ELWOOD UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

ELWOOD UNION FREE SCHOOL DISTRICT

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R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Robert S. Abrams
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Elwood Union Free School District

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Elwood Union Free School District as of June 30, 2017, and the respective changes in financial position for the fiscal 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 the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 14 and 55 through 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elwood Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2017, on our consideration of the Elwood Union Free 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 Elwood Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 5, 2017

ELWOOD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The following is a discussion and analysis of the Elwood Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2017. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- The District's total net deficit, as reflected in the District-Wide Financial Statements, increased by $2,462,164. This was due to expenses exceeding revenues based on the accrual basis of accounting.

- On June 21, 2017, the proposed 2017-2018 budget in the amount of $60,330,370 was authorized by the District's residents.

- On August 19, 2014 the Town of Huntington entered into a Contract of Sale with BK Elwood, LLC ("the applicant") for the acquisition of the premises located on the west side of Elwood Road, designated on the Suffolk County Tax Map as 0400-170-02-015.00. The premises have been rezoned from R-40 Residence District to R-R-M Retirement Community District. Upon the issuance of the initial project building permit the applicant shall make payments to the Elwood School District in the amount of $500,000. As of May 2017, the District received said payment in full. On May 18, 2017, the Board of Education accepted and recorded the revenue in the general fund as a donation included in miscellaneous revenue. Due to the increase in fund balance, the Board of Education approved, by resolution, the funding of the Employee Retirement Reserve for $500,000.

- The general fund's unassigned fund balance at year end was $2,412,752 or 4% of the 2017-2018 approved budget.

- The general fund's total fund balance, as reflected in the fund financial statements, increased by $1,390,876. This was due to an excess of revenues over expenditures and other financing sources and uses based on the modified accrual basis of accounting.

- In November 2017 the District will hold a vote on a capital bond project in the amount of $34,568,600 for health and safety improvements along with some educational enhancements as well as a second proposition for $3,720,000 for a new athletic facility.

- The District's 2016 property tax levy of $43,846,884 was a 0.657% increase over the 2015 levy. The District's property tax cap was 0.657%.

- This year the District implemented GASB Statement No. 77, *Tax Abatement Disclosures.* The Suffolk County Industrial Development Agency entered into a tax abatement program. Property tax revenue was reduced by $169,900 for this program and the District is due Payment in Lieu of Tax payments totaling $169,900.

- The District has filed the necessary paperwork for building aid restoration, and previously received notification from the State Education Department regarding the timing and amount to be restored. The State noted that the restorations are paid in approval date order when funds become available. The State notified the District on August 3, 2017 a proposed payment schedule as follows:

Year to Be Paid	Amount
2018	$ 1,132,351
2021	$ 890
2022	$ 34,889
2028	$ 1,688
2030	$ 10,059

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.

    - The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.

    - *Fiduciary Fund Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

ELWOOD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Table A-1: Organization of the District's Annual Financial Report

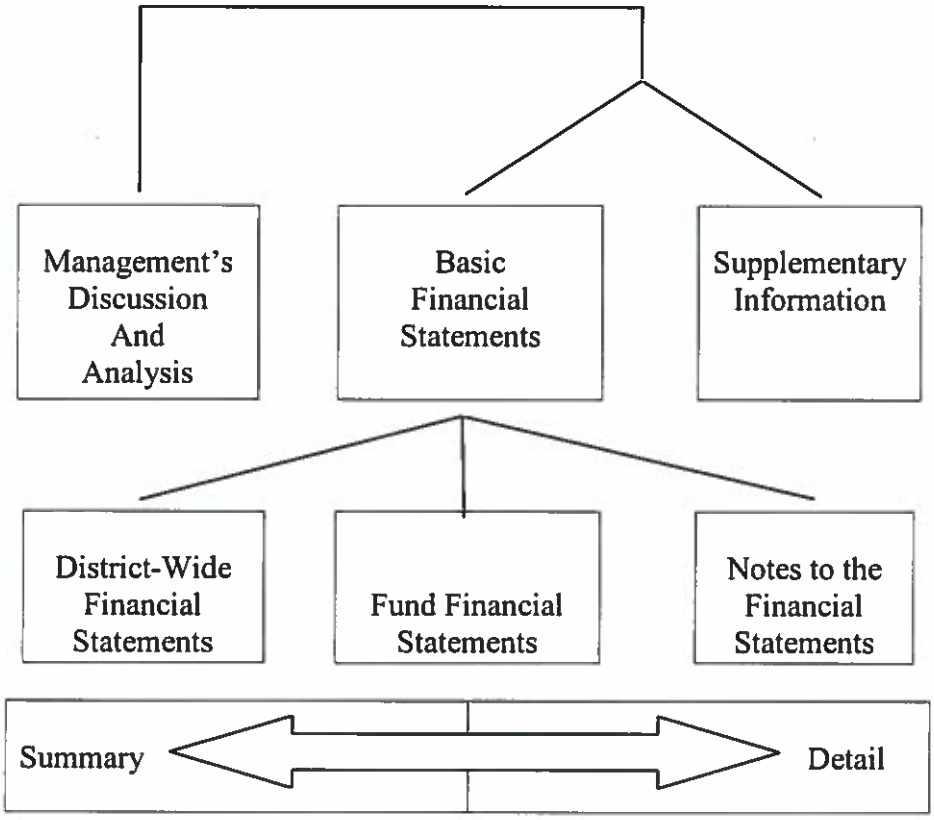


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

ELWOOD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/ deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All financial assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

ELWOOD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

A) District-Wide Financial Statements:

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

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

- Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating, respectively.

- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

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

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
  - *Net investment in capital assets;*
  - *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation; and
  - *Unrestricted net position* includes net amounts that do not meet any of the above restrictions.

B) Fund Financial Statements:

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

- *Governmental funds*: Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Fund Financial Statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information in a separate reconciliation schedule explains the relationship (or differences) between them. In summary, the Governmental Fund Financial Statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

- *Fiduciary funds*: The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position:

The District's net deficit increased by $2,462,164 in the fiscal year ended June 30, 2017 as detailed in Table A-3.

ELWOOD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Table A-3 – Condensed Statement of Net Position-Governmental Activities

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)	Total Percentage Change
Current assets and other assets	$ 12,605,305	$ 11,397,864	$ 1,207,441	10.59%
Capital assets, net	20,576,774	21,197,682	(620,908)	(2.93%)
Net pension asset - proportionate share		16,901,211	(16,901,211)	(100.00%)
Deferred outflows of resources	18,275,841	6,393,128	11,882,713	185.87%
Total Assets and Deferred Outflows of Resources	$ 51,457,920	$ 55,889,885	$ (4,431,965)	(7.93%)
Current and other liabilities	$ 4,291,075	$ 4,489,782	$ (198,707)	(4.43%)
Long-term liabilities	50,225,645	46,504,235	3,721,410	8.00%
Deferred inflows of resources	1,405,366	6,897,870	(5,492,504)	(79.63%)
Total Liabilities and Deferred Inflows of Resources	55,922,086	57,891,887	(1,969,801)	(3.40%)
Net Position				
Net investment in capital assets	11,940,561	10,706,472	1,234,089	11.53%
Restricted	3,057,838	1,872,958	1,184,880	63.26%
Unrestricted (deficit)	(19,462,565)	(14,581,432)	(4,881,133)	(33.47%)
Total Net Position (deficit)	(4,464,166)	(2,002,002)	(2,462,164)	(122.99%)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 51,457,920	$ 55,889,885	$ (4,431,965)	(7.93%)

Current assets and other assets increased by $1,207,441 from prior year primarily due to an overall increase in cash balance. Capital assets, net of depreciation, decreased by $620,908. This was primarily attributable to current year depreciation offset by district-wide capital additions. The net pension asset – proportionate share decreased by $16,901,211, as compared to last year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year. The decrease is primarily due to the effects of the change in the discount rate used and as a result the District's share of the pension plan shifted from an asset to a liability. The accompanying Notes to Financial Statements, note 13 "Pension Plans" provides additional information.

Current and other liabilities decreased by $198,707. This was primarily attributable to decreases in due to teachers' retirement system offset by the increase in compensated absences payable. Long-term liabilities increased by $3,721,410, which was primarily attributable to increases in the net pension liability – proportionate share in accordance with GASB Statement No. 68 and net other post employment benefit obligations offset by a decrease in bonds payable.

The net pension liability –proportionate share represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's collective net pension liabilities at the measurement date of the respective year. The increase is due to the shift of the net pension liability for the TRS offset by a decrease in the pension liability for the ERS. The changes in deferred inflows and outflows represent amortization of pension related items as

discussed in Note 13, as well as changes in the District's contributions subsequent to the measurement date and the amortization of deferred charges from advance funding and bond premium.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and machinery & equipment, net of depreciation and related debt. This number increased from the prior year by $1,234,089 due to a reduction in the related outstanding debt offset by the current year's depreciation expense.

The restricted net position at June 30, 2017, relates to the District's reserve funds established for a specific purpose. Restricted net position increased by $1,184,880 primarily due to an increase in the retirement contribution reserve.

The unrestricted net deficit at June 30, 2017 of $19,462,565 relates to the balance of the District's net position. The unrestricted net deficit increased by $4,881,133.

Net position overall decreased by $2,462,164.

B) Changes in Net Position:

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2017 and 2016 is as follows:

Table A-4: Change in Net Position from Operating Results

	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for services	$ 722,515	$ 1,150,584	$ (428,069)	(37.20%)
Operating grants	1,592,821	1,486,273	106,548	7.17%
Capital grants	127,497		127,497	N/A
General Revenues				
Real property taxes and other tax items	44,017,151	43,698,225	318,926	0.73%
State sources	13,476,416	13,281,496	194,920	1.47%
Other	1,023,843	459,263	564,580	122.93%
Total Revenues	$ 60,960,243	$ 60,075,841	$ 884,402	1.47%
Expenses				
General support	$ 8,153,735	$ 7,381,020	$ 772,715	10.47%
Instruction	50,386,873	44,886,041	5,500,832	12.26%
Pupil transportation	3,853,728	3,644,903	208,825	5.73%
Debt service - interest	394,031	496,472	(102,441)	(20.63%)
Food service program	634,040	660,015	(25,975)	(3.94%)
Total Expenses	63,422,407	57,068,451	6,353,956	11.13%
Total Change in Net Position	$ (2,462,164)	$ 3,007,390	$ (5,469,554)	(181.87%)

The District's fiscal year 2017 revenues totaled $60,960,243. (See Table A-4). Real property taxes (including other tax items) and state sources accounted for most of the District's revenue by contributing 72.21% and 22.11%, respectively of total revenues. (See Table A-5). The remainder came from fees

charged for services, operating grants, capital grants and other miscellaneous sources. Total revenues increased by $884,402 or 1.47%. This was primarily attributable to increases in real property taxes and other tax items, and other miscellaneous sources, partially reduced by the decrease in charges for services.

The cost of all programs and services totaled $63,422,407 for fiscal year 2017. These expenditures are predominantly related to general support, instruction, and transporting students, which account for 98.38% of District expenses (See Table A-6). The District's general support activities accounted for 12.86% of total costs. Total expenses increased by $6,353,956 or 11.13%. This was primarily attributable to a increase in instruction and general support. Instruction increased due to the net pension asset-proportionate share being eliminated in the current year as the NYS Teachers' Retirement System experienced a loss resulting in a large expense.

Table A-5: Revenues for Fiscal Year 2017 (See Table A-4)

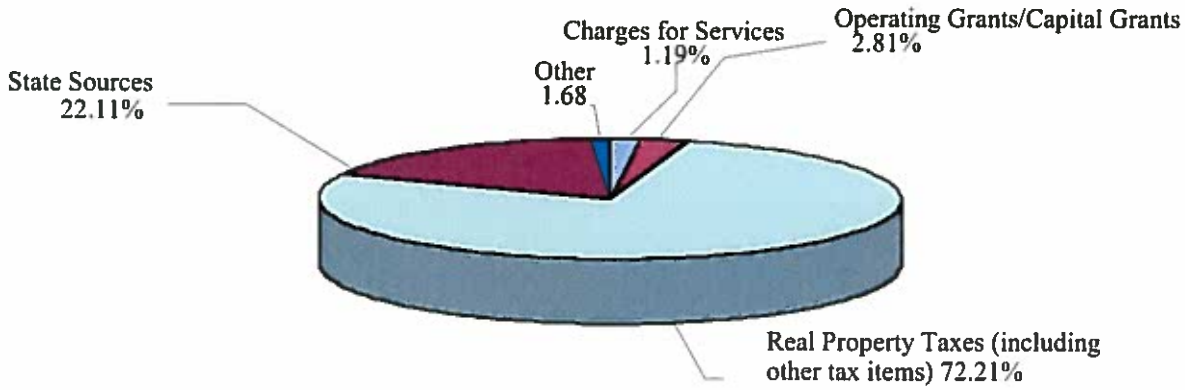
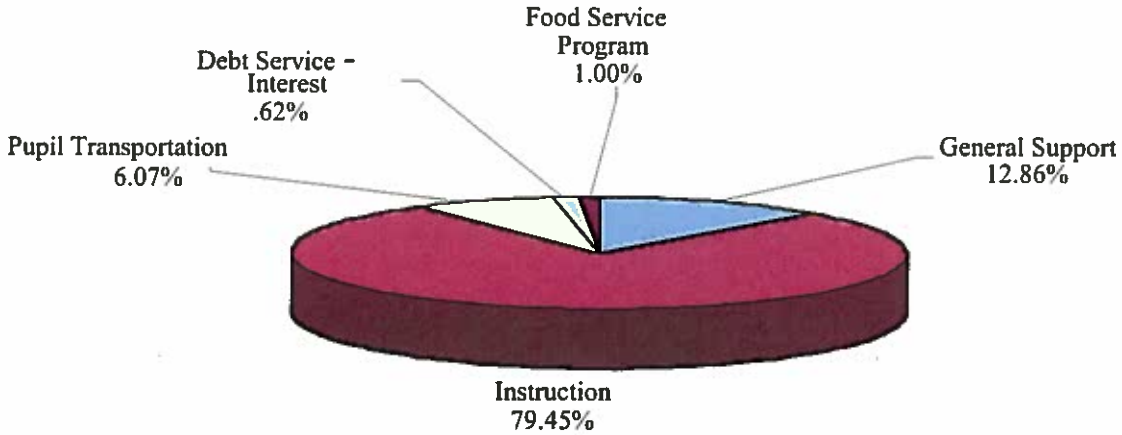


Table A-6: Expenses for Fiscal Year 2017 (See Table A-4)



ELWOOD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C) Governmental Activities:

The continuation of the overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Approval of the District's proposed annual budget;
- Improved curriculum and community support.

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2017, the District's combined governmental funds reported a total fund balance of $7,168,018 which is an increase of $1,399,715 from the prior year.

A summary of the changes in fund balance for all funds are as follows:

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)	Total Percentage Change
General Fund				
Restricted for employee benefit accrued liability	$ 1,238,529	$ 1,232,685	$ 5,844	0.47%
Restricted for retirement contribution	1,790,029	611,132	1,178,897	192.90%
Restricted for debt service	15,726	15,652	74	0.47%
Restricted for unemployment insurance	13,554	13,489	65	0.48%
Assigned for appropriated fund balance	1,475,970	1,500,000	(24,030)	(1.60%)
Assigned for unappropriated fund balance	83,716	123,297	(39,581)	(32.10%)
Unassigned	2,412,752	2,143,145	269,607	12.58%
Total Fund Balance - General Fund	7,030,276	5,639,400	1,390,876	24.66%
School Lunch Fund				
Nonspendable: inventory	19,148	16,562	2,586	15.61%
Unassigned: fund balance (deficit)	(21)	8,818	(8,839)	(100.24%)
Total Fund Balance - School Lunch Fund	19,127	25,380	(6,253)	(24.64%)
Capital Projects Fund				
Restricted: unspent bond proceeds	120,447	120,447	-	0.00%
Unassigned: fund balance (deficit)	(1,832)	(16,924)	15,092	(89.18%)
Total Fund Balance - Capital Projects Fund	118,615	103,523	15,092	14.58%
Total Fund Balance - All Funds	$ 7,168,018	$ 5,768,303	$ 1,399,715	24.27%

The District can attribute changes to fund balances and reserves primarily due to operating results and Board approved transfers. The most significant change to total fund balance occurred in the general fund, which increased by approximately $1.4 million primarily due to the funding of the retirement contribution reserve.

A) General Fund

The net change in the general fund – fund balance is an increase of $1,390,876. Revenues and other financing sources increased $664,985 or 1.14% compared to the prior year, primarily due to the increase in real property taxes and miscellaneous sources.

Expenditures and other uses decreased by $386,620 or .69% compared to the prior year, primarily due to increases in instruction and general support offset by a decrease in debt interest.

B) School Lunch Fund

The net change in the school lunch fund – fund balance is a decrease of $6,253, primarily due to an increase in employee benefits.

C) Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of $15,092. This increase is due to state sources received offset by capital outlay in the current year.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2016-2017 Budget:

The District's general fund adopted budget for the year ended June 30, 2017 was $59,458,599. This amount was increased by encumbrances carried forward from the prior year in the amount of $123,297 and budget revisions in the amount of $183,548 which resulted in a final budget of $59,765,444. The majority of the funding was property taxes and other tax items of $44,014,705.

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

The general fund's unassigned fund balance is a component to total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and assignments to fund subsequent years' budgets. It is this balance that is commonly referred to as "Fund Balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

Opening unassigned fund balance	$ 2,143,145
Revenues over budget	666,736
Expenditures and encumbrances under budget	2,263,721
Funding to retirement contribution reserve	(1,176,000)
Interest allocated to reserves	(8,880)
Assigned, appropriated for June 30, 2018 budget	(1,475,970)
Closing unassigned fund balance	$ 2,412,752

The opening unassigned fund balance of $2,143,145 is the June 30, 2016 unassigned fund balance.

The revenues over budget in the amount of $666,736 was primarily attributable to gifts and donations in miscellaneous revenue. (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget in the amount of $2,263,721 was primarily in central services, teaching – regular school, programs for children with handicapping conditions, and employee benefits. (see Supplemental Schedule #1 for detail).

The District funded the retirement contribution reserve in the amount of $1,176,000 from the unassigned fund balance.

Interest of $8,880 was allocated to reserves as follows: $65 to unemployment insurance reserve, $5,844 to employee benefit accrued liability reserve, $2,897 to retirement contribution reserve, and $74 to debt service reserve.

The assigned, appropriated fund balance of $1,475,970 for the June 30, 2018 budget is the amount the District has chosen to use to partially fund its operating budget for 2017-2018.

The District will close the 2016-2017 fiscal year with $2,142,752 in unassigned fund balance. NYS Real Property Tax Law § 1318 restricts this number to an amount not greater than 4% of the District's budget for the ensuing fiscal year. The District's unassigned fund balance is within the legal limit.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets:

The District paid for equipment and various building additions and renovations during fiscal year 2017. A summary of the District's capital assets, net of depreciation is as follows:

Table A-7: Capital Assets (Net of Depreciation)

ELWOOD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Category	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Percentage Change
Land	$ 278,950	$ 278,950	$ -	0.00%
Construction in progress	129,297	16,892	112,405	665.43%
Buildings & building improvements	44,486,953	44,464,998	21,955	0.05%
Furniture, equipment & vehicles	1,685,827	1,574,316	111,511	7.08%
Subtotal	46,581,027	46,335,156	245,871	0.53%
Less: Accumulated Depreciation	26,004,253	25,137,474	866,779	3.45%
Total Net Capital Assets	$ 20,576,774	$ 21,197,682	$ (620,908)	(2.93%)

The District spent $245,871 in capital additions during the year. This includes $112,405 from capital outlays and $133,466 of equipment purchases from the general fund.

B) Long-Term Debt:

At June 30, 2017, the District had bonds payable of $8,415,000. More detailed information about the District's long-term debt is presented in the Footnote 12 to the Financial Statements.

A summary of outstanding debt at June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)
Serial bonds-4/19/2012	$ 7,145,000	$ 8,760,000	$ (1,615,000)
Serial bonds-8/21/2014	1,270,000	1,410,000	(140,000)
Total	$ 8,415,000	$ 10,170,000	$ (1,755,000)

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

A) The general fund budget for the 2017-2018 school year was approved by the voters in the amount of $60,330,370. This is an increase of $871,771 or 1.47% from the previous year's budget.

B) In November 2017 the District will hold a vote on a capital bond project in the amount of $34,568,600 for health and safety improvements along with some educational enhancements as well as a second proposition for $3,720,000 for a new athletic facility.

C) Over the past several years, the District has been affected by certain trends impacting school districts. The period has been characterized by many events that have affected school revenues including the end of federal stimulus funds, the enactment of the tax cap, and the state imposed Gap Elimination Adjustment, or GEA. During the same time period, district expenditures, many of which are mandated, have continued to increase. Through this, however, the District has been able to maintain a comprehensive educational program through judicial reductions and the use of fund balance and reserves.

D) The District has filed the necessary paperwork for building aid restoration, and previously received notification from the State Education Department regarding the timing and amount to be restored. The State noted that the restorations are paid in approval date order when funds become available. The State notified the District on August 3, 2017 a proposed payment schedule as follows:

Year to Be Paid	Amount
2018	$ 1,132,351
2021	$ 890
2022	$ 34,889
2028	$ 1,688
2030	$ 10,059

E) The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the District's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years, subject to certain limitations.

F) New York State enacted a new law that provides a "Property Tax Relief Credit" to eligible taxpayers for the 2016-17through 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, 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. 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 STAR savings and the taxpayers' income. These property tax credit programs provide an incentive for the District to be tax cap compliant.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Elwood Union Free School District
Ms. Keri Loughlin
Assistant Superintendent for Business
100 Kenneth Avenue
Greenlawn, New York 11740

ELWOOD UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Current Assets	
Cash and cash equivalents	
Unrestricted	$ 6,327,112
Restricted	3,176,740
Receivables	
State and federal aid	1,930,764
Due from other governments	1,110,019
Due from fiduciary funds	105
Accounts receivable	41,417
Inventories	19,148
Non Current Assets	
Capital assets	
Not being depreciated	408,247
Being depreciated, net of accumulated depreciation	20,168,527
TOTAL ASSETS	33,182,079
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges from advance refunding	207,632
Pensions	18,068,209
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 51,457,920
LIABILITIES	
Payables	
Accounts payable	$ 474,818
Accrued liabilities	174,741
Due to other governments	101,058
Due to teachers' retirement system	3,076,309
Due to employees' retirement system	197,218
Compensated absences payable	185,055
Accrued interest payable	33,665
Unearned credits	
Collections in advance	48,211
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,825,000
Compensated absences payable	142,089
Due and payable after one year	
Bonds payable	6,590,000
Compensated absences payable	3,410,130
Net other post employment benefits obligation	34,816,377
Net pension liability - proportionate share	3,442,049
TOTAL LIABILITIES	54,516,720
DEFERRED INFLOWS OF RESOURCES	
Premium on bonds payable	549,292
Pensions	856,074
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	55,922,086
NET POSITION	
Net investment in capital assets	11,940,561
Restricted	
Employee benefit accrued liability	1,238,529
Retirement contribution	1,790,029
Debt service	15,726
Unemployment insurance	13,554
	3,057,838
Unrestricted (deficit)	(19,462,565)
TOTAL NET POSITION (DEFICIT)	(4,464,166)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 51,457,920

See Accompanying Notes to Financial Statements

ELWOOD UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FUNCTIONS / PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Position
General support	$ 8,153,735	$ -	$ -	$ -	$ (8,153,735)
Instruction	50,386,873	291,797	1,249,447	127,497	(48,718,132)
Pupil transportation	3,853,728				(3,853,728)
Debt service-interest	394,031				(394,031)
Food service program	634,040	430,718	343,374		140,052
TOTAL FUNCTIONS AND PROGRAMS	$ 63,422,407	$ 722,515	$ 1,592,821	$ 127,497	(60,979,575)
GENERAL REVENUES					
Real property taxes					39,208,456
Other tax items - including STAR reimbursement					4,808,695
Use of money & property					70,909
Miscellaneous					952,935
State sources					13,476,416
TOTAL GENERAL REVENUES					58,517,411
CHANGE IN NET POSITION					(2,462,164)
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR					(2,002,002)
TOTAL NET POSITION (DEFICIT) - END OF YEAR					$ (4,464,166)

See Accompanying Notes to Financial Statements

ELWOOD UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents					
Unrestricted	$ 6,299,438	$ 1,895	$ 25,779	$ -	$ 6,327,112
Restricted	3,057,838			118,902	3,176,740
Receivables					
State and federal aid	1,516,586	414,178			1,930,764
Due from other governments	1,110,019				1,110,019
Due from other funds	391,709				391,709
Accounts receivable	40,628		789		41,417
Inventories			19,148		19,148
TOTAL ASSETS	$ 12,416,218	$ 416,073	$ 45,716	$ 118,902	$ 12,996,909
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Payables					
Accounts payable	$ 457,951	$ 16,867	$ -	$ -	$ 474,818
Accrued liabilities	171,656		3,085		174,741
Due to other governments	100,994		64		101,058
Due to other funds		391,317		287	391,604
Due to teachers' retirement system	3,076,309				3,076,309
Due to employees' retirement system	197,218				197,218
Compensated absences	185,055				185,055
Unearned credits					
Collections in advance	16,882	7,889	23,440		48,211
DEFERRED INFLOWS OF RESOURCES					
General building aid restoration and excess cost	1,179,877				1,179,877
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,385,942	416,073	26,589	287	5,828,891
FUND BALANCES					
Nonspendable: inventory			19,148		19,148
Restricted:					
Employee benefit accrued liability	1,238,529				1,238,529
Retirement contribution	1,790,029				1,790,029
Debt service	15,726				15,726
Unemployment insurance	13,554				13,554
Unspent bond proceeds				120,447	120,447
Assigned					
Appropriated fund balance	1,475,970				1,475,970
Unappropriated fund balance	83,716				83,716
Unassigned	2,412,752		(21)	(1,832)	2,410,899
TOTAL FUND BALANCES	7,030,276	-	19,127	118,615	7,168,018
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 12,416,218	$ 416,073	$ 45,716	$ 118,902	$ 12,996,909

See Accompanying Notes to Financial Statements

ELWOOD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2017

Total Governmental Fund Balances		$ 7,168,018
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Deferred inflows of resources- General building aid restoration and excess cost- The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method.		1,179,877
The cost of building and acquiring capital assets (land, buildings, equipment) 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 include 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	$ 46,581,027	
Accumulated depreciation	(26,004,253)	20,576,774
Deferred inflows of resources - The Statement of Net Position recognized revenues and expenditures revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. Deferred inflows of resources related to pensions will be recorded on the Statement of Net Position and amortized as a reduction of pension expense in future years.		(856,074)
Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows that will be recognized as expenditures in future periods amounted to		
Deferred charges from advance funding		207,632
Pensions		18,068,209
Deferred inflows of resources - Governmental funds may report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		(549,292)
Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:		
Accrued interest on bonds		(33,665)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:		
Bonds payable	$ (8,415,000)	
Compensated absences payable	(3,552,219)	
Net other post employment benefits obligation	(34,816,377)	
Net pension liability - proportionate share	(3,442,049)	(50,225,645)
Total Net Position		$ (4,464,166)

See Accompanying Notes to Financial Statements

ELWOOD UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	$ 39,208,456	$ -	$ -	$ -	$ 39,208,456
Other tax items - including STAR reimbursement	4,808,695				4,808,695
Charges for services	291,797				291,797
Use of money and property	70,665		244		70,909
Miscellaneous	896,823		80		896,903
State sources	13,476,415	392,712	13,377	127,497	14,010,001
Federal sources		856,735	329,997		1,186,732
Sales - school lunch			430,718		430,718
TOTAL REVENUES	58,752,851	1,249,447	774,416	127,497	60,904,211
EXPENDITURES					
General support	6,223,009				6,223,009
Instruction	31,456,627	1,295,349			32,751,976
Pupil transportation	3,682,746	105,917			3,788,663
Employee benefits	13,648,344		156,276		13,804,620
Debt service - principal	1,755,000				1,755,000
Debt service - interest	500,462				500,462
Cost of sales			624,393		624,393
Capital outlay				112,405	112,405
TOTAL EXPENDITURES	57,266,189	1,401,266	780,669	112,405	59,560,529
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,486,662	(151,819)	(6,253)	15,092	1,343,682.4
OTHER FINANCING SOURCES AND (USES)					
Bond premium	56,032				56,032
Operating transfers in		151,819			151,819
Operating transfers (out)	(151,819)				(151,819)
TOTAL OTHER FINANCING SOURCES AND (USES)	(95,787)	151,819	-	-	56,032
NET CHANGE IN FUND BALANCES	1,390,876	-	(6,253)	15,092	1,399,715
FUND BALANCES - BEGINNING OF YEAR	5,639,400	-	25,380	103,523	5,768,303
FUND BALANCES - END OF YEAR	$ 7,030,276	$ -	$ 19,127	$ 118,615	$ 7,168,018

See Accompanying Notes to Financial Statements

ELWOOD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances		$ 1,399,715
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-Term Revenue and Expense Differences		
In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the year ended June 30, 2017 changed by:		(145,728)
Net other post employment benefits obligation in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditures in the funds when due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Net other post employment benefits obligation from June 30, 2016 to June 30, 2017 changed by:		(4,713,215)
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 expense in the Statement of Activities.		
Capital outlays	$ 245,870	
Depreciation expense	(866,779)	(620,909)
Long-Term Debt Differences		
Repayment of bond principal 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.		1,755,000
Premiums and discounts on long-term debt issuances and deferred amounts from debt refunding are recognized in the fiscal year in which the transactions occur in the governmental fund statements. These amounts are amortized in the Statement of Activities. The amount that was amortized in the current year was		99,998
Interest on long-term debt in the Statement of Activities differs from the amounts 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 Statements of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2016 to June 30, 2017 changed by:		6,433
Pension Differences		
Increases / decreases in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		
Teachers' retirement system	$ 40,749	
Employees' retirement system	(284,207)	(243,458)
Change in Net Position		$ (2,462,164)

See Accompanying Notes to Financial Statements

Exhibit 8

ELWOOD UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION-
FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents - restricted	$ 41,086	$ 127,454
TOTAL ASSETS	$ 41,086	$ 127,454
LIABILITIES		
Extraclassroom activity balance		$ 100,265
Other liabilities	$ 10,199	27,084
Due to governmental funds		105
TOTAL LIABILITIES	10,199	$ 127,454
NET POSITION		
Restricted for scholarships	30,887	
TOTAL NET POSITION	30,887	
TOTAL LIABILTIES AND NET POSITION	$ 41,086	

See Accompanying Notes to Financial Statements

ELWOOD UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private Purpose Trust Fund
ADDITIONS	
Gifts and donations	$ 33,377
Interest and earnings	163
TOTAL ADDITIONS	33,540
DEDUCTIONS	
Scholarships and awards	33,136
TOTAL DEDUCTIONS	33,136
CHANGE IN NET POSITION	404
NET POSITION - BEGINNING OF YEAR	30,483
NET POSITION - END OF YEAR	$ 30,887

See Accompanying Notes to Financial Statements

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Elwood Union Free School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board ("GASB"), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the District are described below:

A) Reporting entity:

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education (the "Board") consisting of five 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. The Board has authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. 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 and its component unit and other organizational entities determined to be includable in the District's financial reporting entity. 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 is a brief description of a certain entity included in the District's reporting entity:

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 its agent for the extraclassroom organizations in the Statement of Net Position –

Fiduciary Funds. Separate audited financial statements (cash basis) 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 Western Suffolk Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

C) Basis of presentation:

i) District-Wide Financial Statements

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

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the

programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including but not limited to real property taxes, are presented as general revenues.

ii) Fund Financial Statements

The Fund Financial Statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of Fund Financial Statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

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

Special Aid Fund: This fund accounts 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 either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the activities of the District's food service operations. The school lunch operations are supported by federal and state grants and charges participants for its services.

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The District reports the following fiduciary funds:

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

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income 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.

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.

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 transaction or events for recognition in the financial statements.

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

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 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, net other post employment benefits and net pension liability which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Real property taxes:

i) Calendar

Real property taxes are levied annually by the Board of Education no later than October 15th and become a lien on December 1st. Taxes are collected by the Town of Huntington and are remitted to the District from December to June.

ii) Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County (the "County"). The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

F) Restricted resources:

When an expense is incurred for purposes for which both restricted and unrestricted net position is 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.

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 the transfer of expenditure and revenues to provide financing or other services.

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

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

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

H) Estimates:

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

Estimates and assumptions are made in a variety of areas, including computation of compensated absences, workers' compensation claims, potential contingent liabilities, other post employment benefits, pension asset/liability and useful lives of capital assets.

I) Cash and cash equivalents:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

J) Receivables:

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

K) Inventories and prepaid items:

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

A nonspendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to prepaid interest on energy performance debt reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2017.

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 costs based on professional third-party information. Donated assets are reported at estimated fair market value at the time 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), depreciation methods, and estimated useful lives of capital assets reported in the District-Wide Financial Statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & building improvements	$15,000	Straight-line	25-50 years
Furniture, equipment and vehicles	$5,000	Straight-line	8-20 years

M) **Deferred outflows of resources:**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. First is the unamortized amount of deferred charges from the refunding of bonds that is being amortized as a component of interest expense on a straight-line basis over the life of the debt. The second item is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS), the change of assumptions (TRS and ERS), the net difference between projected and actual investment earnings on pension plan investments (TRS and ERS), the changes in proportion and differences between the District's contributions and proportionate share of contributions (TRS and ERS), and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date.

N) **Deferred inflows of resources:**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. District-Wide Financial Statements, however, report these deferred inflows as revenues in accordance with the accrual basis of accounting and economic resources measurement focus. The second item is related to pensions reported in the District-Wide Statement of Net Position. This represents the effect of the net difference between expected and actual experience (TRS and ERS) and the changes in proportion and differences between the District's contributions and proportionate share of contributions (TRS and ERS). The

third item arises due to a premium received on an advance refunding which is amortized over the remaining time to maturity of the refunded bonds.

O) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. Collections in advance consist of amounts received in advance for meals that have not yet been purchased in the school lunch fund, for donations received in advance for the 2017-2018 fiscal year in the general fund and grant revenue received prior to expenditures being incurred in the special aid fund.

P) Vested employee benefits:

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability 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 only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources.

Q) Other benefits:

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 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 pension benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements 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.

The District has issued and retired TANs totaling $14,000,000 in the fiscal year ended June 30, 2017. See Note 11 for further detail.

S) Accrued liabilities and long-term obligations:

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

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

T) **Equity classifications:**

i) District-Wide Financial Statements:

In the District-Wide Financial Statements there are three classes of net position:

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, gain on refunding).

Restricted net position – reports net position when constraints placed on the assets 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.

Unrestricted net position – reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

ii) Fund Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. At June 30, 2017 the District has $19,148 in nonspendable fund balance for inventory recorded in the school lunch fund.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following reserves as restricted:

Employee benefit accrued liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's

service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund under restricted fund balance.

Retirement contribution

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

Debt service

The unexpected balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of borrowing premiums can be recorded as amounts restricted for debt service. These restricted funds are accounted for in the general fund.

Unemployment insurance

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

Unspent bond proceeds

Unspent long-term bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Scholarships

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

Committed fund balance – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2017.

Assigned fund balance – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. All encumbrances are classified as assigned fund balances. The amount appropriated for the subsequent year's budget of the general fund is also classified as assigned fund balance in the general fund.

Unassigned fund balance –Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative fund balance.

The unassigned deficit fund balance in the capital projects fund of $1,832 will be eliminated once the District receives reimbursement in Smart Bond State Aid from the New York State Education Department. The unassigned deficit fund balance in the school lunch fund of $21 will be eliminated through school lunch operations or general fund budgetary appropriations.

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

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 modifications to the applied or transferred fund balance must be approved by formal action of the Board of Education.

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

Order of Use of Fund Balance

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 expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or Board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

U) **New accounting standards:**

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2017: Statement No. 77, *Tax Abatement Disclosures,* which requires increased disclosures surrounding tax abatements, and Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.* This statement addresses issues in the previously issued pension statements regarding payroll related measures in the required supplementary information, the selection of assumptions and deviations from other guidance, and the treatment of employee (plan member) contributions made by employers.

V) **Future changes in accounting standards:**

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

These are the statements that the District feels may have an impact on these financial statements and are not an all inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

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

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

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of five broad categories. The amounts shown below represent:

i) 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.

ii) Capital related differences:
Capital related differences include the difference between proceeds for the sale of capital assets reported on Governmental Fund Financial Statements and the gain or loss on the sale of assets reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the Fund Financial Statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-term debt transaction differences:
Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Fund Financial Statements, whereas interest payments are recorded in the Statement of

Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Pension differences:
Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between actual and expected experience, difference between projected and active earnings on pension plan investments, the District's contributions and its proportionate share of the total contributions to the pension system and District's contributions subsequent to the measurement date.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #5-Schedule of Change from the Adopted Budget to Final Budget.

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

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

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 assignments or restrictions of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) **Cash:**

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities.

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

All of the District's aggregate bank balances were covered by depository insurance or collateralized with securities held by the pledging financial institution in the District's name at year end.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate or foreign currency risk.

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2017 included $3,176,740 within the governmental funds for general reserve and capital projects purposes and $168,540 in the fiduciary funds.

NOTE 5 – PARTICIPATION IN BOCES:

During the year the District was billed $3,116,340 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $877,173. Financial statements for the BOCES are available from the BOCES administrative office at: Western Suffolk Board of Cooperative Educational Services, 507 Deer Park Road, Dix Hills, New York 11746-9007.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivable at June 30, 2017 consisted of the following:

General Fund	
General aid - restored building aid	$ 1,132,351
Excess cost aid	384,235
Total - General Fund	1,516,586
Special Aid Fund	
Federal aid	237,208
State and local aid	176,970
Total - Special Aid Fund	414,178
Total - All funds	$ 1,930,764

District management has deemed the amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2017 consisted of the following:

BOCES aid	$ 405,120
Tuition services & governmental entities - PILOT	704,899
Total	$ 1,110,019

District management has deemed the amounts to be fully collectible.

NOTE 8 – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2017 consisted of the following:

General Fund	
Donations	$ 16,882
Federal Fund	
Grant funds received in advance	7,889
School Lunch Fund	
Student prepaid meals	23,440
Total - All Funds	$ 48,211

NOTE 9 - CAPITAL ASSETS:

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 278,950	$ -	$ -	$ 278,950
Construction in progress	16,892	112,405		129,297
Total capital assets not being depreciated	295,842	112,405		408,247
Capital assets that are depreciated:				
Building & building improvements	44,464,998	21,955		44,486,953
Furniture, equipment & vehicles	1,574,316	111,511		1,685,827
Total capital assets being depreciated	46,039,314	133,466	-	46,172,780
Less accumulated depreciation:				
Building & building improvements	24,219,328	727,280		24,946,608
Furniture, equipment & vehicles	918,146	139,499		1,057,645
Total accumulated depreciation	25,137,474	866,779	-	26,004,253
Total capital assets being depreciated, net	20,901,840	(733,313)	-	20,168,527
Total capital assets, net	$ 21,197,682	$ (620,908)	$ -	$ 20,576,774

Depreciation expense was charged to governmental functions as follows:

General support	$ 22,978
Instruction	834,154
Food service program	9,647
	$ 866,779

NOTE 10 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General fund	$ 391,709	$ -	$ -	$ 151,819
Special aid fund		391,317	151,819	
Capital projects fund		287		
Total government activities	391,709	391,604	151,819	151,819
Fiduciary agency fund		105		
Totals	$ 391,709	$ 391,709	$ 151,819	$ 151,819

The District typically transfers from the general fund to the special aid fund to fund for the District's 20% share of the summer school handicap expenses required by New York State law and to fund the State Supported Section 4201 schools.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

NOTE 11 - SHORT-TERM DEBT:

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/23/17	1.50%	$ -	$ 13,000,000	$ 13,000,000	$ -
TAN	6/23/17	0.90%	-	1,000,000	1,000,000	-
			$ -	$ 14,000,000	$ 14,000,000	$ -

This debt was issued for the purpose of providing cash flow to the general fund in anticipation of revenues from property taxes.

Interest on short-term debt for the year was $154,700.

NOTE 12 – LONG-TERM LIABILITIES:

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

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 10,170,000	$ -	$ 1,755,000	$ 8,415,000	$ 1,825,000
Other long-term liabilities:					
Compensated absences payable	3,406,491	464,924	319,196	3,552,219	142,089
Net other post employment benefits obligation	30,103,162	7,382,620	2,669,405	34,816,377	-
Net pension liability-proportionate share	2,824,582	4,659,781	4,042,314	3,442,049	-
Total long-term liabilities	$ 46,504,235	$ 12,507,325	$ 8,785,915	$ 50,225,645	$ 1,967,089

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, net other post-employment benefits obligation, compensated absences payable, and net pension liability.

A) Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Serial refunding bond	4/19/2012	12/1/2020	2.00-4.00%	$ 7,145,000
Serial bonds	8/21/2014	8/15/2024	2.00-2.25%	1,270,000
				$ 8,415,000

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2018	$ 1,825,000	$ 277,012	$ 2,102,012
2019	1,900,000	205,463	2,105,463
2020	1,970,000	131,062	2,101,062
2021	2,050,000	53,713	2,103,713
2022	160,000	12,662	172,662
2023-2026	510,000	17,232	527,232
	$ 8,415,000	$ 697,144	$ 9,112,144

During the fiscal year ending June 30, 2017, Moody's rated the District's New York general obligation at Aa3.

B) Advance Refunding

In the District-Wide Financial Statements, the District is amortizing deferred charges on advance refunding and a refunding bond premium as a component of interest expense on a straight-line basis as follows:

Fiscal Year Ended June 30,	Deferred Charges	Deferred Premium on Refunding	Total
2018	$ 60,770	$ (160,768)	$ (99,998)
2019	60,770	(160,768)	(99,998)
2020	60,770	(160,768)	(99,998)
2021	25,322	(66,988)	(41,666)
Total	$ 207,632	$ (549,292)	$ (341,660)

C) Long-Term Interest

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

Interest paid	$ 345,762
Plus interest accrued in the current year	33,665
Plus amortization of deferred charges from bond refunding	60,770
Less interest accrued in the prior year	(40,098)
Less amortization of bond refunding premium	(160,768)
Total expense	$ 239,331

NOTE 13 – PENSION PLANS:

A) Plan Description and Benefits Provided:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State ("RSSL") of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer

elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

ii) Employees' Retirement System

The District participates in the New York State & Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

B) Funding Policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
    a. Employees who joined the system after July 27, 1976
        i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
    b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
        i. Employees contribute 3.5% of their salary throughout active membership.
    c. Employees who joined the system on or after April 1, 2012

i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

2. New York State Employees' Retirement System
   a. Employees who joined the system after July 27, 1976
      i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
   b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
      i. Employees contribute 3% of their salary throughout active membership.
   c. Employees who joined the system on or after April 1, 2012
      i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	TRS	ERS
2017	$ 3,076,309	$ 761,543
2016	$ 3,280,771	$ 848,350
2015	$ 4,282,449	$ 921,615

C) Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions:

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

	TRS	ERS
Measurement date	June 30, 2016	March 31, 2017
Net pension asset/(liability)	$ (1,717,293)	$ (1,724,756)
District's portion of the Plan's total net pension asset/(liability)	0.1603390%	0.0183558%
Change in proportion since the prior measurement date	(0.002379)	0.000758

For the year ended June 30, 2017, the District's recognized pension expense of $1,030,881 for ERS and pension expense of $2,865,520 for TRS. At June 30, 2017, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	$ -	$ 43,221	$ 557,873	$ 261,914
Change of assumptions	9,782,797	589,240		
Net difference between projected and actual earnings on pension plan investments	3,861,378	344,504		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	197,279	130,902	34,893	1,394
District's contributions subsequent to the measurement date	2,921,670	197,218		
	$ 16,763,124	$ 1,305,085	$ 592,766	$ 263,308

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

	TRS	ERS
Plan Year ended:		
2017	$ 1,219,367	$ -
2018	1,219,367	369,363
2019	4,218,221	369,363
2020	3,285,190	323,943
2021	1,520,192	(218,110)
Thereafter	1,786,351	
	$ 13,248,688	$ 844,559

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:

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.00%	7.50%
Salary scale	3.80%	4.72%-1.90%
Cost of living adjustments	1.3% annually	1.5% annually
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%

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

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

	ERS		TRS	
Valuation date	April 1, 2016		June 30, 2015	
Asset Type	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36%	4.55%	37%	6.10%
International equity	14%	6.35%	18%	7.30%
Private equity	10%	7.75%	7%	9.20%
Real Estate	10%	5.80%	10%	5.40%
Absolute return strategies	2%	4.00%		
Opportunistic portfolio	3%	5.89%		
Real assets	3%	5.54%		
Bond and mortgages	17%	1.31%		
Cash	1%	-0.25%		
Inflation-indexed bonds	4%	1.50%		
Domestic fixed income securities			17%	1.00%
Global fixed income securities			2%	0.80%
Mortgages			8%	3.10%
Short-term			1%	0.10%

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
District's proportionate share Of the net pension asset (liability)	($5,508,528)	($1,724,756)	$1,474,417

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
District's proportionate share Of the net pension asset (liability)	($22,405,995)	($1,717,293)	$15,635,305

Pension Plan Fiduciary Net Position

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

	ERS	TRS
	(Dollars in thousands)	
Valuation date	April 1, 2016	June 30, 2015
Employers' total pension liability	$ (177,400,586)	$ (108,577,184)
Plan fiduciary net position	168,004,363	107,506,142
Employers' net pension asset/(liability)	$ (9,396,223)	$ (1,071,042)
Ratio of plan fiduciary net position to the Employers' total pension asset/(liability)	94.70%	99.01%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017

represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to $197,218.

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, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to $3,076,309.

NOTE 14 – OTHER RETIREMENT PLANS:

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 termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2017, totaled $37,167 and $1,410,486 respectively.

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 $6,150.

NOTE 15 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) Plan Description:

The District provides post-employment health insurance coverage to retired employees in accordance with the provisions of employment contracts. Benefits are provided through the New York State Health Insurance Program – Empire Plan, (the "Plan") which is a single-employer defined benefit healthcare plan administered by New York State. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. The Plan does not issue a stand alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

B) Funding Policy:

The District assumes 75-85% of the cost of premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the Fund Financial Statements as payments are made. For the year ended June 30, 2017, the District recognized a general fund expenditure of $2,669,405 for insurance premiums for about 234 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. Therefore, there are no plan assets and no report is issued.

C) Annual OPEB Cost and Net OPEB Obligation:

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District net OPEB obligation:

Annual required contribution	$ 7,852,752
Interest on net OPEB obligation	1,204,126
Adjustment to Annual Required Contribution	(1,674,258)
Annual OPEB cost (expense)	7,382,620
Contributions made	(2,669,405)
Increase in net OPEB obligation	4,713,215
Net OPEB obligation-beginning of year	30,103,162
Net OPEB obligation-end of year	$34,816,377

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the fiscal year ending 2017, and the preceding two years was as follows:

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	$ 7,425,322	$ 7,100,843	$ 2,365,692	33%	$ 25,527,248
6/30/16	$ 7,557,869	$ 7,159,201	$ 2,583,287	36%	$ 30,103,162
6/30/17	$ 7,852,752	$ 7,382,620	$ 2,669,405	36%	$ 34,816,377

D) **Funded Status and Funding Progress:**

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $76,075,283 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $76,075,283. The covered payroll (annual payroll of active employees covered by the Plan) was $30,378,846 and the ratio of the UAAL to the covered payroll was 250%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the health care trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements provides multiyear trend information that shows 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 Plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between the District and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 4% and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after 6 years. The UAAL is being amortized using the level dollar amortization method over a closed period of 30 years.

NOTE 16 – RISK MANAGEMENT:

A) **General:**

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

B) Consortiums and Self Insured Plans:

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

The District participates in the Nassau County Schools Cooperative Self Insured Plan for Workers' Compensation, a risk sharing pool, to insure Workers' Compensation claims. This is a public school entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The Workers' Compensation Plan's total liability for unbilled and open claims at June 30, 2017, discounted at 2.0%, was $16,385,621. The Workers' Compensation Plan has plan assets of $19,478,063 at June 30, 2017 to pay these liabilities.

NOTE 17 – TAX ABATEMENTS:

The Suffolk County Industrial Development Agency, established by Article 18A of the General Municipal Law of New York State, under the authority of General Municipal Law Section 911-A, entered into a tax abatement program for the purpose of economic development, and general prosperity and economic welfare of the county with Engel Burman Senior Housing at East Northport, LLC. The District's property tax revenue was reduced by $169,900 for these programs. The District is due Payment in Lieu of Tax (PILOT) payments totaling $169,900 for these programs and this amount is included in due from other governments at June 30, 2017.

NOTE 18 – COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

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

General fund	
General support	$ 82,154
Instructional	1,562
Total general fund	$ 83,716
Capital projects fund	
Capital projects	$ 339,198

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, will be immaterial.

C) **Litigation:**

As of June 30, 2017, the District is unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

D) **Operating Leases:**

The District is committed under various non-cancelable operating leases, primarily for office equipment. The following is a summary of obligation of government activities under operating lease payments:

Fiscal Year Ending June 30,	Total
2018	$ 236,264
2019	194,485
2020	129,690
2021	88,812
	$ 649,251

Lease expenses for the fiscal year ended June 30, 2017 were $199,276.

NOTE 19 – SUBSEQUENT EVENTS:

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the District through the date of this report and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements, except for the following:

On September 20, 2017, the District issued a tax anticipation note in the amount of $11,000,000 which is due June 22, 2018 with an effective interest rate yield of 2.00%.

SUPPLEMENTARY INFORMATION

ELWOOD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUES				
Local sources				
Real property taxes	$ 39,023,724	$ 39,023,724	$ 39,208,456	$ 184,732
Other real property tax items	4,990,981	4,990,981	4,808,695	(182,286)
Charges for services	335,176	335,176	291,797	(43,379)
Use of money & property	60,000	60,000	70,665	10,665
Miscellaneous	130,000	288,548	896,823	608,275
State aid	13,368,718	13,393,718	13,476,415	82,697
TOTAL REVENUES	57,908,599	58,092,147	58,752,851	660,704
Other Financing Sources	50,000	50,000	56,032	6,032
TOTAL REVENUES AND OTHER SOURCES	57,958,599	58,142,147	$ 58,808,883	$ 666,736
Appropriated fund balance	1,500,000	1,500,000		
Appropriated reserves	123,297	123,297		
TOTAL REVENUES, OTHER SOURCES, APPROPRIATED FUND BALANCE, & RESERVES	$ 59,581,896	$ 59,765,444		

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.

ELWOOD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General support					
Board of education	$ 27,627	$ 34,047	$ 27,867	$ -	$ 6,180
Central administration	326,555	331,802	331,092		710
Finance	738,048	717,791	675,653	24,525	17,613
Staff	508,510	434,641	416,717		17,924
Central services	4,506,554	4,617,826	4,267,209	57,629	292,988
Special items	506,959	506,959	504,472		2,487
Instructional					
Instruction, adm. & imp.	2,638,139	2,754,204	2,658,322		95,882
Teaching - regular school	18,146,651	18,150,639	17,578,498	1,562	570,579
Programs for children with handicapping conditions	7,203,363	7,125,847	6,355,956		769,891
Occupational education	461,600	461,600	406,584		55,016
Instructional media	1,554,389	1,629,373	1,614,429		14,944
Pupil services	2,909,230	2,969,810	2,842,837		126,973
Pupil transportation	3,717,880	3,716,563	3,682,746		33,817
Employee benefits	14,085,627	13,907,061	13,648,344		258,717
Debt service					
Debt service principal	1,755,000	1,755,000	1,755,000		-
Debt service interest	385,764	500,462	500,462		-
TOTAL EXPENDITURES	59,471,896	59,613,625	57,266,189	83,716	2,263,721
Other Financing Uses					
Transfers to other funds	110,000	151,819	151,819		-
TOTAL EXPENDITURES AND OTHER USES	$ 59,581,896	$ 59,765,444	57,418,007	$ 83,716	$ 2,263,721
NET CHANGE IN FUND BALANCES			1,390,876		
FUND BALANCES - BEGINNING OF YEAR			5,639,400		
FUND BALANCES- END OF YEAR			$ 7,030,276		

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.

ELWOOD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
July 1, 2012	$ -	$ 62,641,232	$ 62,641,232	0%	$ 27,177,049	230%
July 1, 2014	$ -	$ 72,493,016	$ 72,493,016	0%	$ 30,866,090	235%
July 1, 2015	$ -	$ 76,075,283	$ 76,072,583	0%	$ 30,378,846	250%

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

ELWOOD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)
FOR THE FISCAL YEARS ENDED JUNE 30, *

NYSERS Pension Plan

	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.0183558%	0.017598%	0.017685%
District's proportionate share of the net pension asset/(liability)	$ (1,724,756)	$ (2,824,582)	$ (597,439)
District's covered payroll	$ 5,208,568	$ 4,917,093	$ 5,021,001
District's proportionate share of the net pension asset/(liability) as a percentage of its covered -employee payroll	33.11%	57.44%	11.90%
Plan fiduciary net position as a percentage of the total pension asset/(liability)	94.70%	90.70%	97.95%

NYSTRS Pension Plan

	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.1603390%	0.1627180%	0.1648130%
District's proportionate share of the net pension asset/(liability)	$ (1,717,293)	$ 16,901,211	$ 18,359,086
District's covered payroll	$ 24,670,156	$ 25,032,272	$ 24,791,431
District's proportionate share of the net pension asset/(liability) as a percentage of its covered -employee payroll	6.96%	67.52%	74.05%
Plan fiduciary net position as a percentage of the total pension asset/(liability)	99.01%	110.46%	111.48%

* The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

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

ELWOOD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED JUNE 30,

NYSERS Pension Plan

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 761,543	$ 848,350	$ 921,615	$ 847,553	$ 958,322	$ 684,848	$ 588,679	$ 360,821	$ 342,036	$ 367,632
Contributions in relation to the contractually required contribution	761,543	848,350	921,615	847,553	958,322	684,848	588,679	360,821	342,036	367,632
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 5,292,941	$ 4,661,463	$ 5,125,450	$ 4,945,720	$ 4,919,954	$ 4,644,595	$ 4,676,040	$ 4,708,492	$ 4,341,583	$ 4,301,154
Contributions as a percentage of covered employee payroll	14.39%	18.20%	17.98%	17.14%	19.48%	14.75%	12.59%	7.66%	7.88%	8.55%

NYSTRS Pension Plan

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 3,076,309	$ 3,280,771	$ 4,282,449	$ 3,956,137	$ 2,824,848	$ 2,471,495	$ 1,915,008	$ 1,375,000	$ 1,623,482	$ 1,780,749
Contributions in relation to the contractually required contribution	3,076,309	3,280,771	4,282,449	3,956,137	2,824,848	2,471,495	1,915,008	1,375,000	1,623,482	1,780,749
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 24,838,208	$ 24,670,156	$ 25,032,272	$ 24,791,431	$ 23,507,316	$ 23,346,475	$ 22,966,204	$ 22,039,363	$ 21,357,290	$ 20,881,680
Contributions as a percentage of covered employee payroll	12.39%	13.30%	17.11%	15.96%	12.02%	10.59%	8.34%	6.24%	7.60%	8.53%

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

ELWOOD UNION FREE SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$ 59,458,599
Add: Prior year's encumbrances	123,297
Original Budget	59,581,896
Add: Budget revisions	
Gifts/Donations	158,548
Bullet aid	25,000
Final Budget	$ 59,765,444

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-2018 voter approved expenditure budget		$ 60,330,370
Maximum allowed (4% of 2017-2018 budget)		$ 2,413,215
General fund fund balance subject to Section 1318 of Real Property Tax Law		
Assigned fund balance	1,559,686	
Unassigned fund balance	2,412,752	
Total unrestricted fund balance		3,972,438
Less:		
Appropriated fund balance	1,475,970	
Encumbrances	83,716	
Total adjustments		1,559,686
General fund fund balance subject to Section 1318 of Real Property Tax Law		$ 2,412,752
Actual percentage		4.00%

ELWOOD UNION FREE SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
AS OF JUNE 30, 2017

Project Title	Prior Year Appropriation	Current Appropriation	Expenditures and Transfers to Date: Prior Year's	Current Year Capital Outlay	Current Year Transfers	Total	Unexpended Balance	Methods of Financing: Proceeds of Obligations	State Aid	Local Sources	Total	Fund Balance June 30, 2017
Referendum approved December 9, 2010												
James H. Boyd Intermediate School:												
Repave Lower Driveway & Replace Sidewalk	$ 100,000	$ 100,000	$ 100,000	$ -	$ -	$ 100,000	$ -	$ 75,960	$ 24,040	$ -	$ 100,000	$ -
Energy Performance Upgrades	100,000	100,000	233			233	99,767	80,081			80,081	79,848
Other Costs (Legal, Fiscal Advisor, etc)	40,599	40,599					40,599	40,599			40,599	40,599
Smart Bond Projects												
District Wide	460,592	469,196	16,924	112,405		129,329	339,867		127,497		127,497	(1,832) *
	$ 752,210	$ 760,814	$ 168,176	$ 112,405	$ -	$ 280,581	$ 480,233	$ 247,659	$ 151,537	$ -	$ 399,196	$ 118,615

* The deficit fund balance will be eliminated once the District receives reimbursement in Smart Bond State Aid from the New York State Education Department.

ELWOOD UNION FREE SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Capital assets, net		$ 20,576,774
Add:		
Unamortized deferred charges from advance refunding	207,632	207,632
Deduct:		
Premium on bonds payable	549,292	
Short-term bonds payable	1,825,000	
Long-term bonds payable	6,590,000	
Less: unspent bond proceeds	(120,447)	8,843,845
Net investment in capital assets		$ 11,940,561

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926–2014)

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, 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
Elwood Union Free School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Elwood Union Free School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Elwood Union Free School District's basic financial statements, and have issued our report thereon dated October 5, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Elwood Union Free 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 Elwood Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Elwood Union Free 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

R. S. Abrams + Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 5, 2017