

**PLAINVIEW-OLD BETHPAGE
CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS**

JUNE 30, 2017

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Plainview-Old Bethpage Central 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 Plainview Old-Bethpage Central 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 funds of the Plainview-Old Bethpage Central 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 3 through 16 and 51 through 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plainview-Old Bethpage Central 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 September 27, 2017 on our consideration of the Plainview-Old Bethpage Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plainview-Old Bethpage Central School District's internal control over financial reporting and compliance.

R. S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
September 27, 2017

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

1. FINANCIAL HIGHLIGHTS

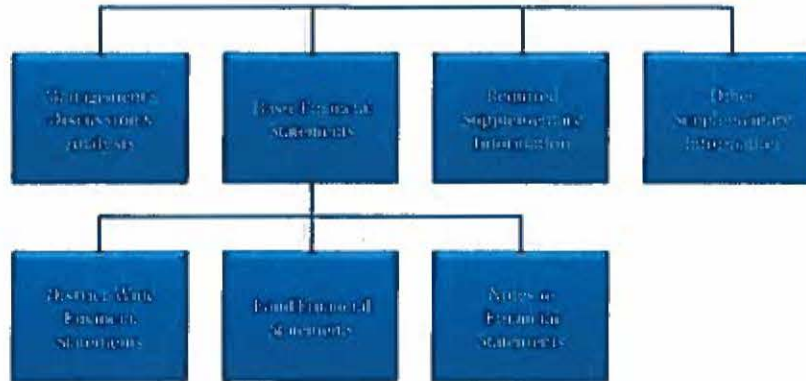
Key financial highlights for fiscal year 2017 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$6,109,298. This was due to revenues in excess of expenses based on the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$148,078,703. Of this amount, \$3,731,844 was offset by program charges for services and operating grants. General revenues of \$150,456,157 amount to 97.58% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$4,458,529. This was due to an excess of revenues over expenditures and other financing uses based on the modified accrual basis of accounting.
- On October 19, 2010 Plainview Properties entered into a Contract of Sale with Beechwood POB for the acquisition of approximately 143 acres of land located on the south side of Old County Road. The District and Beechwood POB have agreed that after the final build-out and occupancy of the Plainview POB development, there will be additional students projected to enter the District. Beechwood POB received final approval of the necessary zoning from the Town of Oyster Bay to allow for the building of 536 units of age-restricted units for any of all of 264 units of non-age restricted units. As such Beechwood POB issued a *Plainview Notice to Proceed* and will pay the District \$6,000,000 to be paid in three equal installments. The first installment was received in April 2017. The two remaining installments of \$2,000,000 each are to be paid in April 2018 and April 2019.
- On December 9, 2014, the voters approved a bond issue not to exceed \$49,816,257 for District-wide infrastructure upgrades and reconstruction projects. As of June 30, 2017, the District has issued \$17,000,000 in bond anticipation notes. Work has commenced and expenditures are recorded in the capital projects fund.
- The District's 2017 property tax levy of \$119,990,212 was a 0.23% increase over the 2016 tax levy. The District's property tax cap was 0.25%.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

**PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**



A. District-Wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

B. Fund Financial Statements

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

Governmental Funds

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the

**PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

period in which the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, workers' compensation, pension costs and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

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

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

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by \$6,109,298 between fiscal year 2017 and 2016. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

| | <u>2017</u> | <u>2016</u> | <u>Increase (Decrease)</u> | <u>Percentage Change</u> |
|--|--------------------|--------------------|--------------------------------|------------------------------|
| Asset | | | | |
| Current and Other Assets | \$ 73,780,050 | \$ 56,659,809 | \$ 17,120,241 | 30.22 % |
| Capital Assets, Net | 60,155,033 | 52,164,560 | 7,990,473 | 15.32 % |
| Net Pension Asset - Proportionate Share | | <u>41,511,558</u> | <u>(41,511,558)</u> | (100.00)% |
| Total Assets | <u>133,935,083</u> | <u>150,335,927</u> | <u>(16,400,844)</u> | (10.91)% |
| Deferred Outflows of Resources | <u>45,369,227</u> | <u>15,955,963</u> | <u>29,413,264</u> | 184.34 % |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

| | 2017 | 2016 | Increase (Decrease) | Percentage Change |
|--|----------------------|----------------------|------------------------|----------------------|
| Liabilities | | | | |
| Current and Other Liabilities | \$ 29,913,351 | \$ 14,735,097 | \$ 15,178,254 | 103.01 % |
| Long-Term Liabilities | 18,227,003 | 20,667,373 | (2,440,370) | (11.81)% |
| Net OPEB Obligation | 61,904,603 | 55,712,406 | 6,192,197 | 11.11 % |
| Net Pension Liability - Proportionate Share | 8,603,219 | 7,502,270 | 1,100,949 | 14.67 % |
| Total Liabilities | 118,648,176 | 98,617,146 | 20,031,030 | 20.31 % |
| Deferred Inflows of Resources | 2,079,811 | 15,207,719 | (13,127,908) | (86.32)% |
| Net Position | | | | |
| Net Investment in Capital Assets | 38,385,506 | 40,910,547 | (2,525,041) | (6.17)% |
| Restricted | 36,333,456 | 32,548,291 | 3,785,165 | 11.63 % |
| Unrestricted (Deficit) | (16,142,639) | (20,991,813) | 4,849,174 | 23.10 % |
| Total Net Position | \$ 58,576,323 | \$ 52,467,025 | \$ 6,109,298 | 11.64 % |

Current and other assets increased by \$17,120,241, as compared to the prior year. The increase is primarily related to an increase in cash and accounts receivable.

Capital assets, net increased by \$7,990,473, as compared to the prior year. This increase is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 10 "Capital Assets" provides additional information.

Net pension asset – proportionate share decreased by \$41,511,558, as compared to the prior 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 12 "Pension Plans - New York State", provides additional information.

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

Current and other liabilities increased by \$15,178,254, as compared to the prior year. This increase is primarily in connection with the District's issuance of a bond anticipation note to finance the District's capital projects.

Long-term liabilities decreased by \$2,440,370, as compared to the prior year. This decrease is the result of the repayment of the current maturity of debt and the decrease in the compensated absences liability, offset by an increase in the workers' compensation liability.

Net other postemployment benefits (OPEB) obligation increased by \$6,192,197, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go).

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability - proportionate share increased by \$1,100,949 in the current year. This liability 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 liability at the measurement date of the respective year. The increase is due to the shift of the net pension asset to a liability for the TRS and a decrease in the pension liability for the ERS.

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

The net investment in capital assets is the investment in capital assets at cost such as land; construction in progress; buildings and improvements; site improvements; and, furniture and equipment, net of depreciation and related outstanding debt. This number decreased from the prior year as follows:

| | Increase (Decrease) |
|---|------------------------|
| Capital asset additions - total | \$ 10,181,710 |
| Additions financed by debt | (12,637,820) |
| Additions financed by appropriations | (2,456,110) |
| Principal debt reduction of construction bonds | 1,880,000 |
| Principal debt reduction of energy performance contract | 242,306 |
| Depreciation expense | (2,191,237) |
| | \$ (2,525,041) |

The restricted amount of \$36,333,456 relates to the District's reserves. This number increased over the prior year by \$3,785,165, principally due to the transfer into the reserves in the amount of \$6,456,280, plus interest earned of \$82,026, offset by use of the reserves of \$2,753,141.

The unrestricted deficit amount of \$(16,142,639) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit decreased from the prior year by \$4,849,174, primarily as a result of the inclusion of the change in the proportionate share of the state retirement plans' collective assets, deferred outflows, liabilities and deferred inflows.

B. Changes in Net Position

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

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

| | 2017 | 2016 | Increase (Decrease) | Percentage Change |
|--------------------------|---------------------|---------------------|------------------------|----------------------|
| Revenues | | | | |
| Program Revenues | | | | |
| Charges for Services | \$ 1,502,482 | \$ 1,392,813 | \$ 109,669 | 7.87 % |
| Operating Grants | 2,229,362 | 2,228,232 | 1,130 | 0.05 % |
| General Revenues | | | | |
| Property Taxes and STAR | 120,038,999 | 119,764,421 | 274,578 | 0.23 % |
| State Sources | 18,644,738 | 16,988,428 | 1,656,310 | 9.75 % |
| Other | 11,772,420 | 4,858,610 | 6,913,810 | 142.30 % |
| Total Revenues | <u>154,188,001</u> | <u>145,232,504</u> | <u>8,955,497</u> | 6.17 % |
| Expenses | | | | |
| General Support | 17,469,055 | 16,835,552 | 633,503 | 3.76 % |
| Instruction | 120,999,270 | 109,170,547 | 11,828,723 | 10.84 % |
| Pupil Transportation | 7,505,647 | 8,440,549 | (934,902) | (11.08)% |
| Community Service | 269,790 | 234,543 | 35,247 | 15.03 % |
| Debt Service - Interest | 689,255 | 522,538 | 166,717 | 31.91 % |
| Food Service Program | 1,145,686 | 1,122,754 | 22,932 | 2.04 % |
| Total Expenses | <u>148,078,703</u> | <u>136,326,483</u> | <u>11,752,220</u> | 8.62 % |
| Increase in Net Position | <u>\$ 6,109,298</u> | <u>\$ 8,906,021</u> | <u>\$ (2,796,723)</u> | (31.40)% |

The District's net position increased by \$6,109,298 and \$8,906,021 for the years ended June 30, 2017 and 2016, respectively.

The District's revenues increased by \$8,955,497 or 6.17%. The major increases were in state sources and other revenues. The increases in state sources is due to the District receiving more in general state aid excess cost aid, and lottery aid as calculated by New York State. The increases in other revenues were mainly due to the recognition of \$6,000,000 in revenue related to the District's agreement with Beechwood POB, LLC (Beechwood). Under the agreement, Beechwood is to pay the District the sum of \$6,000,000 in three equal annual installments if they receive the final approval for the necessary zoning from the Town of Oyster Bay to allow for the building of 536 units of age-restricted units and 264 units of non-age restricted units in a new residential development. Beechwood received the Town's approval during the District's 2016-17 fiscal year and has issued a *Plainview Notice to Proceed*. The District received the first installment of \$2,000,000 from Beechwood in April 2017, and Beechwood delivered an *Evergreen Letter of Credit* to the District in the amount of \$4,000,000. The District recorded the \$4,000,000 in accounts receivable as of June 30, 2017, and expects to receive the two remaining installments of \$2,000,000 in April 2018 and April 2019. In the district-wide Statement of Activities, the \$4,000,000 receivable is recognized as revenues under the accrual basis of accounting along with the \$2,000,000 received in 2016-17.

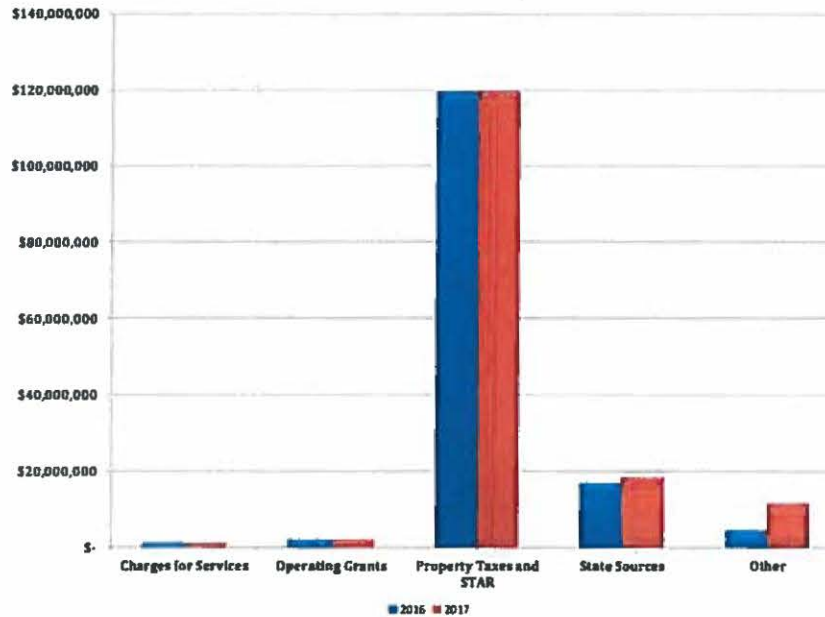
The District's expenses for the year increased by \$11,752,220 or 8.62%. The increase in expense is primarily due to increases in general support and instruction. The primary reason for the increase in these areas is due to the impact of the net change in pension costs, as a result of a change in the TRS discount rate, as well as increases in expenses related to health insurance premiums.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 77.9% and 82.5% of the total for the years 2017 and 2016, respectively). Instruction

**PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

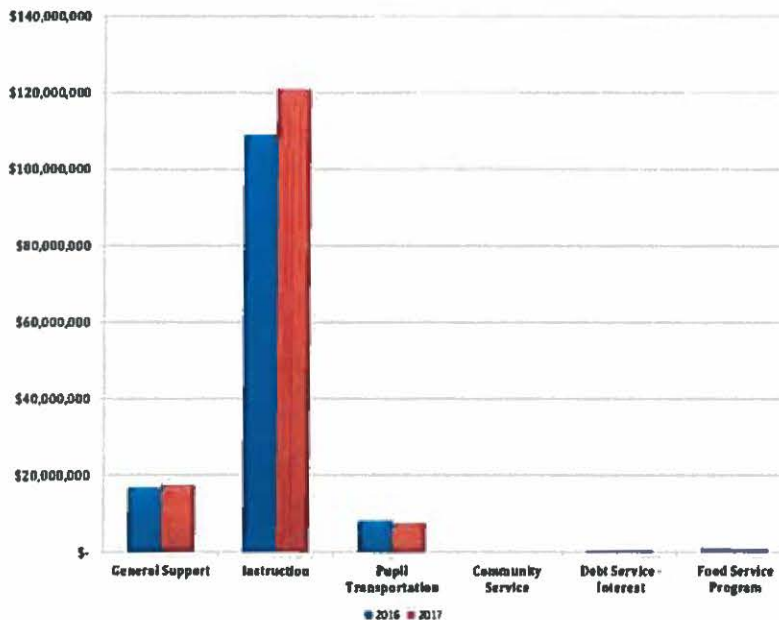
expenses is the largest category of expenses incurred (i.e., 81.6% and 80.1% of the total for the years 2017 and 2016, respectively).

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



| | Charges for Services | Operating Grants | Property Taxes and STAR | State Sources | Other |
|-------------|----------------------|------------------|-------------------------|---------------|-------|
| 2016 | 1.0% | 1.5% | 82.5% | 11.7% | 3.3% |
| 2017 | 1.0% | 1.4% | 77.9% | 12.1% | 7.6% |

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



| | General Support | Instruction | Pupil Transportation | Community Service | Debt Service - Interest | Food Service Program |
|-------------|-----------------|-------------|----------------------|-------------------|-------------------------|----------------------|
| 2016 | 12.3% | 80.1% | 6.2% | 0.2% | 0.4% | 0.8% |
| 2017 | 11.8% | 81.6% | 5.1% | 0.2% | 0.5% | 0.8% |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$39,971,764, which is a decrease of \$1,807,928 from the prior year. This decrease is due to an excess of expenditures over revenues based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

| | <u>2017</u> | <u>2016</u> | <u>Increase (Decrease)</u> |
|---------------------------------------|--------------------------|--------------------------|--------------------------------|
| General Fund | | | |
| Restricted | | | |
| Unemployment insurance | \$ 1,711,719 | \$ 1,719,116 | \$ (7,397) |
| Retirement contribution | 10,737,092 | 12,435,148 | (1,698,056) |
| Employee benefit accrued liability | 8,060,509 | 8,226,555 | (166,046) |
| Capital | 6,205,521 | 204,608 | 6,000,913 |
| Repairs | 1,001,297 | 996,849 | 4,448 |
| Assigned: | | | |
| Appropriated fund balance | 2,658,000 | 2,658,000 | - |
| Unappropriated fund balance | 1,054,314 | 739,613 | 314,701 |
| Unassigned: Fund balance | <u>6,087,873</u> | <u>6,077,907</u> | <u>9,966</u> |
| | <u>37,516,325</u> | <u>33,057,796</u> | <u>4,458,529</u> |
| School Food Service Fund | | | |
| Nonspendable: Inventory | 19,247 | 19,427 | (180) |
| Assigned: Unappropriated fund balance | <u>229,668</u> | <u>187,113</u> | <u>42,555</u> |
| | <u>248,915</u> | <u>206,540</u> | <u>42,375</u> |
| Debt Service Fund | | | |
| Restricted: Debt service | <u>498</u> | <u>2,996</u> | <u>(2,498)</u> |
| Capital Projects Fund | | | |
| Restricted: | | | |
| Capital | 8,616,820 | 8,963,019 | (346,199) |
| Unspent bond proceeds | (6,410,794) | 670,433 | (670,433) |
| Unassigned: Fund balance (deficit) | <u>(6,410,794)</u> | <u>(1,121,092)</u> | <u>(5,289,702)</u> |
| | <u>2,206,026</u> | <u>8,512,360</u> | <u>(6,306,334)</u> |
| Total Fund Balance | <u>\$ 39,971,764</u> | <u>\$ 41,779,692</u> | <u>\$ (1,807,928)</u> |

A. General Fund

The net change in the general fund – fund balance is an increase of \$4,458,529, compared to a decrease of \$3,841,176 for 2016. This resulted from revenues of \$147,092,911 in excess of expenditures and other uses of \$142,634,382. Revenues increased by \$5,134,404 (3.62%) over the prior year revenues. This increase was primarily due to increases in real property taxes (\$920,744), miscellaneous revenue (\$1,997,153) and state sources (\$1,681,093). The increase in real property taxes was in accordance with the voter approved 2016-17 budget. The increase in miscellaneous revenue is due to the District receiving the first of three installments from the Beechwood POB as a result of Beechwood POB, receiving approval

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

from the Town of Oyster Bay to build housing units within the District. The increase in state sources, as previously mentioned, is due to the District receiving more in state aid as calculated by New York State.

Expenditures and other uses decreased by \$3,165,301 (2.17%). This decrease is primarily due to a decrease in operating transfers out (\$6,129,353), offset by increases in instruction: teaching – regular school.

As part of the 2016-17 budget the District anticipated appropriating \$65,000 from the unemployment reserve to fund unemployment costs, \$2,598,881 from the retirement contribution reserve to fund costs associated with contributions to the New York State and Local Employees' Retirement System, and \$200,000 from the employee benefit accrued liability reserve to fund retiree payouts. Actual costs were less than anticipated for unemployment and the retirement contribution. As a result, the District appropriated \$12,554 from the unemployment reserve and \$2,191,641 from the retirement contribution reserve. At the end of the fiscal year, the District replenished the retirement contribution reserve in the amount of \$456,280. The District expects to appropriate \$3,567,699 from reserves during 2017-18.

On May 18, 2010, the voters of the District approved the creation of a capital reserve to fund future building renovations and potential infrastructure needs for a total of \$5,000,000 with a funding period of seven years. As of June 30, 2017, \$4,964,931 of funding has been provided, the reserve earned interest of \$31,534 and the District has appropriated \$4,803,500 from the reserve to fund capital projects. As of June 30, 2017, the reserve has a balance of \$192,965.

On May 17, 2015, the voters of the District approved the creation of a capital reserve to fund future building renovations and potential infrastructure needs for a total of \$5,000,000 with a funding period of seven years. As of June 30, 2017, \$5,000,000 of funding has been provided, the reserve earned interest of \$12,556 and the District has appropriated \$5,000,000 from the reserve to fund capital projects. As of June 30, 2017, the reserve has a balance of \$12,556.

On May 16, 2016, the voters of the District approved the creation of a capital reserve to fund future building renovations and potential infrastructure needs for a total of \$25,000,000 with a funding period of seven years. As of June 30, 2017, \$6,000,000 of funding has been provided.

The combined capital reserve balances at June 30, 2017 were \$6,205,521.

B. School Food Service Fund

The net change in the school food service fund – fund balance is an increase of \$42,375, which was the operating profit of the school food service fund.

C. Debt Service Fund

The net change in the debt service fund – fund balance is a decrease of \$2,498. The District used this amount to offset current year debt payments.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$6,306,334, due to expenditures incurred during the year on capital projects, offset by an operating transfer from the general fund.

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The capital projects fund unassigned fund deficit increased by \$5,289,702, as compared to the prior year. This increase is primarily attributable to ongoing construction for the District's approved \$49,816,257 bond project, which has been funded by the proceeds from the issuance of a bond anticipation note.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2016-17 Budget

The District's general fund adopted budget for the year ended June 30, 2017 was \$149,236,325. This amount was increased by encumbrances carried forward from the prior year in the amount of \$739,613 for a total final budget of \$149,975,938.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$119,990,212 in estimated property taxes and STAR.

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

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

| | |
|--|---------------------|
| Opening, Unassigned Fund Balance | \$ 6,077,907 |
| Revenues Over Budget | 3,378,467 |
| Expenditures and Encumbrances Under Budget | 6,287,242 |
| Unused Appropriated Reserves | (459,686) |
| Allocation to Reserves | (6,538,057) |
| Appropriated for the 2017-18 Budget | <u>(2,658,000)</u> |
| Closing, Unassigned Fund Balance | <u>\$ 6,087,873</u> |

Opening, Unassigned Fund Balance

The \$6,077,907 shown in the table is the portion of the District's June 30, 2016 fund balance that was retained as unassigned.

Revenues Over Budget

The 2016-17 budget for revenues was \$143,714,444. Actual revenues received for the year were \$147,092,911. The excess of actual revenue over estimated or budgeted revenue was \$3,378,467, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2016 to June 30, 2017.

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Expenditures and Encumbrances Under Budget

The 2016-17 final budget for expenditures was \$149,975,938. Actual expenditures as of June 30, 2017 were \$142,634,382 and outstanding encumbrances were \$1,054,314. Combined, the expenditures plus encumbrances for 2016-17 were \$143,688,696. The final budget was under expended by \$6,287,242. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2016 to June 30, 2017.

Unused Appropriated Reserves

In the 2016-17 budget, \$2,863,881 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$459,686 of this funding was not needed and, therefore, it was returned to the reserves for future use.

Allocation to Reserves

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

The (\$6,538,057) shown in the previous table is made up of two transfers: \$6,000,000 to the capital reserve and \$456,280 to the retirement contribution reserve. Additionally, interest earnings of \$81,777 were allocated to the reserves.

Appropriated Fund Balance

The District has chosen to use \$2,658,000 of the available June 30, 2017 unassigned fund balance to partially fund the 2017-18 approved operating budget. As such, the June 30, 2017 unassigned fund balance must be reduced by this amount.

Closing Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the unassigned fund balance at June 30, 2017 was \$6,087,873. This amount equals 4% of the 2017-18 budget and is at the 4% statutory limit.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2017, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$10,181,710 in excess of depreciation of \$2,191,237 recorded for the year ended June 30, 2017. A summary of the District's capital assets, net of depreciation at June 30, 2017 and 2016 is as follows:

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

| | <u>2017</u> | <u>2016</u> | <u>Increase (Decrease)</u> |
|-----------------------------------|----------------------|----------------------|--------------------------------|
| Land | \$ 1,864,870 | \$ 1,864,870 | \$ - |
| Construction in progress | 9,050,370 | 8,759,392 | 290,978 |
| Buildings | 43,404,581 | 37,370,495 | 6,034,086 |
| Improvements Other Than Buildings | 2,994,355 | 2,284,005 | 710,350 |
| Equipment | 2,840,857 | 1,885,798 | 955,059 |
| Capital assets, net | <u>\$ 60,155,033</u> | <u>\$ 52,164,560</u> | <u>\$ 7,990,473</u> |

The District is continuing to make significant capital expenditures resulting from a December 2014 voter approved \$49,816,257 bond authorization for capital improvements to District facilities. As of June 30, 2017, the District has expended approximately 24% of the authorization and the construction is ongoing,

B. Debt Administration

At June 30, 2017, the District had total bonds payable of \$9,285,000 and an energy performance contract payable of \$517,140. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The decrease in outstanding debt represents principal payments. There were no new issuances of long-term debt during the year ended June 30, 2017. A summary of the outstanding debt at June 30, 2017 and 2016 is as follows:

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>2017</u> | <u>2016</u> | <u>Increase (Decrease)</u> |
|--|-----------------------|--------------------------|---------------------|----------------------|--------------------------------|
| Bonds Payable | | | | | |
| | 2009 | 2.25-3.75% | \$ 525,000 | \$ 600,000 | \$ (75,000) |
| | 2009 | 2.00-5.00% | 5,715,000 | 7,080,000 | (1,365,000) |
| | 2011 | 2.00-4.00% | 3,045,000 | 3,485,000 | (440,000) |
| | | | <u>\$ 9,285,000</u> | <u>\$ 11,165,000</u> | <u>\$ (1,880,000)</u> |
| Energy Performance Contract Payable | | | | | |
| | 2003 | 4.41% | \$ 517,140 | \$ 759,446 | \$ (242,306) |

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

**PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

| | 2017 | 2016 | Increase (Decrease) |
|---|----------------------|----------------------|------------------------|
| Compensated absences payable | \$ 7,644,202 | \$ 8,043,680 | \$ (399,478) |
| Workers' compensation liabilities | 780,661 | 699,247 | 81,414 |
| Net OPEB obligation | 61,904,603 | 55,712,406 | 6,192,197 |
| Net pension liability - proportionate share | 8,603,219 | 7,502,270 | 1,100,949 |
| | <u>\$ 78,932,685</u> | <u>\$ 71,957,603</u> | <u>\$ 6,975,082</u> |

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 16, 2017, for the year ending June 30, 2018, is \$152,196,856. This is an increase of \$2,960,531 or 1.98% over the previous year's budget. The increase is principally in the instructional program (\$2,806,248) and employee benefit (\$504,513) areas of the budget.

The District budgeted revenues other than property taxes and STAR at a \$1,225,931 increase over the prior year's estimate, which is principally due to an estimated increase in state aid. The assigned, appropriated fund balance applied to the budget in the amount of \$2,658,000 is the same as the previous year. Additionally, the District has elected to appropriate \$3,567,699 of reserves towards the next year's budget, which is an increase of \$703,818 over the previous year. A property tax increase of \$1,030,782 (0.86%), levy to levy, was needed to meet the funding shortfall and cover the increase in projected expenditures.

B. Future Budgets

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

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2017-18 is 1.77%. The District's 2017-18 property tax increase of 0.86% was less than the tax cap and did not require an override vote.

D. Property Tax Relief Credit

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

**PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

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 taxpayer's income.

This program provides an incentive for the District to be tax cap compliant.

8. CONTACTING THE DISTRICT

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

Mr. Richard Cunningham
Assistant Superintendent for Business
Plainview-Old Bethpage Central School District
106 Washington Avenue
Plainview, New York 11803

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

| | |
|--|--------------------------|
| ASSETS | |
| Cash | |
| Unrestricted | \$ 21,230,129 |
| Restricted | 41,366,069 |
| Receivables | |
| Accounts receivable | 4,026,754 |
| Taxes receivable | 2,450,726 |
| Due from fiduciary funds | 77,337 |
| Due from state and federal | 1,926,622 |
| Due from other governments | 2,683,166 |
| Inventory | 19,247 |
| Capital assets: | |
| Not being depreciated | 10,915,240 |
| Being depreciated, net of accumulated depreciation | <u>49,239,793</u> |
| Total Assets | <u>133,935,083</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pensions | <u>45,369,227</u> |
| LIABILITIES | |
| Payables | |
| Accounts payable | 2,229,584 |
| Accrued liabilities | 2,041,869 |
| Due to fiduciary funds | 44,750 |
| Due to other governments | 455 |
| Due to teachers' retirement system | 7,723,436 |
| Due to employees' retirement system | 652,027 |
| Unearned credits | |
| Collections in advance | 96,788 |
| Notes payable | |
| Bond anticipation | 17,000,000 |
| Other liabilities | 124,442 |
| Long-term liabilities | |
| Due and payable within one year | |
| Bonds payable | 1,970,000 |
| Energy performance contract payable | 252,991 |
| Compensated absences payable | 200,000 |
| Due and payable after one year | |
| Bonds payable | 7,315,000 |
| Energy performance contract payable | 264,149 |
| Compensated absences payable | 7,444,202 |
| Workers' compensation liabilities | 780,661 |
| Net other postemployment benefits obligation | 61,904,603 |
| Net pension liability - proportionate share | <u>8,603,219</u> |
| Total Liabilities | <u>118,648,176</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pensions | <u>2,079,811</u> |
| NET POSITION | |
| Net investment in capital assets | <u>38,385,506</u> |
| Restricted: | |
| Unemployment insurance | 1,711,719 |
| Retirement contribution | 10,737,092 |
| Employee benefit accrued liability | 8,060,509 |
| Capital | 14,822,341 |
| Repairs | 1,001,297 |
| Debt service | 498 |
| | <u>36,333,456</u> |
| Unrestricted (deficit) | <u>(16,142,639)</u> |
| Total Net Position | <u>\$ 58,576,323</u> |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2017

| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|-----------------------|-------------------------|---------------------|--|
| | | Charges for Services | Operating Grants | |
| FUNCTIONS/PROGRAMS | | | | |
| General support | \$ 17,469,055 | \$ | \$ | \$ (17,469,055) |
| Instruction | 120,999,270 | 621,773 | 1,949,347 | (118,428,150) |
| Pupil transportation | 7,505,647 | | | (7,505,647) |
| Community service | 269,790 | | | (269,790) |
| Debt service - interest | 689,255 | | | (689,255) |
| Food service program | 1,145,686 | 880,709 | 280,015 | 15,038 |
| Total Functions and Programs | \$ 148,078,703 | \$ 1,502,482 | \$ 2,229,362 | (144,346,859) |
| GENERAL REVENUES | | | | |
| Real property taxes | | | | 107,285,308 |
| Other tax items | | | | 16,609,125 |
| Use of money and property | | | | 1,252,942 |
| Sale of property and compensation for loss | | | | 114,895 |
| Miscellaneous | | | | 6,515,583 |
| State sources | | | | 18,644,738 |
| Medicaid reimbursement | | | | 33,566 |
| Total General Revenues | | | | 150,456,157 |
| Change in Net Position | | | | 6,109,298 |
| Total Net Position - Beginning of Year | | | | 52,467,025 |
| Total Net Position - End of Year | | | | \$ 58,576,323 |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
 June 30, 2017

| | General | Special Aid | School Food Service | Debt Service | Capital Projects | Total Governmental Funds |
|---|----------------------|---------------------|---------------------------|-----------------|----------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash | | | | | | |
| Unrestricted | \$ 18,142,026 | \$ 50,572 | \$ 238,567 | \$ | \$ 2,798,964 | \$ 21,230,129 |
| Restricted | 27,716,138 | | | 498 | 13,649,433 | 41,366,069 |
| Receivables | | | | | | |
| Accounts receivable | 4,017,896 | | 8,858 | | | 4,026,754 |
| Taxes receivable | 2,450,726 | | | | | 2,450,726 |
| Due from other funds | 1,149,150 | | 70,121 | | 3,248,523 | 4,467,794 |
| Due from state and federal | 746,282 | 1,139,301 | 41,039 | | | 1,926,622 |
| Due from other governments | 2,683,166 | | | | | 2,683,166 |
| Inventory | | | 19,247 | | | 19,247 |
| Total Assets | \$ 56,905,384 | \$ 1,189,873 | \$ 377,832 | \$ 498 | \$ 19,696,920 | \$ 78,170,507 |
| LIABILITIES | | | | | | |
| Payables | | | | | | |
| Accounts payable | \$ 1,744,833 | \$ 39,154 | \$ 79,145 | \$ | \$ 366,452 | \$ 2,229,584 |
| Accrued liabilities | 1,755,685 | 4,417 | | | | 1,760,102 |
| Due to other funds | 3,318,644 | 1,116,563 | | | | 4,435,207 |
| Due to other governments | | | 455 | | | 455 |
| Due to teachers' retirement system | 7,723,436 | | | | | 7,723,436 |
| Due to employees' retirement system | 652,027 | | | | | 652,027 |
| Unearned credits | | | | | | |
| Collections in advance | 17,732 | 29,739 | 49,317 | | | 96,788 |
| Notes payable | | | | | | |
| Bond anticipation | | | | | 17,000,000 | 17,000,000 |
| Other liabilities | | | | | 124,442 | 124,442 |
| Total Liabilities | 15,212,357 | 1,189,873 | 128,917 | - | 17,490,894 | 34,022,041 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue | 4,176,702 | - | - | | | 4,176,702 |
| FUND BALANCES | | | | | | |
| Nonspendable: Inventory | | | 19,247 | | | 19,247 |
| Restricted: | | | | | | |
| Unemployment insurance | 1,711,719 | | | | | 1,711,719 |
| Retirement contribution | 10,737,092 | | | | | 10,737,092 |
| Employee benefit accrued liability | 8,060,509 | | | | | 8,060,509 |
| Capital | 6,205,521 | | | | 8,616,820 | 14,822,341 |
| Repairs | 1,001,297 | | | | | 1,001,297 |
| Debt service | | | | 498 | | 498 |
| Assigned: | | | | | | |
| Appropriated fund balance | 2,658,000 | | | | | 2,658,000 |
| Unappropriated fund balance | 1,054,314 | | 229,668 | | | 1,283,982 |
| Unassigned: Fund balance (deficit) | 6,087,873 | | | | (6,410,794) | (322,921) |
| Total Fund Balances | 37,516,325 | - | 248,915 | 498 | 2,206,026 | 39,971,764 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 56,905,384 | \$ 1,189,873 | \$ 377,832 | \$ 498 | \$ 19,696,920 | \$ 78,170,507 |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

| | | |
|---|---------------------|----------------------|
| Total Governmental Fund Balances | | \$ 39,971,764 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds. | | 4,176,702 |
| The costs 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 includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives. | | |
| Original cost of capital assets | \$ 119,607,051 | |
| Accumulated depreciation | <u>(59,452,018)</u> | 60,155,033 |
| Proportionate share of long-term liability and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds. | | |
| Deferred outflows of resources | 45,369,227 | |
| Net pension liability - teachers' retirement system | (4,231,126) | |
| Net pension liability - employees' retirement system | (4,372,093) | |
| Deferred inflows of resources | <u>(2,079,811)</u> | 34,686,197 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of: | | |
| Accrued interest on bonds and bond anticipation notes payable | (281,767) | |
| Bonds payable | (9,285,000) | |
| Energy performance contract payable | (517,140) | |
| Compensated absences payable | (7,644,202) | |
| Workers' compensation liabilities | (780,661) | |
| Net other postemployment benefits obligation | <u>(61,904,603)</u> | (80,413,373) |
| Total Net Position | | <u>\$ 58,576,323</u> |

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

| | General | Special Aid | School Food Service | Debt Service | Capital Projects | Total Governmental Funds |
|--|----------------------|------------------|---------------------------|------------------|---------------------|--------------------------------|
| REVENUES | | | | | | |
| Real property taxes | \$ 107,285,308 | \$ | \$ | \$ | \$ | \$ 107,285,308 |
| Other tax items | 16,609,125 | | | | | 16,609,125 |
| Charges for services | 633,301 | | | | | 633,301 |
| Use of money and property | 1,250,356 | | 2,337 | 249 | | 1,252,942 |
| Sale of property and compensation for loss | 114,895 | | | | | 114,895 |
| Miscellaneous | 2,515,583 | 85,821 | | | | 2,601,404 |
| Interfund revenue | 6,039 | | | | | 6,039 |
| State sources | 18,644,738 | 593,526 | 15,067 | | | 19,253,331 |
| Medicaid reimbursement | 33,566 | | | | | 33,566 |
| Federal sources | | 1,270,000 | 264,948 | | | 1,534,948 |
| Sales | | | 880,709 | | | 880,709 |
| Total Revenues | 147,092,911 | 1,949,347 | 1,163,061 | 249 | - | 150,205,568 |
| EXPENDITURES | | | | | | |
| General support | 14,621,755 | | | | | 14,621,755 |
| Instruction | 84,130,907 | 2,033,209 | | | | 86,164,116 |
| Pupil transportation | 7,075,503 | 116,138 | | | | 7,191,641 |
| Community service | 202,365 | | | | | 202,365 |
| Employee benefits | 31,808,595 | | | | | 31,808,595 |
| Debt service | | | | | | |
| Principal | 242,306 | | | 1,880,000 | | 2,122,306 |
| Interest | 33,492 | | | 417,206 | | 450,698 |
| Food service program | | | 1,145,686 | | | 1,145,686 |
| Capital outlay | | | | | 8,306,334 | 8,306,334 |
| Total Expenditures | 138,114,923 | 2,149,347 | 1,145,686 | 2,297,206 | 8,306,334 | 152,013,496 |
| Excess (Deficiency) of Revenues Over Expenditures | 8,977,988 | (200,000) | 17,375 | (2,296,957) | (8,306,334) | (1,807,928) |
| OTHER FINANCING SOURCES AND (USES) | | | | | | |
| Operating transfers in | | 200,000 | 25,000 | 2,294,459 | 2,000,000 | 4,519,459 |
| Operating transfers (out) | (4,519,459) | | | | | (4,519,459) |
| Total Other Financing Sources and (Uses) | (4,519,459) | 200,000 | 25,000 | 2,294,459 | 2,000,000 | - |
| Net Change in Fund Balances | 4,458,529 | - | 42,375 | (2,498) | (6,306,334) | (1,807,928) |
| Fund Balances - Beginning of Year | 33,057,796 | | 206,540 | 2,996 | 8,512,360 | 41,779,692 |
| End of Year | \$ 37,516,325 | \$ - | \$ 248,915 | \$ 498 | \$ 2,206,026 | \$ 39,971,764 |

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

Net Change in Fund Balances \$ (1,807,928)

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

\$ 3,988,472

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in compensated absences payable 399,478

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

Increase in workers' compensation liabilities (81,414)
 Increase in net other postemployment benefits obligation (6,192,197)

(1,885,661)

Capital Related Differences

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

Capital outlays 10,181,710
 Depreciation expense (2,191,237)

7,990,473

Long-Term Debt Transactions Differences

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

Repayment of bond principal 1,880,000
 Repayment of energy performance contract payable 242,306

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

(238,557)

1,883,749

Pension Differences

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

Teachers' retirement system (20,952,867)
 Employees' retirement system 20,881,532

(71,335)

Change in Net Position of Governmental Activities

\$ 6,109,298

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2017

| | Agency | Private Purpose Trust |
|----------------------------------|-------------------|-----------------------------|
| ASSETS | | |
| Cash | | |
| Unrestricted | \$ 778,141 | \$ |
| Restricted | | 604,732 |
| Accounts receivable | | 833 |
| Due from governmental funds | 44,750 | |
| Total Assets | \$ 822,891 | 605,565 |
| LIABILITIES | | |
| Extraclassroom activity balances | \$ 253,787 | |
| Due to governmental funds | 2,337 | 75,000 |
| Other liabilities | 566,767 | 76,939 |
| Total Liabilities | \$ 822,891 | 151,939 |
| NET POSITION | | |
| Restricted for scholarships | | 93,926 |
| Restricted for childcare | | 359,700 |
| Total Net Position | | \$ 453,626 |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2017

| | <u>Private Purpose Trust</u> |
|----------------------------------|--------------------------------------|
| ADDITIONS | |
| Contributions | \$ 19,399 |
| Investment earnings - interest | 313 |
| Child care fees | <u>738,842</u> |
| Total Additions | <u>758,554</u> |
| DEDUCTIONS | |
| Scholarships and awards | 22,850 |
| Child care | <u>704,273</u> |
| Total Deductions | <u>727,123</u> |
| Change in Net Position | 31,431 |
| Net Position - Beginning of Year | <u>422,195</u> |
| Net Position - End of Year | <u>\$ 453,626</u> |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Extraclassroom Activity Funds

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

Child Care Fund

The District has oversight over a self-sustaining child care program in a separate fund. Such fund has no budget and the activities are independent of the District.

B. Joint Venture

The District is a component district in the Board of Cooperative Educational Services of Nassau (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board in August and become a lien on October 1st and April 1st. Taxes are collected by the Town of Oyster Bay and remitted to the District from December to June.

Enforcement

Uncollected real property taxes are subsequently enforced by Nassau County in June.

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

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

H. Use of Estimates

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

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

I. Cash and Cash Equivalents

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

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

J. Receivables

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material. Accounts receivable at June 30, 2017 includes \$4,000,000 receivable related to Beechwood POB.

K. Inventory

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

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

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

L. Capital Assets

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

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

| | <u>Capitalization Threshold</u> | <u>Estimated Useful Life</u> |
|-----------------------------------|-------------------------------------|----------------------------------|
| Buildings & building improvements | \$ 10,000 | 20-50 years |
| Land improvements | 10,000 | 20 years |
| Furniture, equipment & vehicles | 1,000 | 5-20 years |
| Technology equipment | 250 | 2-5 years |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

M. Deferred Outflows of Resources

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

N. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

O. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two 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, amounts due from other governments for tuition charges and miscellaneous revenue related to an agreement with Beechwood POB. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense.

P. Employee Benefits - Compensated Absences

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

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

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

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

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

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Q. Other Benefits

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

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

R. Short-Term Debt

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

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

S. Equity Classifications

District-Wide Statements

In the district-wide statements there are three classes of net 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 acquisitions, construction and improvements of those assets.

Restricted – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors,

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Fund Statements

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

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

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

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

Employee Benefit Accrued Liability Reserve

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

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Reserve

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

Repairs Reserve

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

Restricted for Debt Service

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

Restricted for Scholarships

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

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

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

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Balance Classification

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

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the 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 from the unassigned fund balance.

2. CHANGES IN ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension Differences

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

C. Capital Projects Fund

The capital projects fund has an unassigned fund balance deficit of \$6,410,794. This will be funded when the District obtains permanent financing for its current construction project.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2017, the District was billed \$6,620,184 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,847,394. Financial statements for the BOCES are available from the BOCES administrative offices at 71 Clinton Road, P.O. Box 9195, Garden City, New York 11530-9195.

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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7. DUE FROM STATE AND FEDERAL

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

| | |
|---|---------------------|
| General Fund | |
| New York State -building aid | \$ 55,632 |
| New York State - excess cost aid | 690,650 |
| | <u>746,282</u> |
| Special Aid Fund | |
| Federal and state grants | 1,139,301 |
| School Food Service Fund | |
| Federal and state food service program reimbursements | 41,039 |
| | <u>\$ 1,926,622</u> |

8. DUE FROM OTHER GOVERNMENTS

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

| | |
|---|---------------------|
| General Fund | |
| PILOT payments | \$ 1,498,173 |
| BOCES aid | 832,851 |
| Other districts - tuition and health services | 352,142 |
| | <u>\$ 2,683,166</u> |

9. INTERFUND TRANSACTIONS

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

| | Interfund | | | |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| | Receivable | Payable | Transfers In | Transfers Out |
| General Fund | \$ 1,149,150 | \$ 3,318,644 | \$ | \$ 4,519,459 |
| Special Aid Fund | | 1,116,563 | 200,000 | |
| School Food Service Fund | 70,121 | | 25,000 | |
| Debt Service Fund | | | 2,294,459 | |
| Capital Projects Fund | 3,248,523 | | 2,000,000 | |
| Total Governmental Funds | <u>4,467,794</u> | <u>4,435,207</u> | <u>\$ 4,519,459</u> | <u>\$ 4,519,459</u> |
| Fiduciary Funds | 44,750 | 77,337 | | |
| Total | <u>\$ 4,512,544</u> | <u>\$ 4,512,544</u> | | |

The District typically transfers from the general fund to the special aid fund, school food service fund, debt service fund and capital projects fund in accordance with the voter approved budget. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

disabilities and the state-supported Section 4201 schools. The transfer to the school food service fund was to provide support for the program per the approved budget. The transfer to the debt service fund was for the payment of principal and interest on long-term outstanding indebtedness. The transfer to the capital projects fund was to provide funding for various capital projects.

| | <u>Maturity</u> | <u>Stated Interest Rate</u> | <u>Balance June 30, 2016</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Balance June 30, 2017</u> |
|-----|-----------------|-------------------------------------|----------------------------------|-------------------|-----------------|----------------------------------|
| BAN | 10/5/2017 | 1.75% | <u>\$</u> | <u>17,000,000</u> | <u>\$</u> | <u>\$ 17,000,000</u> |

The BAN was issued for interim financing in the capital projects fund. The District received a premium of \$124,442, to yield an effective interest rate of 1.02%. On the district-wide statements interest expense on short term debt of \$223,125 was recognized.

10. CAPITAL ASSETS

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

| | <u>Balance June 30, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2017</u> |
|---|----------------------------------|----------------------|-----------------------|----------------------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 1,864,870 | \$ | \$ | \$ 1,864,870 |
| Construction in progress | 8,759,392 | 7,289,411 | (6,998,433) | 9,050,370 |
| Total capital assets not being depreciated | <u>10,624,262</u> | <u>7,289,411</u> | <u>(6,998,433)</u> | <u>10,915,240</u> |
| Capital assets being depreciated | | | | |
| Buildings | 89,240,057 | 7,619,597 | | 96,859,654 |
| Improvements other than buildings | 3,897,848 | 879,183 | | 4,777,031 |
| Equipment | 5,760,094 | 1,391,952 | (96,920) | 7,055,126 |
| Total capital assets being depreciated | <u>98,897,999</u> | <u>9,890,732</u> | <u>(96,920)</u> | <u>108,691,811</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 51,869,562 | 1,585,511 | | 53,455,073 |
| Improvements other than buildings | 1,613,843 | 168,833 | | 1,782,676 |
| Equipment | 3,874,296 | 436,893 | (96,920) | 4,214,269 |
| Total accumulated depreciation | <u>57,357,701</u> | <u>2,191,237</u> | <u>(96,920)</u> | <u>59,452,018</u> |
| Total capital assets, being depreciated, net | <u>41,540,298</u> | <u>7,699,495</u> | <u>-</u> | <u>49,239,793</u> |
| Capital assets, net | <u>\$ 52,164,560</u> | <u>\$ 14,988,906</u> | <u>\$ (6,998,433)</u> | <u>\$ 60,155,033</u> |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|--------------------------------|-------------------------|
| General support | \$ 21,275 |
| Instruction | 2,124,075 |
| Pupil transportation | <u>45,887</u> |
| Total depreciation expense | <u>\$ 2,191,237</u> |

11. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pension and other postemployment benefits obligations, 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 | \$ 11,165,000 | \$ | \$ (1,880,000) | \$ 9,285,000 | \$ 1,970,000 |
| Energy performance contract | 759,446 | | (242,306) | 517,140 | 252,991 |
| | <u>11,924,446</u> | - | <u>(2,122,306)</u> | <u>9,802,140</u> | <u>2,222,991</u> |
| Other long-term liabilities | | | | | |
| Compensated absences | 8,043,680 | | (399,478) | 7,644,202 | 200,000 |
| Workers' compensation | 699,247 | 765,443 | (684,029) | 780,661 | |
| | <u>8,742,927</u> | <u>765,443</u> | <u>(1,083,507)</u> | <u>8,424,863</u> | <u>200,000</u> |
| | <u>\$ 20,667,373</u> | <u>\$ 765,443</u> | <u>\$ (3,205,813)</u> | <u>\$ 18,227,003</u> | <u>\$ 2,422,991</u> |

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

B. Bonds Payable

Bonds payable is comprised of the following:

| Description | Issue Date | Final Maturity | Interest Rate | Outstanding at June 30, 2017 |
|----------------------------|---------------|-------------------|------------------|---------------------------------|
| Construction serial bond | 7/15/2009 | 7/15/2023 | 2.25-3.75% | \$ 525,000 |
| 2009 refunding serial bond | 8/19/2009 | 12/15/2020 | 2.00-5.00% | 5,715,000 |
| 2011 refunding serial bond | 11/29/2011 | 11/1/2022 | 2.00-4.00% | <u>3,045,000</u> |
| | | | | <u>\$ 9,285,000</u> |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|----------------------------|--------------------------|-----------------------------|
| 2018 | \$ 1,970,000 | \$ 342,431 | \$ 2,312,431 |
| 2019 | 2,040,000 | 255,785 | 2,295,785 |
| 2020 | 2,120,000 | 172,225 | 2,292,225 |
| 2021 | 1,840,000 | 86,322 | 1,926,322 |
| 2022 | 615,000 | 31,394 | 646,394 |
| 2023 - 2024 | <u>700,000</u> | <u>12,453</u> | <u>712,453</u> |
| Total | <u>\$ 9,285,000</u> | <u>\$ 900,610</u> | <u>\$ 10,185,610</u> |

C. Energy Performance Contract

Energy performance contract is comprised of the following:

| <u>Description</u> | <u>Issue Date</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Outstanding at June 30, 2017</u> |
|-----------------------------|-------------------|-----------------------|----------------------|-------------------------------------|
| Energy performance contract | 7/31/2003 | 7/31/2018 | 4.41% | <u>\$ 517,140</u> |

The following is a summary of debt service requirements for energy performance contract payable:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|--------------------------|-------------------------|--------------------------|
| 2018 | \$ 252,991 | \$ 22,806 | \$ 275,797 |
| 2019 | <u>264,149</u> | <u>11,648</u> | <u>275,797</u> |
| Total | <u>\$ 517,140</u> | <u>\$ 34,454</u> | <u>\$ 551,594</u> |

D. Interest Expense

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

| | |
|---|--------------------------|
| Interest paid | \$ 450,698 |
| Less interest accrued in the prior year | (43,210) |
| Plus interest accrued in the current year | <u>58,642</u> |
| Total interest expense on long-term debt | <u>\$ 466,130</u> |

E. Unissued Debt

On December 9, 2014, the voters approved a bond issue not to exceed \$49,816,257 for District-wide infrastructure upgrades and reconstruction projects. As of June 30, 2017 the District has issued \$17,000,000 in bond anticipation notes. Work has commenced and expenditures are recorded in the capital projects fund.

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

12. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 13.26% of covered payroll for the TRS' fiscal year ended June 30, 2016. The District's average contribution rate was 15.15% of covered payroll for the ERS' fiscal year ended March 31, 2017.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2017 was \$7,424,005 for TRS and \$2,278,687 ERS.

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

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

| | TRS | ERS |
|--|----------------|----------------|
| Measurement date | June 30, 2016 | March 31, 2017 |
| District's proportionate share of the net pension liability | \$ (4,231,126) | \$ (4,372,093) |
| District's portion of the Plan's total net pension liability | 0.3950480% | 0.0465303% |
| Change in proportion since the prior measurement date | (0.0046080) | (0.0002117) |

For the year ended June 30, 2017, the District recognized pension expense of \$7,074,048 for TRS and \$2,729,919 for ERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|---|---------------------------------------|---------------------|--------------------------------------|-------------------|
| | TRS | ERS | TRS | ERS |
| Differences between expected and actual experience | \$ | \$ 109,561 | \$ 1,374,507 | \$ 663,927 |
| Changes of assumptions | 24,103,188 | 1,493,667 | | |
| Net difference between projected and actual earnings on pension plan investments | 9,513,796 | 873,284 | | |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 497,862 | 701,837 | | 41,377 |
| District's contributions subsequent to the measurement date | 7,424,005 | 652,027 | | |
| Total | \$ 41,538,851 | \$ 3,830,376 | \$ 1,374,507 | \$ 705,304 |

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

| <u>Year Ended</u> | <u>TRS</u> | <u>ERS</u> |
|-------------------|----------------------|---------------------|
| 2018 | \$ 3,018,201 | \$ 1,053,035 |
| 2019 | 3,018,201 | 1,053,035 |
| 2020 | 10,406,878 | 876,024 |
| 2021 | 8,108,046 | (509,049) |
| 2022 | 3,759,382 | |
| Thereafter | 4,429,631 | |
| | \$ 32,740,339 | \$ 2,473,045 |

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:

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

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2015, was 8.0%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

| TRS | 1% Decrease (6.50)% | Current Assumption (7.50)% | 1% Increase (8.50)% |
|--|------------------------|----------------------------------|------------------------|
| District's proportionate share of the net pension asset (liability) | \$ (55,204,657) | \$ (4,231,126) | \$ 38,522,800 |
| ERS | 1% Decrease (6.00)% | Current Assumption (7.00)% | 1% Increase (8.00)% |
| District's proportionate share of the net pension asset (liability) | \$ (13,963,600) | \$ (4,372,093) | \$ 3,737,507 |

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

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

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NOTES TO FINANCIAL STATEMENTS
(Continued)

contributions as of June 30, 2017 amounted to \$7,424,005 of employer contributions and \$299,431 of employee contributions.

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 covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$652,027 of employer contributions. Employee contributions are remitted monthly.

13. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absences payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2017, totaled \$1,951,494 and \$4,078,637, 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 \$516,912.

14. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. Plan Description

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

B. Funding Policy

The District assumes its share of the cost of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2017, the District recognized a general fund expenditure of \$2,685,049 for insurance premiums for 448 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

C. Annual OPEB Cost and Net OPEB Obligation

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

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NOTES TO FINANCIAL STATEMENTS
(Continued)

OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

| | |
|---|----------------------|
| Annual required contribution (ARC) | \$ 9,747,327 |
| Interest on net OPEB obligation | 2,228,496 |
| Adjustment to ARC | <u>(3,098,577)</u> |
| Annual OPEB cost (expense) | 8,877,246 |
| Contributions made | <u>(2,685,049)</u> |
| | |
| Increase in net OPEB obligation | 6,192,197 |
| Net OPEB obligation - beginning of year | <u>55,712,406</u> |
| | |
| Net OPEB obligation - end of year | <u>\$ 61,904,603</u> |

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

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|--|------------------------|
| June 30, 2017 | \$ 8,877,246 | 30.2% | \$ 61,904,603 |
| June 30, 2016 | 9,665,466 | 28.7% | 55,712,406 |
| June 30, 2015 | 9,614,672 | 19.8% | 48,818,374 |

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 \$96,450,080 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$96,450,080. The covered payroll (annual payroll of active employees covered by the plan) was \$64,777,267, and the ratio of the UAAL to the covered payroll was 148.9%.

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

E. Actuarial Methods and Assumptions

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

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the July 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% after 6 years and a 3.0% inflation rate. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

15. RISK MANAGEMENT

A. General Information

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

B. Public Entity Risk Pool

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

The District participates in the Nassau County Schools Cooperative Workers Compensation Self-Insured Plan (the Workers' Compensation Plan), 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 opened claims at June 30, 2017, discounted 2%, was \$16,385,621. The Workers' Compensation Plan has net assets of \$19,478,063 at June 30, 2017 to pay these liabilities. If the District leaves the plan or if the plan is terminated, the District will be liable for the District's open claims at that time. At June 30, 2017, the District's unpaid claims and incurred but not reported claims, discounted 2%, are \$1,779,151. The District also maintains reserves of \$998,490 with the public school entity risk pool resulting in a net long-term liability of claims activity for the fiscal year ended June 30, 2016 and 2017 is summarized as follows:

| | 2016 | 2017 |
|---|--------------|------------|
| Unpaid claims at beginning of year | \$ 1,058,935 | \$ 699,247 |
| Incurred claims and claim adjustment expenses | 259,885 | 765,443 |
| Claim payments | (619,573) | (684,029) |
| Unpaid claims at year end | \$ 699,247 | \$ 780,661 |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

16. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

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

| | |
|------------------------------------|---------------------|
| Unemployment Insurance | \$ 25,000 |
| Retirement Contributions | 2,817,699 |
| Employee Benefit Accrued Liability | <u>725,000</u> |
| | <u>\$ 3,567,699</u> |

17. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$2,658,000 has been appropriated to reduce taxes for the year ending June 30, 2018.

18. TAX ABATEMENTS

The County of Nassau Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 922, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the County. The District's property tax revenue was reduced by \$987,271 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$853,380 for these programs during the fiscal year.

The District also received PILOT from the County related to the Long Island Power Authority. These PILOT are not considered tax abatements as the purpose of this agreement was not to abate taxes.

19. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

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

| | |
|--|---------------------|
| Restricted and Assigned Fund Balance | |
| Capital Projects Fund | |
| Capital projects | <u>\$ 1,562,468</u> |
| Assigned: Unappropriated Fund Balance: | |
| General Fund | |
| General Support | 619,794 |
| Instruction | 423,354 |
| Employee benefits | <u>11,166</u> |
| | <u>1,054,314</u> |
| | <u>\$ 2,616,782</u> |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Grants

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

C. Litigation

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

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$261,254. The minimum remaining operating lease payments are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| 2018 | \$ 255,161 |
| 2019 | 255,161 |
| 2020 | <u>159,476</u> |
| | <u>\$ 669,798</u> |

20. SUBSEQUENT EVENTS

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

The District is anticipating issuing \$32,735,000 in bond anticipation notes in October 2017.

SUPPLEMENTARY INFORMATION

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

| | Original Budget | Final Budget | Actual | Final Budget Variance with Actual |
|--|-----------------------|-----------------------|--------------------|---|
| REVENUES | | | | |
| Local Sources | | | | |
| Real property taxes | \$ 106,590,355 | \$ 107,236,521 | \$ 107,285,308 | \$ 48,787 |
| Other tax items | 16,377,340 | 15,731,174 | 16,609,125 | 877,951 |
| Charges for services | 350,453 | 350,453 | 633,301 | 282,848 |
| Use of money and property | 1,138,334 | 1,138,334 | 1,250,356 | 112,022 |
| Sale of property and compensation for loss | | | 114,895 | 114,895 |
| Miscellaneous | 375,000 | 375,000 | 2,515,583 | 2,140,583 |
| Interfund revenues | 5,000 | 5,000 | 6,039 | 1,039 |
| Total Local Sources | 124,836,482 | 124,836,482 | 128,414,607 | 3,578,125 |
| State Sources | 18,782,962 | 18,782,962 | 18,644,738 | (138,224) |
| Medicaid reimbursement | 20,000 | 20,000 | 33,566 | 13,566 |
| Total Revenues | 143,639,444 | 143,639,444 | 147,092,911 | 3,453,467 |
| OTHER FINANCING SOURCES | | | | |
| Operating Transfers In | 75,000 | 75,000 | | (75,000) |
| Total Revenues and Other Sources | 143,714,444 | 143,714,444 | 147,092,911 | \$ 3,378,467 |
| APPROPRIATED FUND BALANCE | | | | |
| Prior Years' Surplus | 2,658,000 | 2,658,000 | | |
| Prior Year's Encumbrances | 739,613 | 739,613 | | |
| Appropriated Reserves | 2,863,881 | 2,863,881 | | |
| Total Appropriated Fund Balance | 6,261,494 | 6,261,494 | | |
| Total Revenues, Other Sources and Appropriated Fund Balance | \$ 149,975,938 | \$ 149,975,938 | | |

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.

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

| | Original Budget | Final Budget | Actual | Year End Encumbrances | Final Budget Variance with Actual & Encumbrances |
|--|-----------------------|-----------------------|----------------------|--------------------------|---|
| EXPENDITURES | | | | | |
| General Support | | | | | |
| Board of education | \$ 187,262 | \$ 198,365 | \$ 161,160 | \$ | \$ 37,205 |
| Central administration | 437,252 | 486,603 | 484,479 | | 2,124 |
| Finance | 1,334,545 | 1,361,160 | 1,260,290 | 201 | 100,669 |
| Staff | 1,316,495 | 1,422,701 | 1,079,741 | | 342,960 |
| Central services | 11,378,344 | 11,967,262 | 10,235,895 | 617,983 | 1,113,384 |
| Special Items | 1,440,868 | 1,438,268 | 1,400,190 | 1,610 | 36,468 |
| Total General Support | 16,094,766 | 16,874,359 | 14,621,755 | 619,794 | 1,632,810 |
| Instruction | | | | | |
| Administration & improvement | 6,544,867 | 6,658,388 | 6,127,836 | 12,336 | 518,216 |
| Teaching - regular school | 49,791,073 | 50,163,534 | 49,140,604 | 277,967 | 744,963 |
| Programs for students with disabilities | 15,896,333 | 16,248,092 | 15,518,131 | 112,211 | 617,750 |
| Occupational education | 198,768 | 198,768 | 154,503 | | 44,265 |
| Teaching - special schools | 373,048 | 359,193 | 145,327 | | 213,866 |
| Instructional media | 4,150,224 | 4,607,562 | 4,523,572 | 20,705 | 63,285 |
| Pupil services | 8,814,866 | 9,032,976 | 8,520,934 | 135 | 511,907 |
| Total Instruction | 85,769,179 | 87,268,513 | 84,130,907 | 423,354 | 2,714,252 |
| Pupil Transportation | 8,547,327 | 8,115,137 | 7,075,503 | | 1,039,634 |
| Community Services | 206,281 | 218,395 | 202,365 | | 16,030 |
| Employee Benefits | 34,018,125 | 32,704,277 | 31,808,595 | 11,166 | 884,516 |
| Debt Service | | | | | |
| Principal | 242,309 | 242,306 | 242,306 | | - |
| Interest | 578,492 | 33,492 | 33,492 | | - |
| Total Debt Service | 820,801 | 275,798 | 275,798 | - | - |
| Total Expenditures | 145,456,479 | 145,456,479 | 138,114,923 | 1,054,314 | 6,287,242 |
| OTHER USES | | | | | |
| Operating Transfers Out | 4,519,459 | 4,519,459 | 4,519,459 | | - |
| Total Expenditures and Other Uses | \$ 149,975,938 | \$ 149,975,938 | 142,634,382 | \$ 1,054,314 | \$ 6,287,242 |
| Net Change in Fund Balance | | | 4,458,529 | | |
| Fund Balance - Beginning of Year | | | 33,057,796 | | |
| Fund Balance - End of Year | | | \$ 37,516,325 | | |

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.

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
Schedule of Funding Progress - Other Postemployment Benefits
 June 30, 2017

| Valuation Date | Actuarial Value of Assets | Accrued Liability | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|----------------|---------------------------|-------------------|---|--------------|-----------------|---|
| July 1, 2015 | \$ - | \$ 96,450,080 | \$ 96,450,080 | 0% | \$ 64,777,267 | 148.9% |
| July 1, 2013 | - | 105,129,442 | 105,129,442 | 0% | 66,754,852 | 157.5% |
| July 1, 2011 | - | 77,797,359 | 77,797,359 | 0% | 68,902,348 | 112.9% |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
Last Three Fiscal Years

Teachers' Retirement System

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------|---------------|---------------|
| District's proportion of the net pension asset (liability) | 0.3950480% | 0.3996560% | 0.4052889% |
| District's proportionate share of the net pension asset (liability) | \$ (4,231,126) | \$ 41,511,558 | \$ 45,146,638 |
| District's covered payroll | \$ 61,950,567 | \$ 59,863,060 | \$ 59,867,458 |
| District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll | 6.83 % | 69.34 % | 75.41 % |
| Plan fiduciary net position as a percentage of the total pension liability | 99.01% | 110.46% | 111.48% |

Employees' Retirement System

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------|----------------|----------------|
| District's proportion of the net pension liability | 0.0465303% | 0.0467420% | 0.0488840% |
| District's proportionate share of the net pension liability | \$ (4,372,093) | \$ (7,502,270) | \$ (1,651,410) |
| District's covered payroll | \$ 15,995,564 | \$ 14,763,453 | \$ 14,249,916 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 27.33 % | 50.82 % | 11.59 % |
| Plan fiduciary net position as a percentage of the total pension liability | 94.70% | 90.70% | 97.95% |

Note to Required Supplementary Information

Teachers' Retirement System

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

Employees' Retirement System

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

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Teachers' Retirement System

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 7,424,005 | \$ 8,083,275 | \$ 10,523,926 | \$ 9,728,462 | \$ 7,306,396 | \$ 6,673,752 | \$ 5,175,671 | \$ 3,587,877 | \$ 4,265,299 | \$ 4,617,799 |
| Contributions in relation to the contractually required contribution | <u>7,424,005</u> | <u>8,083,275</u> | <u>10,523,926</u> | <u>9,728,462</u> | <u>7,306,396</u> | <u>6,673,752</u> | <u>5,175,671</u> | <u>3,587,877</u> | <u>4,265,299</u> | <u>4,617,799</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 63,344,753 | \$ 61,950,567 | \$ 59,863,060 | \$ 59,867,458 | \$ 61,709,426 | \$ 60,069,775 | \$ 60,042,587 | \$ 57,962,471 | \$ 55,901,690 | \$ 52,895,750 |
| Contributions as a percentage of covered payroll | 12% | 13% | 18% | 16% | 12% | 11% | 9% | 6% | 8% | 9% |

Employees' Retirement System

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|------------------|----------------|
| Contractually required contribution | \$ 2,278,687 | \$ 2,260,773 | \$ 2,813,347 | \$ 2,689,056 | \$ 3,160,703 | \$ 2,010,452 | \$ 2,016,324 | \$ 951,143 | \$ 1,085,583 | \$ 938,969 |
| Contributions in relation to the contractually required contribution | <u>2,278,687</u> | <u>2,260,773</u> | <u>2,813,347</u> | <u>2,689,056</u> | <u>3,160,703</u> | <u>2,010,452</u> | <u>2,016,324</u> | <u>951,143</u> | <u>1,085,583</u> | <u>938,969</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 15,689,871 | \$ 14,906,576 | \$ 14,664,362 | \$ 14,500,079 | \$ 15,122,096 | \$ 14,407,529 | \$ 14,340,138 | \$ 14,032,932 | \$ 13,664,467 | \$ 12,705,217 |
| Contributions as a percentage of covered payroll | 15% | 15% | 19% | 19% | 21% | 14% | 14% | 7% | 8% | 7% |

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

| | | |
|---------------------------|--|-----------------------|
| Adopted Budget | | \$ 149,236,325 |
| Additions: | | |
| Prior year's encumbrances | | <u>739,613</u> |
| Original Budget | | 149,975,938 |
| Budget revision | | <u>-</u> |
| Final Budget | | <u>\$ 149,975,938</u> |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

| | | |
|--|------------------|-----------------------|
| 2017-18 voter-approved expenditure budget | | <u>\$ 152,196,856</u> |
| Maximum allowed (4% of 2017-18 budget) | | <u>\$ 6,087,874</u> |
| General Fund Fund Balance Subject to § 1318 of Real Property Tax Law: | | |
| Unrestricted fund balance: | | |
| Assigned fund balance | \$ 3,712,314 | |
| Unassigned fund balance | <u>6,087,873</u> | |
| | | \$ 9,800,187 |
| Less: | | |
| Appropriated fund balance | 2,658,000 | |
| Encumbrances | <u>1,054,314</u> | |
| Total adjustments | | <u>3,712,314</u> |
| General Fund Fund Balance Subject to § 1318 of Real Property Tax Law: | | <u>\$ 6,087,873</u> |
| Actual Percentage | | 4.00% |

PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2017

| | |
|---|----------------------|
| Capital assets, net | <u>\$ 60,155,033</u> |
| Deduct: | |
| Bond anticipation notes | 17,000,000 |
| Less: Unspent BAN proceeds | (5,032,613) |
| Short-term portion of bonds payable | 1,970,000 |
| Long-term portion of bonds payable | 7,315,000 |
| Short-term portion of energy performance contract | 252,991 |
| Long-term portion of energy performance contract | 264,149 |
| | <u>21,769,527</u> |
| Net Investment in Capital Assets | <u>\$ 38,385,506</u> |

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
Plainview-Old Bethpage Central 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 Plainview-Old Bethpage Central 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 Plainview-Old Bethpage Central School District's basic financial statements, and have issued our report thereon dated September 27, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Plainview-Old Bethpage Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
September 27, 2017