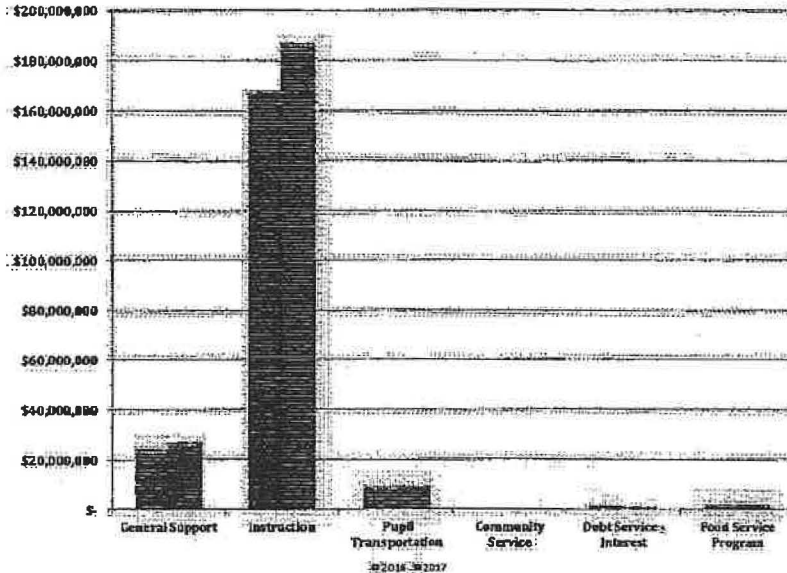
A graphic display of the distribution of revenues for the two years follows





**SYOSSET CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
2016	11.7%	82.2%	4.6%	0.1%	0.6%	0.8%
2017	12.0%	82.5%	4.1%	0.1%	0.5%	0.8%

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

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$58,945,438, which is a decrease of \$164,509 from the prior year. This decrease is due to an excess of expenditures over revenues based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2017	2016	Increase (Decrease)
<b>General Fund</b>			
Nonspendable: Prepaids	\$	\$ 28,942	\$ (28,942)
Restricted			
Workers' compensation	3,622,890	4,332,092	(709,202)
Unemployment insurance	827,928	841,773	(13,845)
Retirement contribution	16,241,782	18,832,674	(2,590,892)
Insurance	302,324	1,299,043	(996,719)
Employee benefit accrued liability	3,633,329	3,723,920	(90,591)
Capital	11,464,500	14,156,725	(2,692,225)
Repairs	168,681	168,478	203
Assigned:			
Appropriated fund balance	3,742,577	5,015,000	(1,272,423)
Unappropriated fund balance	197,349	1,256,570	(1,059,221)
Unassigned: Fund balance	8,948,089	8,765,467	182,622
	<u>49,149,449</u>	<u>58,420,684</u>	<u>(9,271,235)</u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	2017	2016	Increase (Decrease)
<b>School Food Service Fund</b>			
Nonspendable: Inventory	\$ 5,380	\$ 662	\$ 4,718
Assigned: Unappropriated fund balance	706,581	727,140	(20,559)
	<u>711,961</u>	<u>727,802</u>	<u>(15,841)</u>
<b>Debt Service Fund</b>			
Restricted: Debt service	<u>111</u>	<u>21,551</u>	<u>(21,440)</u>
<b>Capital Projects Fund</b>			
Restricted: Capital	7,727,990		7,727,990
Assigned: Unappropriated:			
Fund Balance	1,355,927		1,355,927
Unassigned: Fund balance (deficit)		(60,090)	60,090
	<u>9,083,917</u>	<u>(60,090)</u>	<u>9,144,007</u>
<b>Total Fund Balance:</b>	<u>\$ 58,945,438</u>	<u>\$ 59,109,947</u>	<u>\$ (164,509)</u>

**A. General Fund**

The net change in the general fund – fund balance is a decrease of \$9,271,235, compared to an increase of \$6,338,397 in 2016. The District's revenues and other sources was \$212,576,914, which is an increase of \$1,987,453 over the prior year. This increase is principally in state aid. The District's expenditures and other uses were \$221,848,149, which is an increase of \$17,597,085. The major item that increased was operating transfers out for capital projects as approved by the voters.

**B. School Food Service Fund**

The school food service fund – fund balance decreased by \$15,841 as compared to the prior year. This decrease is the result of an operating deficit in the food service program.

**C. Debt Service Fund**

The net change in the debt service fund – fund balance is a decrease of \$21,440, as a result of the use of the restricted fund balance for the repayment of debt.

**D. Capital Projects Fund**

The net change in the capital projects fund – fund balance is an increase of \$9,144,007, due to the receipt of transfers from the general fund of \$12,633,632, offset by expenditures incurred during the year on capital projects of \$2,953,234 and a transfer of \$536,391 to the general fund of unspent balances on completed projects. Transfers from the general fund were made up of the budgeted 2016-17 transfer of \$4,365,000, the May 2017 voter approved transfer of capital reserve funds of \$7,727,990 and a transfer for emergency work in the amount of \$540,642.

**SYOSSET CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2016-17 Budget**

The District's general fund adopted budget for the year ended June 30, 2017 was \$219,860,188. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,256,570, and budget revisions of \$8,268,632, for a total final budget of \$229,385,390.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$187,650,187 in estimated property taxes and STAR.

**B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)**

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget, encumbrances and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening Unassigned Fund Balance	\$ 8,765,467
Fund Balance Appropriated for Budget Revision	(540,642)
Revenues Over Budget	1,495,501
Expenditures and Encumbrances Under Budget	7,339,892
Unused Appropriated Reserves	(183,788)
Net Change in Nonspendable Fund Balance	28,942
Allocation to Reserves	(4,214,706)
Appropriated for the 2017-18 Budget	(3,742,577)
Closing Unassigned Fund Balance	<u>\$ 8,948,089</u>

**Opening Unassigned Fund Balance**

The \$8,765,467 shown in the table is the portion of the District's June 30, 2016 fund balance that was retained as unassigned. This was 4% of the District's 2016-17 approved operating budget of \$219,860,188. It is the maximum unassigned fund balance permitted by law.

**Fund Balance Appropriated for Budget Revision**

The Board appropriated fund balance in the amount of \$540,642 to make a transfer to the capital projects fund for emergency repairs at the Walt Whitman Elementary School.

**SYOSSET CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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Revenues Over Budget

The 2016-17 final budget for revenues was \$211,081,413. Actual revenues received for the year were \$212,576,914. The excess of actual revenue over estimated or budgeted revenue was \$1,495,501, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2016 to June 30, 2017.

Expenditures and Encumbrances Under Budget

The 2016-17 final budget for expenditures was \$229,385,390. Actual expenditures and other uses as of June 30, 2017 were \$221,848,149 and outstanding encumbrances were \$197,349. Combined, the expenditures plus encumbrances for 2016-17 were \$222,045,498. The final budget was under expended by \$7,339,892. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2016 to June 30, 2017.

Unused Appropriated Reserves

In the 2016-17 budget, \$3,763,775 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated reserve expenditures, \$183,788 of this funding was not needed and, therefore, it was returned to the reserves for future use.

Net Change in Nonspendable Fund Balance

In the prior year, the District had a nonspendable fund balance of \$28,942 resulting from a prepaid expenditure. The District does not have any prepaid expenditures in the current year so the nonspendable fund balance was reclassified to unassigned fund balance.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers.

The \$(4,214,706) shown in the previous table is made up of two transfers: \$105,326 to the retirement contribution reserve and \$5,000,000 to the capital reserve, offset by a transfer from the insurance reserve to the workers' compensation reserve, then to the unassigned fund balance in the amount of \$1,000,000. Additionally, interest earnings of \$109,380 were allocated to the reserves.

Appropriated Fund Balance

The District has chosen to use \$3,742,577 of the available June 30, 2017 unassigned fund balance to partially fund the 2017-18 approved operating budget. As such, the June 30, 2017 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2017 was \$8,948,089. This amount equals 4.0% of the 2017-18 budget and is at the statutory limit.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**6. CAPITAL ASSETS AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2017, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$4,243,714 in excess of depreciation of \$3,485,910 recorded for the year ended June 30, 2017. A summary of the District's capital assets, net of depreciation at June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)
Land	\$ 1,254,281	\$ 1,254,281	\$ -
Buildings and improvements	75,801,010	75,320,355	480,655
Land improvements	308,220	447,522	(139,302)
Furniture, equipment and vehicles	3,401,933	2,985,482	416,451
Capital assets, net	<u>\$ 80,765,444</u>	<u>\$ 80,007,640</u>	<u>\$ 757,804</u>

**B. Debt Administration**

At June 30, 2017, the District had total bonds payable of \$23,300,000. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The decrease in outstanding debt represents principal payments. There were no new issuances of long-term debt during the year ended June 30, 2017. A summary of the outstanding debt at June 30, 2017 and 2016 is as follows:

Issue Date	Interest Rate	2017	2016	Increase (Decrease)
2004	2.0-4.0 %	\$ -	\$ 680,000	\$ (680,000)
2001	4.0-5.0 %	50,000	60,000	(10,000)
2002	4.1-5.0 %	100,000	120,000	(20,000)
2015	2.0-5.0 %	1,340,000	1,450,000	(110,000)
2007	4.0-5.0 %	6,485,000	7,605,000	(1,120,000)
2013	2.0-5.0 %	8,550,000	7,370,000	1,180,000
2013	2.0-5.0 %	6,775,000	9,620,000	(2,845,000)
		<u>\$ 23,300,000</u>	<u>\$ 26,905,000</u>	<u>\$ (3,605,000)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The District's outstanding serial bonds at June 30, 2017 are approximately 3.0% of the District's debt limit.

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, workers' compensation liabilities, net other postemployment benefits obligation and net pension liability - proportionate share. The compensated absences liability is based on employment contracts. The net other postemployment benefits obligation, and the net pension liability - proportionate share are based on actuarial valuations. The workers' compensation liabilities is based on the claims administrators' reserve report.



**SYOSSET CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

	2017	2016	Increase (Decrease)
Compensated absences payable	\$ 5,394,334	\$ 5,329,997	\$ 64,337
Workers' compensation liabilities	2,791,044	2,676,900	114,144
Net OPEB obligation	126,187,906	112,602,332	13,585,574
Net pension liability - proportionate share	12,752,343	9,987,393	2,764,950
	<u>\$ 147,125,627</u>	<u>\$ 130,596,622</u>	<u>\$ 16,529,005</u>

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 16, 2017, for the year ending June 30, 2018, is \$223,702,174. This is an increase of \$3,841,986 or 1.75% over the previous year's budget. The increase is principally in the instructional program.

The District budgeted revenues other than property taxes and STAR at a \$1,079,081 increase over the prior year's estimate, which is principally due to an estimated increase in state aid. The assigned, appropriated fund balance applied to the budget in the amount of \$3,742,577 (\$406,679 for general purpose and \$3,335,898 for capital work) is a \$1,272,423 decrease from the previous year. Additionally, the District has elected to appropriate \$3,826,888 of reserves towards the next year's budget, which is an increase of \$63,113 over the previous year. A property tax increase of \$3,972,215 (2.12%), levy to levy, was needed to meet the funding shortfall and cover the increase in projected expenditures.

**B. Future Budgets**

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

**C. Tax Cap**

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2017-18 is 2.24%. The District's 2017-18 property tax increase of 2.12% was less than the tax cap and did not require an override vote.

**D. Property Tax Freeze**

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



**SYOSSET CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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STAR savings and the taxpayer's income. This program provides an incentive for the District to be tax cap compliant.

**8. CONTACTING THE DISTRICT**

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

Dr. Patricia M. Rufo  
Assistant Superintendent for Business  
Syosset Central School District  
99 Pell Lane  
Syosset, New York 11791

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2017

**ASSETS**

Cash:	
Unrestricted	\$ 29,656,994
Restricted	43,989,535
Receivables:	
Accounts receivable	59,174
Taxes receivable	3,624,600
Due from fiduciary funds	93,129
Due from state and federal	2,979,740
Due from other governments	379,878
Inventory	5,380
Capital assets:	
Not being depreciated	1,254,281
Being depreciated, net of accumulated depreciation	79,511,163
<b>Total Assets</b>	<b>161,553,874</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	72,840,967
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**LIABILITIES**

Payables	
Accounts payable	6,773,377
Accrued liabilities	1,828,012
Due to other governments	292,216
Due to teachers' retirement system	12,393,343
Due to employees' retirement system	793,561
Unearned credits	
Collections in advance	99,391
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	3,158,561
Compensated absences payable	100,000
Due and payable after one year	
Bonds payable, net	21,118,492
Compensated absences payable	5,294,334
Workers' compensation liabilities	2,791,044
Net other postemployment benefits obligation	126,187,906
Net pension liability - proportionate share	12,752,343
<b>Total Liabilities</b>	<b>193,582,580</b>

**DEFERRED INFLOWS OF RESOURCES**

Pensions	3,279,713
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**NET POSITION**

Net investment in capital assets	57,465,444
Restricted:	
Workers' compensation	3,622,890
Unemployment insurance	827,928
Retirement contribution	16,241,782
Insurance	302,324
Employee benefit accrued liability	3,633,329
Capital	19,192,490
Repairs	168,681
Debt service	111
	43,989,535
Unrestricted (deficit)	(63,922,431)
<b>Total Net Position</b>	<b>\$ 37,532,548</b>

See Notes to Financial Statements

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Statement of Activities**  
For The Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
General support	\$ 27,179,743	\$	\$	\$ (27,179,743)
Instruction	187,311,106	845,496	2,487,233	(183,978,377)
Pupil transportation	9,396,661			(9,396,661)
Community service	323,907			(323,907)
Debt service - Interest	1,164,269			(1,164,269)
Food service program	1,719,847	1,423,002	270,677	(26,168)
<b>Total Functions and Programs</b>	<b>\$ 227,095,533</b>	<b>\$ 2,268,498</b>	<b>\$ 2,757,910</b>	<b>(222,069,125)</b>
<b>GENERAL REVENUES:</b>				
Real property taxes				175,611,812
Other tax items				20,359,928
Use of money and property				197,104
Forfeitures				1,200
Sale of property and compensation for loss				11,644
Miscellaneous				917,532
State sources				14,075,820
Intergovernmental revenue				917,275
Medicaid reimbursement				21,663
<b>Total General Revenues</b>				<b>212,113,978</b>
<b>Change in Net Position</b>				<b>(9,955,147)</b>
<b>Total Net Position - Beginning of Year</b>				<b>47,487,695</b>
<b>Total Net Position - End of Year</b>				<b>\$ 37,532,548</b>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2017

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 28,284,852	\$ 164,671	\$ 1,207,471	\$	\$	\$ 29,656,994
Restricted	42,431,317			111	1,558,107	43,989,535
Receivables						
Accounts receivable	12,939	45,899	335			59,174
Taxes receivable	3,624,600					3,624,600
Due from other funds	1,692,780				7,722,804	9,415,584
Due from state and federal	1,682,739	1,285,017	11,984			2,979,740
Due from other governments	379,878					379,878
Inventory			5,380			5,380
<b>Total Assets</b>	<b>\$ 78,109,105</b>	<b>\$ 1,495,587</b>	<b>\$ 1,225,171</b>	<b>\$ 111</b>	<b>\$ 9,280,911</b>	<b>\$ 90,110,885</b>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 6,273,111	\$ 196,521	\$ 106,751	\$	\$ 196,994	\$ 6,773,377
Accrued liabilities	1,475,065	16,039				1,491,104
Due to other funds	7,722,804	1,283,027	316,624			9,322,455
Due to other governments	291,840		376			292,216
Due to teachers' retirement system	12,393,343					12,393,343
Due to employees' retirement system	793,561					793,561
Unearned credits						
Collections in advance	9,932		89,459			99,391
<b>Total Liabilities</b>	<b>28,959,656</b>	<b>1,495,587</b>	<b>513,210</b>	<b>-</b>	<b>196,994</b>	<b>31,165,447</b>
<b>FUND BALANCES</b>						
Nonspendable: Inventory			5,380			5,380
Restricted:						
Workers' compensation	3,622,890					3,622,890
Unemployment insurance	827,928					827,928
Retirement contribution	16,241,782					16,241,782
Insurance	302,324					302,324
Employee benefit accrued liability	3,633,329					3,633,329
Capital	11,464,500				7,722,990	19,192,490
Repairs	168,681					168,681
Debt service				111		111
Assigned:						
Appropriated fund balance	3,742,577					3,742,577
Unappropriated fund balance	197,349		706,581		1,355,927	2,259,857
Unassigned: Fund balance	8,948,089					8,948,089
<b>Total Fund Balances</b>	<b>49,149,449</b>	<b>-</b>	<b>711,961</b>	<b>111</b>	<b>9,083,917</b>	<b>58,945,438</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 78,109,105</b>	<b>\$ 1,495,587</b>	<b>\$ 1,225,171</b>	<b>\$ 111</b>	<b>\$ 9,280,911</b>	<b>\$ 90,110,885</b>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2017

Total Governmental Fund Balances \$ 58,945,438

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

The costs of building and acquiring capital assets (land, buildings and improvements, land improvements, and furniture, equipment and vehicles) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 147,839,148	
Accumulated depreciation	(67,073,204)	80,765,944

Proportionate share of long-term liability and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	72,840,967	
Net pension liability - teachers' retirement system	(6,926,774)	
Net pension liability - employees' retirement system	(5,825,569)	
Deferred inflows of resources	(3,279,713)	56,808,911

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

Accrued interest on bonds payable	(336,908)	
Bonds payable, net	(24,277,053)	
Compensated absences payable	(5,394,334)	
Workers' compensation liabilities	(2,791,044)	
Net other postemployment benefits obligation	(126,187,906)	
	(158,987,245)	

Total Net Position \$ 37,532,548

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
**For The Year Ended June 30, 2017**

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 175,611,812	\$	\$	\$	\$	\$ 175,611,812
Other tax items	20,359,928					20,359,928
Charges for services	845,496					845,496
Use of money and property	195,428		1,516	160		197,104
Forfeitures	1,200					1,200
Sale of property and compensation for loss	11,644					11,644
Miscellaneous	917,532		406			917,938
Intergovernmental revenue				917,275		917,275
State sources	14,075,820	839,611	12,935			14,928,366
Medicaid reimbursement	21,663					21,663
Federal sources		1,647,622	257,742			1,905,364
Sales			1,422,596			1,422,596
<b>Total Revenues</b>	<b>212,040,523</b>	<b>2,487,233</b>	<b>1,695,195</b>	<b>917,435</b>		<b>217,140,386</b>
<b>EXPENDITURES</b>						
General support	21,733,719					21,733,719
Instruction	123,772,197	2,585,339				126,357,536
Pupil transportation	9,024,549	240,669				9,265,218
Community service	219,336					219,336
Employee benefits	50,131,653					50,131,653
Debt service						
Principal				3,605,000		3,605,000
Interest	239,750			1,088,413		1,328,163
Food service program			1,711,036			1,711,036
Capital outlay					2,953,234	2,953,234
<b>Total Expenditures</b>	<b>205,121,204</b>	<b>2,826,008</b>	<b>1,711,036</b>	<b>4,693,413</b>	<b>2,953,234</b>	<b>217,304,895</b>
Excess (Deficiency) of Revenues Over Expenditures	6,919,319	(338,775)	(15,841)	(3,775,978)	(2,953,234)	(164,509)
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	536,391	338,775		3,754,538	12,633,632	17,263,336
Operating transfers (out)	(16,726,945)				(536,391)	(17,263,336)
<b>Total Other Financing Sources and (Uses)</b>	<b>(16,190,554)</b>	<b>338,775</b>		<b>3,754,538</b>	<b>12,097,241</b>	
<b>Net Change in Fund Balances</b>	<b>(9,271,235)</b>		<b>(15,841)</b>	<b>(21,440)</b>	<b>9,144,007</b>	<b>(164,509)</b>
<b>Fund Balances (Deficit) -</b>						
Beginning of Year	58,420,684		727,802	21,551	(60,090)	59,109,947
End of Year	\$ 49,149,449	\$	\$ 711,961	\$ 111	\$ 9,083,917	\$ 58,945,438



**SVOSSET CENTRAL SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
**For The Year Ended June 30, 2017**

Net Change in Fund Balances \$ (164,509)

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

Long-Term Revenue and Expense Differences

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in compensated absences payable	\$ (64,337)	
Increase in workers' compensation liabilities	(114,144)	
Increase in net other postemployment benefits obligation	(13,585,574)	
		(13,764,055)

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period.

Capital outlays	4,243,714	
Depreciation expense	(3,485,910)	
		757,804

Long-Term Debt Transactions Differences

The amortization of the deferred premium on the advance refunding of bonds, decreases interest expense in the Statement of Activities.

108,561

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

Repayment of bond principal	3,605,000	
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2016 to June 30, 2017.

55,333

3,768,894

Pension Differences

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

Teachers' retirement system	398,351	
Employees' retirement system	(951,632)	
		(553,281)

Change in Net Position of Governmental Activities		\$ (8,935,147)
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**SVOSSET CENTRAL SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
**June 30, 2017**

	<u>Agency</u>	<u>Private Purpose Trust</u>
<b>ASSETS</b>		
Cash:		
Unrestricted	\$ 728,138	\$
Restricted		8,076
Total Assets	\$ 728,138	8,076
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 298,540	
Due to governmental funds	93,129	
Other liabilities	336,469	
Total Liabilities	\$ 728,138	
 <b>NET POSITION</b>		
Restricted for scholarships		\$ 8,076

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For The Year Ended June 30, 2017**

	Private Purpose Trust
<b>ADDITIONS</b>	
Investment earnings - Interest	\$ 12
<b>DEDUCTIONS</b>	
Scholarships and awards	1,750
Change in Net Position	(1,738)
Net Position - Beginning of Year	9,814
Net Position - End of Year	<u>\$ 8,076</u>

**SYOSSET CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entity is included in the District's financial statements:

**Extraclassroom Activity Funds**

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

**B. Joint Venture**

The District is a component district in the Board of Cooperative Educational Services of Nassau (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

**C. Basis of Presentation**

**District-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

**Fund Financial Statements**

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

**Governmental Funds** - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

**General Fund** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

**Special Aid Fund** - is used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

**School Food Service Fund** - is used to account for the activities of the food service program.



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**Debt Service Fund** - accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

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

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

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

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

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

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

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

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



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**E. Real Property Taxes**

Calendar

Real property taxes are levied annually by the Board in August and become a lien on October 1<sup>st</sup> and April 1<sup>st</sup>. Taxes are collected by the Town of Oyster Bay during the periods October 1<sup>st</sup> through November 10<sup>th</sup>, and April 1<sup>st</sup> through May 10<sup>th</sup> without penalty and remitted to the District.

Enforcement

Uncollected real property taxes are subsequently enforced by the County of Nassau.

**F. Restricted Resources**

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

**G. Interfund Transactions**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

**H. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences,

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets:

**I. Cash and Cash Equivalents**

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

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

**J. Receivables**

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

**K. Inventory**

Inventory of food in the school food service fund is recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method. Under the consumption method, a current asset for the inventory is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

A portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute available spendable resources.

**L. Capital Assets**

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 10,000	50 years
Land improvements	10,000	20 years
Furniture, equipment and vehicles	1,000	5-15 years

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**M. Deferred Outflows of Resources**

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

**N. Collections in Advance**

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

**O. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, which is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense.

**P. Employee Benefits - Compensated Absences**

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

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

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

Certain collectively bargained agreements require these payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

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

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30<sup>th</sup>.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**Q. Other Benefits**

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

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

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

**R. Short-Term Debt**

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

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

**S. Equity Classifications**

District-Wide Statements

In the district-wide statements there are three classes of net positions:

*Net investment in capital assets* – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

*Restricted* – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

*Unrestricted* - Reports the balance of net position that does not meet the definition of the above two classifications.

**Fund Statements**

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

*Nonspendable* - Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory, which is recorded in the school food service fund.

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

***Workers' Compensation Reserve***

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

***Unemployment Insurance Reserve***

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

***Retirement Contribution Reserve***

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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*Insurance Reserve*

Insurance Reserve (GML § 6-n) is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund.

*Employee Benefit Accrued Liability Reserve*

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

*Capital Reserve*

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

*Repairs Reserve*

Repairs Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. The reserve is accounted for in the general fund.

*Restricted for Debt Service*

Unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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*Restricted for Scholarships*

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, including earnings and net of awards. These restricted funds are accounted for in the private purpose trust fund.

*Assigned* – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

*Unassigned* – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources. NYS Real Property Tax Law §1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

**Fund Balance Classification**

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

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned), the Board will assess the current financial condition of the District and then determine the order of fund balance classification to which the expenditures will be charged.

**2. CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2017, the District implemented GASB Statement No. 77, *Tax Abatement Disclosures*, which requires the District to disclose information about tax abatement agreements impacting real property tax revenue.

**3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the District-wide statements, compared with the current financial resource measurement focus of the governmental funds.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

**A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities, including pensions.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension Differences

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus the accrual basis of accounting (whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan).

**4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

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

Emergency repair	\$ 540,642
Voter approved transfer from the capital reserve to the capital projects fund	<u>7,727,990</u>
	<u>\$ 8,268,632</u>

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**B. Encumbrances**

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

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

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

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year end.

**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2017, the District was billed \$8,693,037 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,067,408. Financial statements for the BOCES are available from the BOCES administrative offices at 71 Clinton Road, P.O. Box 9195, Garden City, New York 11530-9195.

**7. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2017 consisted of:

General Fund	
New York State - excess cost aid	\$ 486,935
BOCES aid	<u>1,195,804</u>
	1,682,739
Special Aid Fund	
Federal and state grants	<u>1,285,017</u>
School Food Service Fund	
Federal and state food service program reimbursements	<u>11,984</u>
	<u>\$ 2,979,740</u>

**8. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2017 consisted of:

General Fund	
PILOT payments	\$ 58,566
Other districts, charges for services	<u>321,312</u>
	<u>\$ 379,878</u>



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**9. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land:	\$ 1,254,281	\$ -	\$ -	\$ 1,254,281
Total capital assets not being depreciated:	1,254,281	-	-	1,254,281
Capital assets being depreciated:				
Buildings and improvements:	129,998,968	3,024,930		133,023,898
Land improvements:	3,516,170			3,516,170
Furniture, equipment and vehicles:	9,039,421	1,218,784	(213,406)	10,044,799
Total capital assets being depreciated:	142,554,559	4,243,714	(213,406)	146,584,867
Less accumulated depreciation for:				
Buildings and improvements:	54,678,613	2,544,275		57,222,888
Land improvements:	3,068,648	139,302		3,207,950
Furniture, equipment and vehicles:	6,053,939	802,333	(213,406)	6,642,866
Total accumulated depreciation:	63,801,200	3,485,910	(213,406)	67,073,704
Total capital assets, being depreciated, net:	78,753,359	757,804	-	79,511,163
Capital assets, net:	\$ 80,007,640	\$ 757,804	\$ -	\$ 80,765,444

Depreciation expense was charged to governmental functions as follows:

General support	\$ 296,166
Instruction	3,174,265
Pupil transportation	6,668
Food service program	8,811
Total depreciation expense	\$ 3,485,910

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**10. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2017, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,692,780	\$ 7,722,804	\$ 536,391	\$ 16,726,945
Special Aid Fund		1,283,027	338,775	
School Food Service Fund		316,624		
Debt Service Fund			3,754,538	
Capital Projects Fund	7,722,804		12,633,632	536,391
Total Governmental Funds	9,415,584	9,322,455	\$ 17,263,336	\$ 17,263,336
Fiduciary Funds		93,129		
Total	\$ 9,415,584	\$ 9,415,584		

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools, the debt service fund and the capital projects fund in accordance with the general fund budget.

The transfer from the capital projects fund to the general fund was for the unspent funds from completed projects.

**11. SHORT-TERM DEBT**

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

	Maturity	Stated Interest Rate	Balance June 30, 2016	Issued	Redeemed	Balance June 30, 2017
TAN	6/27/2017	1.50%	\$	\$ 21,000,000	\$ (21,000,000)	\$

Interest on short-term debt for the year was \$239,750. The District received a premium of \$107,942, which is included in miscellaneous revenue in the general fund. The net effective interest rate was 0.825%.

**12. LONG-TERM LIABILITIES**

**A. Changes**

Long-term liability balances and activity, excluding pension and other postemployment benefits obligations, for the year are summarized below:

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
<b>Long-term debt:</b>					
Bonds payable	\$ 26,905,000	\$	\$ (3,605,000)	\$ 23,300,000	\$ 3,050,000
Add: Premiums on refunding	1,085,614		(108,561)	977,053	108,561
	<u>27,990,614</u>		<u>(3,713,561)</u>	<u>24,277,053</u>	<u>3,158,561</u>
<b>Other long-term liabilities:</b>					
Compensated absences	5,329,997	64,337		5,394,334	100,000
Workers' compensation	2,676,900	770,875	(656,731)	2,791,044	
	<u>8,006,897</u>	<u>835,212</u>	<u>(656,731)</u>	<u>8,185,378</u>	<u>100,000</u>
	<u>\$ 35,997,511</u>	<u>\$ 835,212</u>	<u>\$ (4,370,292)</u>	<u>\$ 32,462,431</u>	<u>\$ 3,258,561</u>

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

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2017
Serial bonds	7/01	7/2021	4.0-5.0%	\$ 50,000
Serial bonds	7/02	7/2021	4.1-5.0%	100,000
Serial bonds (refunding)	5/07	7/2021	4.0-5.0%	6,485,000
Serial bonds (refunding)	10/13	7/2025	2.0-5.0%	8,550,000
Serial bonds (refunding)	10/13	12/2025	2.0-5.0%	6,775,000
Serial bonds (refunding)	5/15	7/2026	2.0-5.0%	1,340,000
				<u>\$ 23,300,000</u>

The following is a summary of debt service requirements for bonds payable:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 3,050,000	\$ 959,550	\$ 4,009,550
2019	3,185,000	828,824	4,013,824
2020	3,335,000	688,893	4,023,893
2021	3,465,000	550,988	4,015,988
2022	3,630,000	399,887	4,029,887
2023-2027	6,635,000	599,019	7,234,019
<b>Total</b>	<u>\$ 23,300,000</u>	<u>\$ 4,027,161</u>	<u>\$ 27,327,161</u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

**C. Advance Refunding**

In the district-wide statements, the District is amortizing refunding bond premiums as a component of interest expense on a straight-line basis at \$108,561 per year through fiscal year June 30, 2027.

**D. Interest Expense**

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

Interest paid	\$ 1,088,413
Less interest accrued in the prior year	(392,241)
Plus interest accrued in the current year	336,908
Less amortization of premiums on refunding	<u>(108,561)</u>
Total interest expense on long-term debt	<u>\$ 924,519</u>

**E. Library Debt**

In 2013, the District advance refunded \$8,035,000 of serial bonds on behalf of the Library. This was used for reconstruction of the Library building. Although the bond issue is an obligation of the District, the Library Board has committed to raise funds through its budget and tax levy sufficient enough to transfer to the District for the ensuing debt service payments. In the year ended June 30, 2017, the Library paid \$917,275 to cover the current debt service payments.

**13. PENSION PLANS - NEW YORK STATE**

**A. General Information**

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

**B. Provisions and Administration**

**Teachers' Retirement System**

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at [www.nysrtr.org](http://www.nysrtr.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**Employees' Retirement System**

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found on the NYS Comptroller's website at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30<sup>th</sup>, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 13.26% of covered payroll for the TRS' fiscal year ended June 30, 2016. The District's average contribution rate was 15.14% of covered payroll for the ERS' fiscal year ended March 31, 2017.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2017 was \$11,934,097 for TRS and \$2,743,880 for ERS.

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

At June 30, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the systems. The net pension liability was measured as of June 30, 2016, for TRS and March 31, 2017 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

	TRS	ERS
Measurement date:	June 30, 2016	March 31, 2017
District's proportionate share of the net pension liability	\$ (6,926,774)	\$ (5,825,569)
District's portion of the Plan's total net pension liability	0.6467320%	0.0619990%
Change in proportion since the prior measurement date:	(0.0094110)	(0.0002267)

For the year ended June 30, 2017, the District recognized pension expense of \$13,233,124 for TRS and \$3,700,312 for ERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$	\$ 145,983	\$ 2,250,205	\$ 884,646
Changes of assumptions	39,459,316	1,990,228		
Net difference between projected and actual earnings on pension plan investments	15,575,031	1,163,602		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	765,702	1,013,447	137,484	7,378
District's contributions subsequent to the measurement date	11,934,097	793,561		
Total	\$ 67,734,146	\$ 5,106,821	\$ 2,387,689	\$ 892,024

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	TRS	ERS
2018	\$ 4,914,518	\$ 1,465,955
2019	4,914,518	1,465,955
2020	17,010,517	1,188,075
2021	13,247,100	(698,749)
2022	6,127,906	
Thereafter	7,197,801	
	\$ 53,412,360	\$ 3,421,236

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2016	March 31, 2017
Actuarial valuation date	June 30, 2015	April 1, 2016
Inflation	2.5%	2.5%
Salary increases	1.90-4.72%	3.8%
Investment rate of return (net of investment expense, including inflation)	7.5%	7.0%
Cost of living adjustments	1.5%	1.3%

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date:		June 30, 2016		March 31, 2017
Asset type				
Domestic equity	37.0%	6.10%	36.0%	4.55%
International equity	18.0%	7.30%	14.0%	6.35%
Real estate	10.0%	5.40%	10.0%	5.80%
Alternative investments	7.0%	9.20%	18.0%	4.00-7.75%
Domestic fixed income securities	17.0%	1.00%		
Global fixed income securities	2.0%	0.80%		
Bonds and mortgages	8.0%	3.10%	17.0%	1.31%
Short-term	1.0%	0.10%		
Cash			1.0%	-0.25%
Inflation indexed bonds			4.0%	1.50%
	100.0%		100.0%	

**Discount Rate**

The discount rate used to calculate the total pension liability was 7.5% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2015, was 8.0%). 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 the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5% for TRS and 6.0% for ERS) or 1 percentage point higher (8.5% for TRS and 8.0% for ERS) than the current rate:

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

TRS	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
District's proportionate share of the net pension asset (liability)	\$ (90,375,513)	\$ (6,926,774)	\$ 63,065,654

ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (18,605,713)	\$ (5,825,569)	\$ 4,980,019

**Pension Plan Fiduciary Net Position**

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2016	March 31, 2017
Employers' total pension liability	\$ (108,577,184)	\$ (177,400,586)
Plan fiduciary net position	107,506,142	168,004,363
Employers' net pension liability	\$ (1,071,042)	\$ (9,396,223)
Ratio of plan fiduciary net position to the employers' total pension liability	99.01%	94.70%

**Payables to the Pension Plan**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017, are paid to the system in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017, represent employer and employee contributions for the fiscal year ended June 30, 2017, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS system. Accrued retirement contributions as of June 30, 2017 amounted to \$11,934,097 of employer contributions and \$459,246 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2017, represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$793,561 of employer contributions. Employee contributions are remitted monthly.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**14. PENSION PLANS - OTHER**

**A. Tax Sheltered Annuities**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on contractual agreements. Contributions made by the employees for the year ended June 30, 2017, totaled \$3,546,107. There were no District non-elective contributions this year.

**B. Deferred Compensation Plan**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the year ended June 30, 2017, totaled \$327,622.

**15. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. Plan Description**

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

**B. Funding Policy**

The District assumes the full cost of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2017, the District recognized a general fund expenditure of \$8,528,331 for insurance premiums for currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

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

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



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Annual required contribution (ARC)	\$ 23,872,456
Interest on net OPEB obligation	4,504,093
Adjustment to ARC	<u>(6,262,644)</u>
Annual OPEB cost (expense)	22,113,905
Contributions made	<u>(8,528,331)</u>
Increase in net OPEB obligation	13,585,574
Net OPEB obligation - beginning of year	<u>112,602,332</u>
Net OPEB obligation - end of year	<u>\$ 126,187,906</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 22,113,905	38.6%	\$ 126,187,906
June 30, 2016	21,940,684	34.2%	112,602,332
June 30, 2015	21,782,136	34.2%	98,155,467

**D. Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$327,344,734 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$327,344,734. The covered payroll (annual payroll of active employees covered by the plan) was \$121,120,470, and the ratio of the UAAL to the covered payroll was 270.3%.

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

**E. Actuarial Methods and Assumptions**

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

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

In the July 1, 2016, actuarial valuation, the Entry Age Normal (level percentage of salary) was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 7.5% and then reduced by 0.50% decrements to an ultimate rate of 4.5% in 2022. The UAAL is being amortized each year over a constant 30 year period, as a level dollar amount.

In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.0% in 2022. The UAAL is being amortized each year over a constant 30 year period, as a level dollar amount.

**16. RISK MANAGEMENT**

**A. General Information**

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

**B. Risk Retention**

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities as provided by the third party administrator do not include an amount for claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	2016	2017
Unpaid claims at beginning of year	\$ 2,349,244	\$ 2,676,900
Incurred claims and claim adjustment expenses	1,060,669	770,875
Claim payments	(733,013)	(656,731)
Unpaid claims at year end	\$ 2,676,900	\$ 2,791,044

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

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2017 restricted fund balances, to fund the budget for the year ending June 30, 2018:

Workers' Compensation	\$ 730,000
Unemployment Insurance	50,000
Retirement Contribution	2,946,888
Employee Benefit Accrued Liability	100,000
	<u>\$ 3,826,888</u>

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**18. ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$3,742,577 has been appropriated to reduce taxes for the year ending June 30, 2018.

**19. TAX ABATEMENTS**

The Nassau County Industrial Development Agency and the Town of Oyster Bay, enter into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced \$6,667,015. The District received payment in lieu of taxes (PILOT) payments totaling \$3,618,504.

**20. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2017, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund

General Support

Instruction

\$ 159,333

38,016

\$ 197,349

**B. Grants**

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

**C. Litigation**

The District is involved in lawsuits arising from the normal conduct of its affairs. Management believes that the outcome of any matters will not have a material effect on these financial statements.

**21. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

**A. Issuance of TANs**

On August 29, 2017, the District issued tax anticipation notes in the amount of \$23,500,000, which are due June 27, 2018 and bear interest at stated rates of 2.00-2.25%. The District received premiums of \$239,955 with the borrowing to yield an effective interest rate of 0.961%.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**B. Refunding of Bonds**

On October 17, 2017, the District issued refunding bonds in the amount \$5,025,000 in order to pay off the 2007 refunding bonds in the amount of \$5,310,000. The savings in debt service payments over the four year repayment period is \$279,349.

**SVOSSET CENTRAL SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For The Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$ 187,650,187	\$ 175,636,156	\$ 175,611,812	\$ (24,344)
Other tax items	8,250,816	20,264,847	20,359,928	95,081
Charges for services	893,804	893,804	845,496	(48,308)
Use of money and property	95,778	95,778	195,428	99,650
Forfeiture			1,200	1,200
Sale of property and compensation for loss	5,000	5,000	11,644	6,644
Miscellaneous	367,424	367,424	917,532	550,108
Total Local Sources	197,263,009	197,263,009	197,943,040	680,031
State Sources	13,773,274	13,773,274	14,075,820	302,546
Medicaid Reimbursement	45,130	45,130	21,663	(23,467)
Total Revenues	211,081,413	211,081,413	212,040,523	959,110
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In			536,391	536,391
Total Revenues and Other Sources	211,081,413	211,081,413	212,576,914	\$ 1,495,501
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	5,015,000	5,555,642		
Prior Year's Encumbrances	1,256,570	1,256,570		
Appropriated Reserves	3,763,775	11,491,765		
Total Appropriated Fund Balance	10,035,345	18,303,977		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 221,116,758	\$ 229,385,390		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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



**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
**For The Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 140,751	\$ 142,951	\$ 107,049	\$	\$ 35,902
Central administration	403,980	408,157	408,157		
Finance	1,090,441	1,025,181	992,533		32,648
Staff	1,041,400	1,083,675	1,075,555		8,120
Central services	17,509,559	17,421,339	16,416,793	159,333	845,213
Special items	2,536,022	2,752,679	2,733,632		19,047
Total General Support	22,722,153	22,833,982	21,733,719	159,333	940,930
Instruction					
Administration & improvement	8,571,278	8,721,465	8,694,522	3,300	23,643
Teaching - regular school	75,440,809	75,287,909	72,689,537	27,500	2,570,872
Programs for students with disabilities	28,198,306	27,871,214	26,652,731		1,218,483
Occupational education	330,000	375,569	375,569		
Teaching - special schools	453,603	464,603	453,741		10,862
Instructional media	4,346,682	4,642,087	4,547,804	1,831	92,452
Pupil services	10,402,529	10,530,367	10,358,293	5,385	166,689
Total Instruction	127,743,207	127,893,214	123,772,197	38,016	4,083,001
Pupil Transportation	9,728,178	9,728,178	9,024,549		703,629
Community Services	292,252	292,252	219,336		72,916
Employee Benefits	51,384,830	51,488,328	50,131,653		1,356,675
Debt Service - Interest	675,000	309,666	239,750		69,916
Total Expenditures	212,545,620	212,545,620	205,121,204	197,349	7,227,067
<b>OTHER USES:</b>					
Operating Transfers Out	8,571,138	16,639,770	16,726,945		112,825
Total Expenditures and Other Uses	\$ 221,116,758	\$ 229,385,390	221,848,149	\$ 197,349	\$ 7,339,892
Net Change in Fund Balance			(9,271,235)		
Fund Balance - Beginning of Year			58,420,684		
Fund Balance - End of Year			\$ 49,149,449		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Schedule of Funding Progress - Other Postemployment Benefits**  
June 30, 2017

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2016*	\$	\$ 327,344,734	\$ 327,344,734	0%	\$ 121,120,470	270.3%
July 1, 2014		238,063,992	238,063,992	0%	106,013,592	224.6%
July 1, 2012		205,473,614	205,473,614	0%	102,081,398	201.3%

\* See note 15-E on postemployment healthcare benefits for changes in actuarial methods and assumptions.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/Liability**  
**Last Three Fiscal Years**

**Teachers' Retirement System**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension asset (liability)	0.6467320%	0.6561430%	0.6638980%
District's proportionate share of the net pension asset (liability)	\$ (6,926,774)	\$ 68,152,323	\$ 73,954,151
District's covered payroll	\$ 99,797,318	\$ 98,988,756	\$ 98,068,141
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	(6.94)%	68.85%	75.41%
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%

**Employees' Retirement System**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0619990%	0.0622257%	0.0608556%
District's proportionate share of the net pension liability	\$ (5,825,569)	\$ (9,987,393)	\$ (2,055,850)
District's covered payroll	\$ 19,756,679	\$ 18,893,119	\$ 18,097,266
District's proportionate share of the net pension liability as a percentage of its covered payroll	(29.49)%	(52.86)%	(11.36)%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.95%

**Note to Required Supplementary Information**

**Teachers' Retirement System**

The discount rate decreased from 8.0% to 7.5% as reflected in 2016 and 2017 above.

**Employees' Retirement System**

The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Schedule of District Pension Contributions**  
**Last Ten Fiscal Years**

**Teachers' Retirement System**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 11,934,097	\$13,217,181	\$17,352,729	\$15,936,073	\$10,987,130	\$10,174,683	\$ 7,947,996	\$ 5,465,724	\$ 6,552,581	\$ 7,091,034
Contributions in relation to the contractually required contribution	11,934,097	13,217,181	17,352,729	15,936,073	10,987,130	10,174,683	7,947,996	5,465,724	6,552,581	7,091,034
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$102,664,340	\$99,797,318	\$98,968,756	\$98,068,141	\$92,796,707	\$91,581,302	\$92,204,130	\$88,299,257	\$85,875,174	\$81,226,048
Contributions as a percentage of covered payroll	12%	13%	18%	16%	12%	11%	9%	6%	8%	9%

**Employees' Retirement System**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 2,743,880	\$ 3,061,616	\$ 3,863,204	\$ 3,635,039	\$ 3,239,514	\$ 2,750,533	\$ 1,992,092	\$ 1,274,246	\$ 1,296,752	\$ 1,331,814
Contributions in relation to the contractually required contribution	2,743,880	3,061,616	3,863,204	3,635,039	3,239,514	2,750,533	1,992,092	1,274,246	1,296,752	1,331,814
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 19,180,299	\$18,952,012	\$18,512,867	\$17,480,011	\$17,392,116	\$17,277,518	\$17,212,524	\$16,780,615	\$15,280,176	\$14,244,012
Contributions as a percentage of covered payroll	14%	16%	21%	21%	19%	16%	12%	8%	8%	9%

See Paragraph on Required Supplementary Information Included in Auditor's Report

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit - General Fund**  
**For The Year Ended June 30, 2017**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 219,860,188
Additions:	
Prior year's encumbrances	<u>1,256,570</u>
Original Budget	221,116,758
Budget revision	<u>8,268,632</u>
Final Budget	<u>\$ 229,385,390</u>

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

2017-18 voter-approved expenditure budget	<u>\$ 223,702,174</u>
Maximum allowed (4% of 2017-18 budget)	<u>\$ 8,948,089</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 3,939,926
Unassigned fund balance	<u>8,948,089</u>
	\$ 12,888,015
Less:	
Appropriated fund balance	3,742,577
Encumbrances	<u>197,349</u>
Total adjustments	<u>3,939,926</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u>\$ 8,948,089</u>
Actual Percentage	4.0%



**SYDSEY CENTRAL SCHOOL DISTRICT**  
**Schedule of Project Expenditures and Financing Resources - Capital Projects Fund**  
**For The Year Ended June 30, 2017**

PROJECT TITLE:	Budget	Budget:	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2017	
	June 30, 2016	June 30, 2017	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
2015-16 High School Roof 0010-041	\$ 969,325	\$ 1,291,315	\$ 959,430	\$ 989	\$ 960,419	\$ 330,906	\$	\$	\$ 1,291,325	\$ 1,291,325	\$ 330,906
2016-17 High School Roof Phase II 0001-042		2,398,000	69,985	1,713,560	1,783,545	614,435			2,398,000	2,398,000	614,435
2016-17 Willis Roof 0004-019		1,595,000		1,230,665	1,230,665	356,335			1,595,000	1,595,000	356,335
2016-17 Willis Roof Upgrade 0004-020		350,000				350,000			350,000	350,000	350,000
2016-17 Wall Workman Emergency Work		540,642				540,642			540,642	540,642	540,642
2016-17 Capital Reserve 2014		7,727,990				7,727,990			7,727,990	7,727,990	7,727,990
Totals	\$ 969,325	\$ 13,902,957	\$ 1,029,415	\$ 2,953,234	\$ 3,982,649	\$ 6,905,308	\$	\$	\$ 13,902,957	\$ 13,902,957	\$ 9,929,308
Less: Operating transfers										(536,391) **	
Less: Insurance proceeds not recognized										(200,000) *	
										\$ 9,203,017	

\* Included in total expenditures is an accrual of \$196,994 related to ongoing litigation with one of the District's vendors for project 0010-041. This amount is included in accounts payable on the Balance Sheet - Governmental Funds and the Statement of Net Position.

\*\* Unspent amounts transferred to general fund.

**SYOSSET CENTRAL SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
June 30, 2017

Capital assets, net	<u>\$ 80,765,444</u>
Deduct:	
Short-term portion of bonds payable	<u>3,050,000</u>
Long-term portion of bonds payable	<u>20,250,000</u>
	<u>23,300,000</u>
Net Investment in Capital Assets	<u>\$ 57,465,444</u>

**CULLEN & DANOWSKI, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA  
(1950-2013)

JAMES E. DANOWSKI, CPA  
PETER F. RODRIGUEZ, CPA  
JILL S. SANDERS, CPA  
DONALD J. HOFFMANN, CPA  
CHRISTOPHER V. REINO, CPA  
ALAN YU, CPA

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

To the Board of Education  
Syosset Central School District  
Syosset, 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 fiduciary funds of the Syosset Central School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Syosset Central 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 Syosset Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Syosset Central 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 District'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 Syosset Central 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*.

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Syosset Central School District in a separate letter dated November 9, 2017.

### **Purpose of this Report**

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

*Cullin & Danowski, LLP*

November 9, 2017