



**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS**

June 30, 2018

**NORTH SHORE CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
North Shore Central School District
Sea Cliff, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the North Shore Central School District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the North Shore Central School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 15 and 53 through 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Shore Central School District's basic financial statements. The other supplementary information on pages 58 through 60 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018 on our consideration of the North Shore 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 the effectiveness of the North Shore Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Shore Central School District's internal control over financial reporting and compliance.

Cullen & Denowski, LLP

November 9, 2018

**NORTH SHORE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The North Shore 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, 2018 in comparison with the year ended June 30, 2017, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

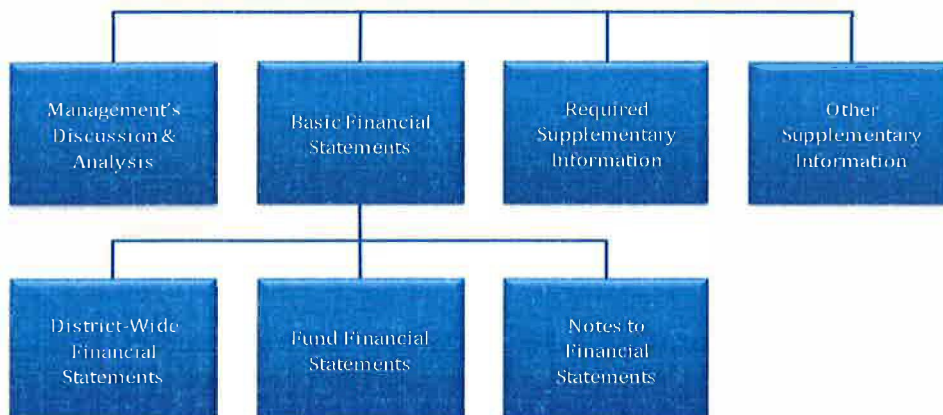
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$2,767,503. This was due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting.
- The District's total net position at June 30, 2017 was restated and decreased by \$68,572,662, as a result of the required implementation of a new GASB accounting standard during the 2018 fiscal year. This new GASB accounting standard has no impact on the governmental funds financial statements.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$105,564,809. Of this amount, \$3,233,095 was offset by program charges for services and operating grants. General revenues of \$99,564,211 amount to 96.9% of total revenues, and were not adequate to cover the balance of program expenses.
- The District's property tax levy of \$84,488,575 was a 0.01% decrease from the 2017 tax levy and was equal to the property tax cap.
- The District's voters approved a bond referendum in the amount of \$19,621,299 during 2014-2015 for the purposes of infrastructure maintenance and improvements throughout the District. The District issued serial bonds for the full authorized amount of the bond referendum in prior years. As of June 30, 2018, the District has expended \$18,695,808 of these funds on district-wide improvement projects.

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 financial statements. A graphic display of the relationship of these statements follows:



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

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

NORTH SHORE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

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

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the economic resources measurement focus and 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-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position decreased by \$2,767,503 between fiscal year 2018 and 2017. The June 30, 2017 net position has been decreased by \$68,572,662, resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, the June 30, 2017 balances reflect total OPEB liabilities in accordance with the new GASB Statement.

	2018	As Restated 2017	Increase (Decrease)	Percentage Change
Asset				
Current and Other Assets	\$ 47,095,846	\$ 53,988,198	\$ (6,892,352)	(12.77)%
Capital Assets, Net	75,789,776	71,059,273	4,730,503	6.66 %
Net Pension Asset - Proportionate Share	2,118,179		2,118,179	N/A
Total Assets	<u>125,003,801</u>	<u>125,047,471</u>	<u>(43,670)</u>	(0.03)%
Deferred Outflows of Resources	<u>32,023,215</u>	<u>31,641,547</u>	<u>381,668</u>	1.21 %
Liabilities				
Current and Other Liabilities	8,974,635	10,642,703	(1,668,068)	(15.67)%
Long-Term Liabilities	30,117,933	33,655,949	(3,538,016)	(10.51)%
Net Pension Liability - Proportionate Share	1,034,108	5,924,557	(4,890,449)	(82.55)%
Total OPEB Obligation	<u>127,509,155</u>	<u>122,437,733</u>	<u>5,071,422</u>	4.14 %
Total Liabilities	<u>167,635,831</u>	<u>172,660,942</u>	<u>(5,025,111)</u>	(2.91)%
Deferred Inflows of Resources	<u>11,760,673</u>	<u>3,630,061</u>	<u>8,130,612</u>	223.98 %

NORTH SHORE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	<u>2018</u>	<u>As Restated 2017</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Net Position (Deficit)				
Net Investment in Capital Assets	\$ 49,198,697	\$ 46,189,715	\$ 3,008,982	6.51 %
Restricted	21,219,145	22,276,018	(1,056,873)	(4.74)%
Unrestricted (Deficit)	<u>(92,787,330)</u>	<u>(88,067,718)</u>	<u>(4,719,612)</u>	(5.36)%
Total Net Position (Deficit)	<u>\$ (22,369,488)</u>	<u>\$ (19,601,985)</u>	<u>\$ (2,767,503)</u>	(14.12)%

Current and other assets decreased by \$6,892,352, as compared to the prior year. The decrease is primarily related to decreases in cash and taxes receivable. This was offset by increases in due from state and federal and due from other governments.

Capital assets, net increased by \$4,730,503, 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 has a balance of \$2,118,179, as the New York State Teachers' Retirement System's experienced a gain resulting in an ending balance that was an asset. The prior year balance was a liability.

Deferred outflows of resources represents contributions to the retirement and OPEB plans subsequent to the measurement dates and/or actuarial adjustments at the plan level that will be amortized in future years, and the amount of deferred charges from bond refundings that is being amortized over the remaining term of the bonds.

Current and other liabilities decreased by \$1,668,068, as compared to the prior year. This decrease is primarily due to the decrease in capital projects-related accounts payable.

Long-term liabilities decreased by \$3,538,016, as compared to the prior year. This decrease is primarily the result of the repayment of the current maturity of the bond indebtedness.

Net pension liability – proportionate share decreased by \$4,890,449 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.

Total other postemployment benefits (OPEB) obligation increased by \$5,071,422, as compared to the prior year. This increase is the result of the current year OPEB costs on the full economic resources measurement focus and the accrual basis of accounting in excess of the amount reflected in the governmental funds on the current financial resources measurement focus and the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represent the portion of PILOT receivable pertaining to the 2018-2019 year, federal temporary emergency impact aid receivable requiring submission of documentation, and actuarial adjustments at the pension plan level that will be amortized in future years.

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

The net investment in capital assets is the investment in capital assets at cost such as land; construction in progress; buildings and improvements; land improvements; furniture and equipment and vehicles, net of depreciation and related outstanding debt. This number increased over the prior year primarily due to capital asset additions not financed by debt, in excess of depreciation, and debt principal payments.

The restricted amount of \$21,219,145 decreased from the prior year by \$1,056,873, principally due to the use of reserves as authorized by the District's voters and the Board of Education, and other restricted amounts in excess of Board-authorized funding and interest revenues added to the District's reserves.

The unrestricted deficit amount of \$(92,787,330) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$4,719,612.

B. Changes in Net Position

The results of 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, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges for Services	\$ 1,819,551	\$ 1,682,185	\$ 137,366	8.17 %
Operating Grants	1,413,544	1,339,027	74,517	5.57 %
General Revenues				
Property Taxes and STAR	84,670,709	84,764,640	(93,931)	(0.11)%
State Sources	5,251,539	5,054,947	196,592	3.89 %
Other	9,641,963	9,119,817	522,146	5.73 %
Total Revenues	<u>102,797,306</u>	<u>101,960,616</u>	<u>836,690</u>	<u>0.82 %</u>
Expenses				
General Support	11,903,839	11,509,114	394,725	3.43 %
Instruction	88,106,057	85,214,814	2,891,243	3.39 %
Pupil Transportation	3,392,177	3,594,654	(202,477)	(5.63)%
Community Service	50,590	27,080	23,510	86.82 %
Debt Service - Interest	774,305	883,632	(109,327)	(12.37)%
Food Service Program	1,337,841	1,349,097	(11,256)	(0.83)%
Total Expenses	<u>105,564,809</u>	<u>102,578,391</u>	<u>2,986,418</u>	<u>2.91 %</u>
Decrease in Net Position	<u>\$ (2,767,503)</u>	<u>\$ (617,775)</u>	<u>\$ (2,149,728)</u>	<u>347.98 %</u>

The District's net position decreased by \$2,767,503 and \$617,775 for the years ended June 30, 2018 and 2017, respectively.

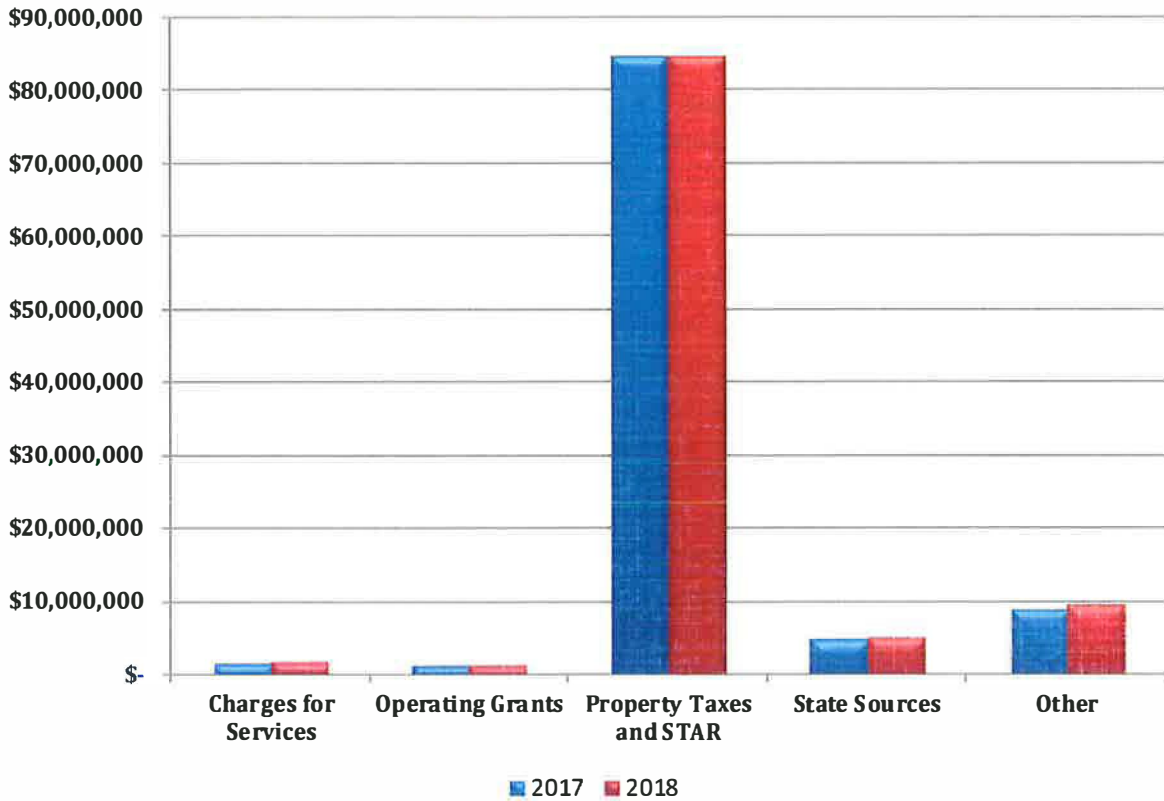
**NORTH SHORE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

The District's revenues increased by \$836,690 or 0.82%. The major factors that contributed to the increase were state sources due to the increase in basic formula aid, and increases in PILOT revenue, charges for services, insurance recoveries and interest earnings on the District's bank accounts.

The District's expenses increased by \$2,986,418 or 2.91%. The increase is principally due to increases in instructional salaries and related benefits.

As indicated on the graphs that follow, property taxes and STAR is the largest component of revenues recognized (i.e., 82.4% and 83.1% of the total for the years 2018 and 2017, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 83.5% and 83.1% of the total for the years 2018 and 2017, respectively).

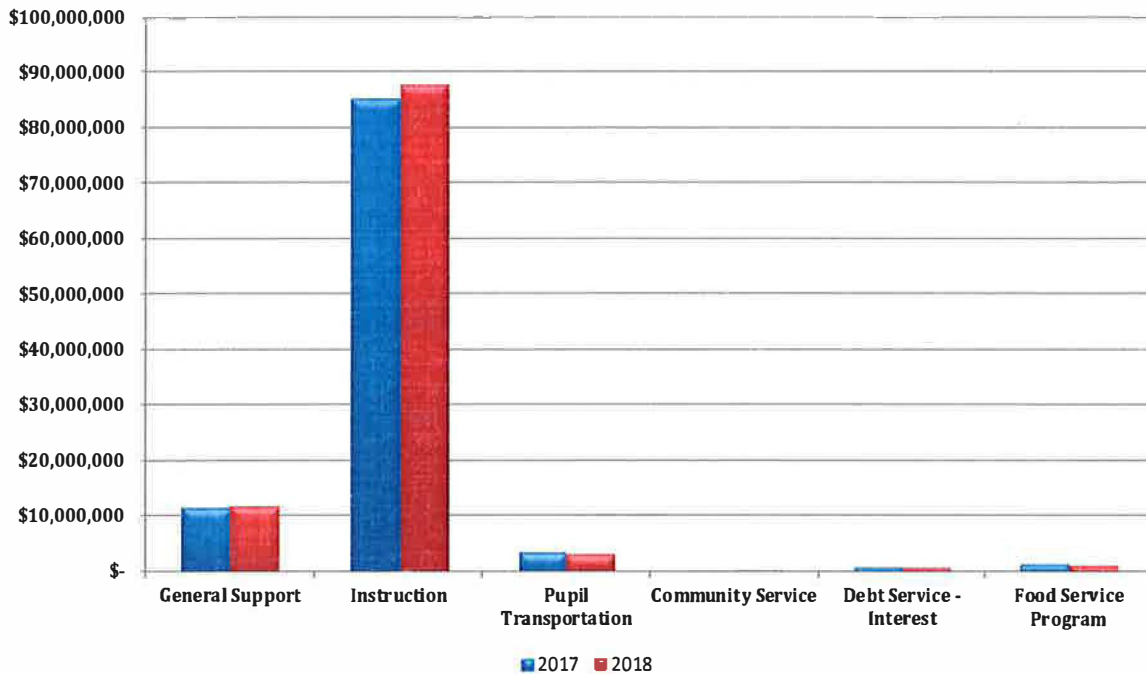
A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2017	1.6%	1.3%	83.1%	5.0%	9.0%
2018	1.8%	1.4%	82.4%	5.1%	9.3%

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

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



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
2017	11.2%	83.1%	3.5%	0.0%	0.9%	1.3%
2018	11.3%	83.5%	3.2%	0.0%	0.7%	1.3%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$35,972,091, which is a decrease of \$5,315,023 from the prior year. This decrease is due to an excess of expenditures over revenues based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2018	2017	Increase (Decrease)
General Fund			
Restricted			
Workers' compensation	\$ 2,029,404	\$ 2,013,897	\$ 15,507
Unemployment insurance	1,588,417	1,576,279	12,138
Retirement contribution	8,824,642	9,952,377	(1,127,735)
Liability	108,846	108,014	832
Employee benefit accrued liability	333,168	330,655	2,513
Capital	1,540,323	3,454,967	(1,914,644)
Repairs	1,107,233	1,332,546	(225,313)
Assigned:			
Appropriated fund balance	2,350,000	1,710,818	639,182
Special designation - LIPA	3,984,879	5,134,879	(1,150,000)
Unappropriated fund balance	1,217,781	1,003,023	214,758
Unassigned:			
Fund balance	4,317,727	4,084,542	233,185
	<u>27,402,420</u>	<u>30,701,997</u>	<u>(3,299,577)</u>

NORTH SHORE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
School Food Service Fund			
Nonspendable: Inventory	\$ 26,380	\$ 27,857	\$ (1,477)
Assigned: Unappropriated fund balance	<u>181,500</u>	<u>100,877</u>	<u>80,623</u>
	<u>207,880</u>	<u>128,734</u>	<u>79,146</u>
Debt Service Fund			
Restricted: Debt service	<u>1,353,097</u>	<u>1,682,231</u>	<u>(329,134)</u>
Capital Projects Fund			
Restricted:			
Capital	3,977,641	1,620,403	2,357,238
Repairs	356,374	204,649	151,725
Unspent bond proceeds	934,514	5,994,571	(5,060,057)
Assigned: Unappropriated fund balance	<u>1,740,165</u>	<u>954,529</u>	<u>785,636</u>
	<u>7,008,694</u>	<u>8,774,152</u>	<u>(1,765,458)</u>
Total Fund Balance	<u>\$ 35,972,091</u>	<u>\$ 41,287,114</u>	<u>\$ (5,315,023)</u>

A. General Fund

The net change in the general fund's fund balance is a decrease of \$3,299,577, compared to an increase of \$1,990,937 in the prior year, as expenditures and other uses of \$103,454,570 exceeded revenues of \$100,154,993.

Expenditures and other uses increased \$6,023,009 (6.18%) over fiscal 2017 totals, primarily due to increases in instruction (\$1,825,125), employee benefits (\$750,357) and operating transfers out (\$3,316,430). Revenues increased by \$732,495 (0.74%) over fiscal 2017 totals, primarily because of the increases in other tax items (\$68,869), charges for services (\$150,163), use of money and property (\$186,654), miscellaneous revenue (\$58,680) and state sources (\$194,742).

Decreases to the restricted reserves are from the budgeted use of \$1,200,000 from the retirement contribution reserve, voter-authorized use of \$3,443,912 from the 2016 capital reserve (May 15, 2018 proposition), and board-authorized uses of the repair reserve totaling \$234,553. The usage was offset by increases in interest earnings totaling \$141,763 and a Board-authorized funding of the 2016 capital reserve in the amount of \$1,500,000. The District expects to appropriate \$1,200,000 from the restricted reserve for retirement contribution expenditure during the 2018-2019 fiscal year.

During the 2013-2014 and 2014-2015 fiscal years, the District received special legislative grants from the state totaling \$5.4 million to help offset the property tax impact on the District and its homeowners due to the ramp-down of the Glenwood Landing power plant by LIPA. The Board of Education designated a portion of its additional fund balance (resulting primarily from the special legislative grants, as well as the tax certiorari reserve in the amount of \$2,504,398, which was liquidated after the County of Nassau lost its appeal to have school districts pay for the districts' tax certiorari judgments) towards reducing future tax levies. This special designation is reported as Special Designation-LIPA under assigned fund balance on the general fund balance sheet. Each year since June 30, 2015, the District has released amounts from the Special Designation-LIPA to offset the tax levies. At June 30, 2018, the District released \$1,150,000 from

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

amounts assigned for Special Designation-LIPA to appropriated fund balance to offset the 2018-2019 tax levy. Assigned, unappropriated fund balance represents the open encumbrances at June 30th.

B. School Food Service Fund

The net change in the school food service fund – fund balance is an increase of \$79,146, which was the operating profit of the food service program.

C. Debt Service Fund

The net change in the debt service fund – fund balance is a decrease of \$329,134, which reflects the budgeted use of the fund balance towards debt service. The District received earned interest on bond proceeds in the amount of \$20,866 and budgeted transfers of \$3,859,910. This was offset by the current year debt service payments in the amount of \$4,209,910.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$1,765,458. The District expended \$6,464,088 on on-going projects. The District transferred a total of \$4,698,621 from the general fund, including the capital and repair reserves, to the capital projects fund for various capital projects and repairs.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2017-2018 Budget

The District's general fund adopted budget for the year ended June 30, 2018 was \$102,113,515. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,003,023 and budget revisions of \$3,678,465 for a total final budget of \$106,795,003.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$84,488,575 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 and assignments, such as appropriations to fund the subsequent year's budget, special designations, 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	\$ 4,084,542
Revenues Over Budget	952,296
Expenditures and Encumbrances Under Budget	2,122,652
Net Increase to Reserves	(491,763)
Appropriated for the 2018-2019 Budget	<u>(2,350,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 4,317,727</u>

NORTH SHORE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Opening, Unassigned Fund Balance

The \$4,084,542 shown in the table is the portion of the District's June 30, 2017 fund balance that was retained as unassigned. This amount, combined with the amount designated for LIPA totaled 9.0% of the District's 2017-2018 approved operating budget of \$102,113,515, and was in excess of the 4% maximum allowed by law.

Revenues Over Budget

The 2017-2018 budget for revenues was \$99,202,697. Actual revenues received for the year were \$100,154,993. The excess of actual revenue over estimated or budgeted revenue was \$952,296, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2017 to June 30, 2018.

Expenditures and Encumbrances Under Budget

The 2017-2018 final budget for expenditures was \$106,795,003. Actual expenditures as of June 30, 2018 were \$103,454,570 and outstanding encumbrances were \$1,217,781. Combined, the expenditures plus encumbrances for 2017-2018 were \$104,672,351. The final budget was under expended by \$2,122,652. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2017 to June 30, 2018.

Net Increase to Reserves

Monies transferred into authorized reserves and special designations 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 \$(491,763) shown in the previous table is made up of a transfer of \$1,500,000 to the capital reserve, and \$141,763 of interest earnings allocation to the restricted reserves, offset by the release of \$1,150,000 from Special Designation – LIPA to fund balance to be used for appropriated fund balance.

Appropriated Fund Balance

The District has chosen to use \$2,350,000 of the available June 30, 2018 fund balance, including \$1,150,000 released from Special Designation-LIPA, to partially fund the 2018-2019 approved operating budget. As such, the June 30, 2018 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the summary table, the unassigned fund balance at June 30, 2018 was \$4,317,727. For purposes of determining the 4% statutory limit pursuant to Real Property Tax Law §1318, New York State also subjects the fund balance assigned for Special Designation-LIPA amount of \$3,984,879 to the calculation of the limit. The Special Designation-LIPA was made by the Board of Education to set aside additional fund balance, resulting primarily from the special legislative grants received in prior years, as well as the tax certiorari reserve in the amount of \$2,504,398, which was liquidated after the County of Nassau lost its appeal to have school districts pay for the districts' tax certiorari judgments, to help offset the long-term property tax impact from the Glenwood Landing Power Plant ramp-down.

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

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At June 30, 2018, 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 \$6,858,297 in excess of depreciation of \$2,127,794 recorded for the year ended June 30, 2018. A summary of the District's capital assets, net of depreciation at June 30, 2018 and 2017 is as follows:

	2018	2017	Increase (Decrease)
Land	\$ 1,544,932	\$ 1,544,932	\$ -
Construction in progress	221,648	1,698,257	(1,476,609)
Buildings & improvements	72,150,165	65,832,872	6,317,293
Land improvements	222,690	282,937	(60,247)
Furniture and equipment	1,105,997	1,168,382	(62,385)
Vehicles	544,344	531,893	12,451
Capital assets, net	<u>\$ 75,789,776</u>	<u>\$ 71,059,273</u>	<u>\$ 4,730,503</u>

The District is continuing to make significant capital expenditures resulting from a voter-approved \$19,621,299 bond authorization for capital improvements to District facilities. As of June 30, 2018, the District has expended approximately 95.3% of the authorization and construction is ongoing.

B. Debt Administration

At June 30, 2018, the District had total bonds payable of \$25,179,960. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The District also had an outstanding balance on an energy performance contract of \$2,345,633. The decreases in outstanding debt represent principal payments during the year ended June 30, 2018. A summary of the outstanding bonded debt at June 30, 2018 and 2017 is as follows:

Issue Date	Interest Rate	2018	2017	Increase (Decrease)
7/25/07	4.10-4.25%	\$ -	\$ 610,000	\$ (610,000)
6/24/10	3.0-5.0%	795,000	1,555,000	(760,000)
2/14/13	2.0-4.0%	4,095,000	4,595,000	(500,000)
10/23/14	2.0-3.0%	5,354,960	5,744,960	(390,000)
12/29/15	2.0-3.0%	11,695,000	12,480,000	(785,000)
5/26/16	4.0-5.0%	3,240,000	3,245,000	(5,000)
		<u>\$ 25,179,960</u>	<u>\$ 28,229,960</u>	<u>\$ (3,050,000)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1.

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

C. Other Long-Term Liabilities

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

	<u>2018</u>	<u>As Restated 2017</u>	<u>Increase (Decrease)</u>
Compensated absences payable	\$ 364,468	\$ 355,950	\$ 8,518
Workers' compensation liabilities	1,385,818	1,385,818	-
Net pension liability - proportionate share	1,034,108	5,924,557	(4,890,449)
Total OPEB obligation	<u>127,509,155</u>	<u>122,437,733</u>	<u>5,071,422</u>
	<u>\$ 130,293,549</u>	<u>\$ 130,104,058</u>	<u>\$ 189,491</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget as approved by the voters on May 15, 2018 for the year ending June 30, 2019 is \$104,868,519. This is an increase of \$2,755,004 or 2.70% over the previous year's budget. The increase is primarily in the program areas of the budget.

The District budgeted total revenues of \$101,318,519, an increase of \$2,115,822 or 2.13% over the prior year's revenue, of which the tax levy portion increased by \$1,597,971 or 1.89%. The assigned appropriated fund balance applied to the budget in the amount of \$2,350,000 is an increase of \$639,182 over the prior year's appropriation. Additionally, the District has elected to appropriate \$1,200,000 from the retirement contribution reserve toward the next year's budget, which is equal to the previous year.

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 2018-2019 property tax increase of 1.89% was lower than the tax cap of 2.24% and did not require an override vote.

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

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:

Ms. Olivia Buatsi
Assistant Superintendent of Business
North Shore Central School District
112 Franklin Avenue
Sea Cliff, New York 11579

NORTH SHORE CENTRAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2018

ASSETS

Cash	
Unrestricted	\$ 17,346,459
Restricted	22,153,659
Receivables	
Accounts receivable	76,147
Taxes receivable	1,801,425
Due from fiduciary funds	9
Due from state and federal	864,668
Due from other governments	4,827,099
Inventory	26,380
Capital assets:	
Not being depreciated	1,766,580
Being depreciated, net of accumulated depreciation	74,023,196
Net pension asset - proportionate share	<u>2,118,179</u>
Total Assets	<u>125,003,801</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges from advance refunding, net	358,624
Pensions	31,585,815
Other postemployment benefits obligation	<u>78,776</u>
Total Deferred Outflows of Resources	<u>32,023,215</u>

LIABILITIES

Payables	
Accounts payable	887,244
Accrued liabilities	1,496,103
Due to other governments	988,734
Due to teachers' retirement system	4,954,480
Due to employees' retirement system	591,271
Unearned credits	
Collections in advance	56,803
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	3,080,000
Energy performance contract payable	299,329
Due and payable after one year	
Bonds payable, net	22,942,014
Energy performance contract payable	2,046,304
Compensated absences payable	364,468
Workers' compensation liabilities	1,385,818
Net pension liability - proportionate share	1,034,108
Total other postemployment benefits obligation	<u>127,509,155</u>
Total Liabilities	<u>167,635,831</u>

DEFERRED INFLOWS OF RESOURCES

Deferred revenue	2,084,942
Pensions	<u>9,675,731</u>
Total Deferred Inflows of Resources	<u>11,760,673</u>

NET POSITION (DEFICIT)

Net investment in capital assets	<u>49,198,697</u>
Restricted:	
Workers' compensation	2,029,404
Unemployment insurance	1,588,417
Retirement contribution	8,824,642
Liability	108,846
Employee benefit accrued liability	333,168
Capital	5,517,964
Repairs	1,463,607
Debt service	<u>1,353,097</u>
	<u>21,219,145</u>
Unrestricted (deficit)	<u>(92,787,330)</u>
Total Net Position (Deficit)	<u>\$ (22,369,488)</u>

NORTH SHORE CENTRAL SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2018

		Program Revenues		Net (Expense)
Expenses	Charges for	Services	Operating	Revenue and
			Grants	Changes in
				Net Position
FUNCTIONS/PROGRAMS				
General support	\$ 11,903,839	\$	\$	\$ (11,903,839)
Instruction	88,106,057	611,657	1,204,451	(86,289,949)
Pupil transportation	3,392,177			(3,392,177)
Community service	50,590			(50,590)
Debt service - interest	774,305			(774,305)
Food service program	1,337,841	1,207,894	209,093	79,146
	\$ 105,564,809	\$ 1,819,551	\$ 1,413,544	(102,331,714)
GENERAL REVENUES				
Real property taxes				80,683,496
Other tax items				12,534,822
Use of money and property				338,941
Sale of property and compensation for loss				94,094
Miscellaneous				653,949
State sources				5,251,539
Medicaid reimbursement				7,370
				99,564,211
Total General Revenues				99,564,211
Change in Net Position				(2,767,503)
Total Net Position (Deficit) - Beginning of Year, as Restated				(19,601,985)
Total Net Position (Deficit) - End of Year				\$ (22,369,488)

NORTH SHORE CENTRAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 16,905,985	\$ 96,753	\$ 343,721	\$	\$	\$ 17,346,459
Restricted	16,662,220			1,351,466	4,139,973	22,153,659
Receivables						
Accounts receivable	70,881		5,266			76,147
Taxes receivable	1,801,425					1,801,425
Due from other funds	779,018			1,631	3,693,912	4,474,561
Due from state and federal	606,592	249,457	8,619			864,668
Due from other governments	4,827,099					4,827,099
Inventory			26,380			26,380
Total Assets	<u>\$ 41,653,220</u>	<u>\$ 346,210</u>	<u>\$ 383,986</u>	<u>\$ 1,353,097</u>	<u>\$ 7,833,885</u>	<u>\$ 51,570,398</u>
LIABILITIES						
Payables						
Accounts payable	\$ 788,638	\$ 9,641	\$ 8,119	\$	\$ 80,846	\$ 887,244
Accrued liabilities	859,014		29,692		381,994	1,270,700
Due to other funds	3,693,912	336,569	82,120		361,951	4,474,552
Due to other governments	988,462		272			988,734
Due to teachers' retirement system	4,954,480					4,954,480
Due to employees' retirement system	591,271					591,271
Unearned credits						
Collections in advance	500		55,903		400	56,803
Total Liabilities	<u>11,876,277</u>	<u>346,210</u>	<u>176,106</u>	<u>-</u>	<u>825,191</u>	<u>13,223,784</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenues	2,084,942					2,084,942
Unavailable revenue	289,581					289,581
Total Deferred Inflows of Resources	<u>2,374,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,374,523</u>
FUND BALANCES						
Nonspendable: Inventory			26,380			26,380
Restricted:						
Workers' compensation	2,029,404					2,029,404
Unemployment insurance	1,588,417					1,588,417
Retirement contribution	8,824,642					8,824,642
Liability	108,846					108,846
Employee benefit accrued liability	333,168					333,168
Capital	1,540,323				3,977,641	5,517,964
Repairs	1,107,233				356,374	1,463,607
Debt service				1,353,097		1,353,097
Unspent bond proceeds					934,514	934,514
Assigned:						
Appropriated fund balance	2,350,000					2,350,000
Special designation - LIPA	3,984,879					3,984,879
Unappropriated fund balance	1,217,781		181,500		1,740,165	3,139,446
Unassigned: Fund balance	4,317,727					4,317,727
Total Fund Balances	<u>27,402,420</u>	<u>-</u>	<u>207,880</u>	<u>1,353,097</u>	<u>7,008,694</u>	<u>35,972,091</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 41,653,220</u>	<u>\$ 346,210</u>	<u>\$ 383,986</u>	<u>\$ 1,353,097</u>	<u>\$ 7,833,885</u>	<u>\$ 51,570,398</u>

NORTH SHORE CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total Governmental Fund Balances \$ 35,972,091

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

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	\$ 112,484,738	
Accumulated depreciation	<u>(36,694,962)</u>	75,789,776

Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.

Deferred charges on advance refunding	438,028	
Less: accumulated amortization	<u>(79,404)</u>	358,624

Proportionate share of long-term asset, 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.

Net pension asset - teachers' retirement system	2,118,179	
Deferred outflows of resources	31,585,815	
Net pension liability - employees' retirement system	(1,034,108)	
Deferred inflows of resources	<u>(9,675,731)</u>	22,994,155

Total other postemployment benefits obligation and deferred outflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	78,776	
Total other postemployment benefits obligation	<u>(127,509,155)</u>	(127,430,379)

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, but are not deferred on the Statement of Net Position.

289,581

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

Accrued interest on bonds payable	(225,403)	
Bonds payable, net	(26,022,014)	
Energy performance contract payable	(2,345,633)	
Compensated absences payable	(364,468)	
Workers' compensation liabilities	<u>(1,385,818)</u>	(30,343,336)

Total Net Position (Deficit)		<u>\$ (22,369,488)</u>
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NORTH SHORE CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 80,683,496	\$	\$	\$	\$	\$ 80,683,496
Other tax items	12,534,822					12,534,822
Charges for services	611,657					611,657
Use of money and property	318,075			20,866		338,941
Sale of property and compensation for loss	94,094					94,094
Miscellaneous	653,940				9	653,949
State sources	5,251,539	337,268	11,106			5,599,913
Medicaid reimbursement	7,370					7,370
Federal sources		867,183	197,987			1,065,170
Sales			1,207,894			1,207,894
Total Revenues	100,154,993	1,204,451	1,416,987	20,866	9	102,797,306
EXPENDITURES						
General support	9,191,801					9,191,801
Instruction	59,551,145	1,251,705				60,802,850
Pupil transportation	2,461,827	67,746				2,529,573
Community service	41,188					41,188
Employee benefits	23,494,070					23,494,070
Debt service						
Principal				3,338,536		3,338,536
Interest	41,008			871,374		912,382
Food service program			1,337,841			1,337,841
Capital outlay					6,464,088	6,464,088
Total Expenditures	94,781,039	1,319,451	1,337,841	4,209,910	6,464,088	108,112,329
Excess (Deficiency) of Revenues Over Expenditures	5,373,954	(115,000)	79,146	(4,189,044)	(6,464,079)	(5,315,023)
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in		115,000		3,859,910	4,698,621	8,673,531
Operating transfers (out)	(8,673,531)					(8,673,531)
Total Other Financing Sources and (Uses)	(8,673,531)	115,000	-	3,859,910	4,698,621	-
Net Change in Fund Balances	(3,299,577)	-	79,146	(329,134)	(1,765,458)	(5,315,023)
Fund Balances - Beginning of Year	30,701,997		128,734	1,682,231	8,774,152	41,287,114
End of Year	\$ 27,402,420	\$ -	\$ 207,880	\$ 1,353,097	\$ 7,008,694	\$ 35,972,091

NORTH SHORE 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, 2018

Net Change in Fund Balances \$ (5,315,023)

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

Long-Term Revenue and Expense Differences

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

Increase in compensated absences payable	\$ (8,518)	
		(8,518)

Capital Related Differences

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

Capital outlays	6,858,297	
Depreciation expense	(2,127,794)	
		4,730,503

Long-Term Debt Transactions Differences

The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities and increases net position.

Amortization of deferred premium on refunding and serial bonds	207,998	
Amortization of deferred charges on refunding	(108,819)	

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

Repayment of bond principal	3,050,000	
Repayment of energy performance contract payable	288,536	

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2017 to June 30, 2018.

	38,898	
		3,476,613

Pension and Other Postemployment Benefits Differences

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

Teachers' retirement system	(749,534)	
Employees' retirement system	91,103	
Other postemployment benefits	(4,992,647)	
		(5,651,078)

Change in Net Position of Governmental Activities		\$ (2,767,503)
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NORTH SHORE CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2018

	Agency	Private Purpose Trust
ASSETS		
Cash		
Unrestricted	\$ 1,501,699	\$
Restricted		182,502
Accounts receivable	18,178	
Total Assets	\$ 1,519,877	182,502
 LIABILITIES		
Extraclassroom activity balances	\$ 237,700	
Due to governmental funds	9	
Accounts payable	42,626	
Other liabilities	1,239,542	
Total Liabilities	\$ 1,519,877	-
 NET POSITION		
Restricted for scholarships		\$ 182,502

NORTH SHORE CENTRAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2018

	<u>Private Purpose Trust</u>
ADDITIONS	
Contributions	\$ 9,500
Investment earnings - interest	<u>141</u>
Total Additions	9,641
 DEDUCTIONS	
Scholarships and awards	<u>21,925</u>
Change in Net Position	(12,284)
Net Position - Beginning of Year	<u>194,786</u>
Net Position - End of Year	<u><u>\$ 182,502</u></u>

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Shore 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 entity is included in the District's financial statements:

Extraclassroom Activity Funds

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

B. Joint Venture

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

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, workers’ compensation claims, 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.

E. Real Property Taxes

Calendar

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

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Enforcement

Uncollected real property taxes are subsequently enforced by Nassau County.

F. Payments in Lieu of Taxes (PILOT)

The District reports payments in lieu of taxes (PILOT) revenues in the general fund as part of other tax items revenue. The majority of the District's PILOT revenues, remitted by Nassau County, are from the Long Island Power Authority (LIPA). Beginning in the 2015-16 fiscal year, the Nassau County Legislature removed properties owned by LIPA from the assessment and tax rolls and, instead, allowed LIPA to make payments in lieu of taxes with annual increases of no more than 2% in response to the New York State Public Authorities Law Section 1020-q (the "LIPA Reform Act") enacted by the state in 2013. These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*, under which an entity receiving a reduction in tax revenues promises to take specific action that contributes to economic development or otherwise benefits the governments or residents of the governments.

G. 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.

H. 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.

I. 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

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

J. 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.

K. 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.

L. Inventory

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

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

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

M. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	20-50 years
Furniture and equipment	5,000	5-20 years
Vehicles	5,000	8 years

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

N. 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 four items that qualify for reporting in this category. First is the unamortized amount of deferred charges from prior years' refunding of bonds that is being amortized as a component of interest expense on a straight-line basis through June 30, 2025. The second 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 third item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The fourth item relates to differences between expected and actual experience calculated within the OPEB actuarial valuation.

O. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts. 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.

P. 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. 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 PILOT monies received or recognized before the period for which the resources apply. The amounts will be recognized as revenue in the period they apply.

Q. Employee Benefits – Compensated Absences

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

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

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

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

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

R. 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 economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

S. 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.

T. Equity Classifications

District-Wide Statements

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

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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 accounted for in the school food service fund.

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Liability Reserve

Liability Reserve (Education Law §1709(8) (c)) is used to pay for liability claims incurred. This reserve may not exceed 3% of the annual budget or \$15,000, whichever is greater. This reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

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

Capital Reserve

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

Repairs Reserve

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

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Restricted – Unspent Bond Proceeds

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

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, encumbrances not classified as restricted at the end of the fiscal year, and amounts designated by the Board for specific purposes.

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 plus assigned special designated amounts of the general fund to an amount not greater than 4% of the subsequent year’s budget.

Fund Balance Classification

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

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

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

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the Statement requires the District to report other postemployment benefits liabilities, expenses, deferred outflows or resources and deferred inflows of resources on the full accrual basis.

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

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

Long-Term Revenue and Expense Differences

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

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 and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

measurement focus and 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.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for insurance premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The District's administration prepares a proposed budget for approval by the Board of Education for the general fund.

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

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

Capital reserve transfer	\$ 3,443,912
Repairs funded by repair reserve	<u>234,553</u>
	<u>\$ 3,678,465</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Unassigned Fund Balance

The District's general fund unassigned fund balance plus assigned special designated amounts were in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District is in the process of formulating a plan to reduce the unassigned fund balance to be within the permissible limit. This plan will address funding its reserves to a fiscally prudent level and addressing the capital needs of the District.

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.

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

6. PARTICIPATION IN BOCES

During the year ended June 30, 2018, the District was billed \$4,052,718 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$836,780. Financial statements for BOCES are available from the BOCES administrative offices at 71 Clinton Road, P.O. Box 9195, Garden City, New York 11530-9195.

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2018 consisted of:

General Fund	
New York State - building aid	\$ 15,834
New York State - excess cost aid	588,633
Emergency federal impact aid	2,125
	<u>606,592</u>
Special Aid Fund	
Federal and state grants	249,457
School Food Service Fund	
Federal and state food service program reimbursements	8,619
	<u>\$ 864,668</u>

8. DUE FROM OTHER GOVERNMENTS

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

General Fund	
BOCES aid	\$ 378,120
LIPA PILOT	4,223,634
Other districts - tuition and health services	150,512
Other districts - parentally placed	73,010
Miscellaneous	1,823
	<u>\$ 4,827,099</u>

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2018, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 779,018	\$ 3,693,912	\$	\$ 8,673,531
Special Aid Fund		336,569	115,000	
School Food Service Fund		82,120		
Debt Service Fund	1,631		3,859,910	
Capital Projects Fund	3,693,912	361,951	4,698,621	
Total Governmental Funds	<u>4,474,561</u>	<u>4,474,552</u>	<u>\$ 8,673,531</u>	<u>\$ 8,673,531</u>
Fiduciary Funds		9		
Total	<u>\$ 4,474,561</u>	<u>\$ 4,474,561</u>		

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The District typically transfers from the general fund to the special aid fund, debt service fund and the capital projects fund. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools, the transfer to the debt service fund was for debt principal and interest payments; and the transfer to the capital projects fund was to provide funding for various capital projects in accordance with voters' authorization and state approvals (Smart Schools Bond Act and DASNY projects), and to provide funding for necessary repairs.

10. CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,544,932	\$	\$	\$ 1,544,932
Construction in progress	1,698,257	221,648	(1,698,257)	221,648
Total capital assets not being depreciated	<u>3,243,189</u>	<u>221,648</u>	<u>(1,698,257)</u>	<u>1,766,580</u>
Capital assets being depreciated				
Buildings & improvements	92,091,893	7,940,697		100,032,590
Land improvements	1,537,512			1,537,512
Furniture and equipment	6,093,640	225,419	(59,609)	6,259,450
Vehicles	2,784,712	168,790	(64,896)	2,888,606
Total capital assets being depreciated	<u>102,507,757</u>	<u>8,334,906</u>	<u>(124,505)</u>	<u>110,718,158</u>
Less accumulated depreciation for:				
Buildings & improvements	26,259,021	1,623,404		27,882,425
Land improvements	1,254,575	60,247		1,314,822
Furniture and equipment	4,925,258	287,804	(59,609)	5,153,453
Vehicles	2,252,819	156,339	(64,896)	2,344,262
Total accumulated depreciation	<u>34,691,673</u>	<u>2,127,794</u>	<u>(124,505)</u>	<u>36,694,962</u>
Total capital assets, being depreciated, net	<u>67,816,084</u>	<u>6,207,112</u>	<u>-</u>	<u>74,023,196</u>
Capital assets, net	<u>\$ 71,059,273</u>	<u>\$ 6,428,760</u>	<u>\$ (1,698,257)</u>	<u>\$ 75,789,776</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 387,818
Instruction	1,539,605
Pupil transportation	<u>200,371</u>
Total depreciation expense	<u>\$ 2,127,794</u>

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

11. SHORT-TERM DEBT

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

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance June 30, 2017</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2018</u>
TAN	6/21/2018	2.00%	\$	\$ 5,000,000	\$ (5,000,000)	\$

Interest on short-term debt for the year was \$41,008, net of a premium of \$30,103, to yield an effective interest rate of 1.15%.

12. LONG-TERM LIABILITIES

A. Changes

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

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
<u>Long-term debt:</u>					
Bonds payable	\$ 28,229,960	\$	\$ (3,050,000)	\$ 25,179,960	\$ 3,080,000
Add: Premium	1,050,052		(207,998)	842,054	
	<u>29,280,012</u>	<u>-</u>	<u>(3,257,998)</u>	<u>26,022,014</u>	<u>3,080,000</u>
Energy performance contract	2,634,169		(288,536)	2,345,633	299,329
	<u>31,914,181</u>	<u>-</u>	<u>(3,546,534)</u>	<u>28,367,647</u>	<u>3,379,329</u>
<u>Other long-term liabilities</u>					
Compensated absences	355,950	8,518		364,468	
Workers' compensation	1,385,818	256,426	(256,426)	1,385,818	
	<u>1,741,768</u>	<u>264,944</u>	<u>(256,426)</u>	<u>1,750,286</u>	<u>-</u>
	<u>\$ 33,655,949</u>	<u>\$ 264,944</u>	<u>\$ (3,802,960)</u>	<u>\$ 30,117,933</u>	<u>\$ 3,379,329</u>

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

B. Bonds Payable

Bonds payable 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, 2018</u>
Refunding serial bond	6/24/2010	7/1/2018	3.0-5.0%	\$ 795,000
Refunding serial bond	2/14/2013	7/15/2024	2.0-4.0%	4,095,000
Serial bond	10/23/2014	7/15/2029	2.0-3.0%	5,354,960
Serial bond	12/29/2015	12/15/2030	2.0-3.0%	11,695,000
Refunding serial bond	5/26/2016	8/1/2022	4.0-5.0%	3,240,000
				<u>\$ 25,179,960</u>

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 3,080,000	\$ 676,103	\$ 3,756,103
2020	2,360,000	584,756	2,944,756
2021	2,445,000	506,150	2,951,150
2022	2,520,000	424,359	2,944,359
2023	2,595,000	349,360	2,944,360
2024 - 2028	8,115,000	1,105,497	9,220,497
2029 - 2031	4,064,960	182,461	4,247,421
Total	<u>\$ 25,179,960</u>	<u>\$ 3,828,686</u>	<u>\$ 29,008,646</u>

C. Advance Refunding

On May 26, 2016, the District defeased certain general obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The outstanding principal balance of the defeased bonds was fully satisfied as of June 30, 2018.

In the district-wide statements, the District is amortizing deferred charges on the advance refunding and bond premiums (resulting from refunding bonds and issuance of serial bonds) as a component of interest expense on a straight-line basis as follows:

Year Ending June 30,	Deferred Premium	Deferred Charge	Interest Expense Increase / (Decrease)
2019	\$ (160,440)	\$ 79,404	\$ (81,036)
2020	(126,470)	58,391	(68,079)
2021	(126,470)	58,391	(68,079)
2022	(126,470)	58,391	(68,079)
2023	(126,470)	58,391	(68,079)
2024 - 2028	(132,686)	45,656	(87,030)
2029 - 2031	(43,048)		(43,048)
Total	<u>\$ (842,054)</u>	<u>\$ 358,624</u>	<u>\$ (483,430)</u>

D. Energy Performance Contract

Energy performance contract is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2018
Energy performance contract	5/29/2008	5/1/2025	3.71%	<u>\$ 2,345,633</u>

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 299,329	\$ 84,181	\$ 383,510
2020	310,525	72,985	383,510
2021	322,139	61,371	383,510
2022	334,188	49,322	383,510
2023	346,688	36,822	383,510
2024 - 2025	732,764	34,257	767,021
Total	<u>\$ 2,345,633</u>	<u>\$ 338,938</u>	<u>\$ 2,684,571</u>

E. Interest Expense

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

Interest paid	\$ 871,374
Less interest accrued in the prior year	(264,301)
Plus interest accrued in the current year	225,403
Plus amortization of deferred charges on refunding	108,819
Less amortization of deferred premium on refunding and serial bonds	<u>(207,998)</u>
Total interest expense on long-term debt	<u>\$ 733,297</u>

13. PENSION PLANS - NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits 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 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 average rate was 11.72% of covered payroll for the TRS' fiscal year ended June 30, 2017. The District's average contribution rate was 14.68% of covered payroll for the ERS' fiscal year ended March 31, 2018.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2018, was \$4,523,151 for TRS and \$1,630,369 for ERS.

D. Pension Asset/(Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2017, for TRS and March 31, 2018 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
District's proportionate share of the net pension asset/(liability)	\$ 2,118,179	\$ (1,034,108)
District's portion of the Plan's total net pension asset/(liability)	0.2786710%	0.0320411%
Change in proportion since the prior measurement date	0.0069930	(0.0000439)

For the year ended June 30, 2018, the District recognized pension expense of \$5,238,588 for TRS and \$1,507,714 for ERS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 1,742,741	\$ 368,833	\$ 825,854	\$ 304,790
Change of assumptions	21,552,886	685,699		
Net difference between projected and actual earnings on pension plan investments		1,501,960	4,988,926	2,964,718
Changes in proportion and differences between the District's contributions and proportionate share of contributions	3,140	616,134	583,954	7,489
District's contributions subsequent to the measurement date	4,523,151	591,271		
Total	\$ 27,821,918	\$ 3,763,897	\$ 6,398,734	\$ 3,276,997

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

Year Ending June 30,	TRS	ERS
2019	\$ 403,404	\$ 478,902
2020	5,615,467	358,184
2021	3,993,842	(647,406)
2022	926,243	(294,051)
2023	3,981,970	
Thereafter	1,979,107	
	\$ 16,900,033	\$ (104,371)

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Inflation	2.50%	2.50%
Salary increases	1.90-4.72%	3.80%
Investment rate of return (net investment expense, including inflation)	7.25%	7.00%
Cost of living adjustment	1.50%	1.30%

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.

For TRS, 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.

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2017		March 31, 2018
Asset type				
Domestic equity	35.0%	5.90%	36.0%	4.55%
International equity	18.0%	7.40%	14.0%	6.35%
Real estate	11.0%	4.30%	10.0%	5.55%
Private equities	8.0%	9.00%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.60%		
Global fixed income securities	2.0%	1.30%		
High-yield fixed income securities	1.0%	3.90%		
Bonds and mortgages	8.0%	2.80%	17.0%	1.31%
Short-term	1.0%	0.60%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of long-term inflation assumption of 2.2% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2016, was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.25% 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 (6.25% for TRS and 6.0% for ERS) or 1 percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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TRS	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension asset (liability)	\$ (36,489,954)	\$ 2,118,179	\$ 34,450,575
ERS	1% Decrease 6.00 %	Current Assumption 7.00 %	1% Increase 8.00 %
District's proportionate share of the net pension asset (liability)	\$ (7,824,340)	\$ (1,034,108)	\$ 4,710,157

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, 2017	March 31, 2018
Employers' total pension liability	\$ (114,708,261)	\$ (183,400,590)
Plan fiduciary net position	115,468,360	180,173,145
Employers' net pension asset/(liability)	\$ 760,099	\$ (3,227,445)
Ratio of plan fiduciary net position to the employers' total pension liability	100.66%	98.24%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018, are paid to the system in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018, represent employer and employee contributions for the fiscal year ended June 30, 2018, 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. Accrued retirement contributions as of June 30, 2018 amounted to \$4,523,151 of employer contributions and \$431,329 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, 2018, represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$591,271 of employer contributions. Employee contributions are remitted monthly.

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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14. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2018, totaled \$5,000 and \$3,042,498, 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, 2018 totaled \$226,651.

15. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District’s defined benefit OPEB plan, provides OPEB for most retired employees and their survivors. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	296
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>454</u>
	<u><u>750</u></u>

B. Total OPEB Liability

The District’s total OPEB liability of \$127,509,155 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Inflation	2.60%
Discount rate	3.00%
Healthcare cost trend rates	7.50% for 2018, decreasing to an ultimate rate of 4.50% by 2022
Retirees' share of benefit-related costs	20-65% of projected health insurance premiums for retirees based on employee group

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index.

Mortality rates were based on the RP-2014 adjusted to the 2006 Total Dataset Mortality Table, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2016.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$ 122,437,733</u>
Changes for the year	
Service cost	4,872,186
Interest	3,764,877
Changes of benefit terms	-
Differences between expected and actual experience	89,421
Changes in assumptions or other inputs	-
Benefit payments	<u>(3,655,062)</u>
	<u>5,071,422</u>
Balance at June 30, 2018	<u><u>\$ 127,509,155</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.00%) or 1 percentage point higher (4.00%) than the current discount rate:

OPEB	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Total OPEB liability	<u>\$ (151,424,502)</u>	<u>\$ (127,509,155)</u>	<u>\$ (108,749,224)</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current healthcare cost trend rate:

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

OPEB	1% Decrease (6.50)%	Healthcare Cost Trend Rates (7.50)%	1% Increase (8.50)%
Total OPEB liability	\$ (105,812,059)	\$ (127,509,155)	\$ (158,743,740)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$8,647,708. At June 30, 2018, the District reported deferred outflows of resources to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 78,776	\$
Changes of assumptions		
District's contributions subsequent to the measurement date		
Total	\$ 78,776	\$

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

Year Ending June 30,	Amount
2019	\$ 10,645
2020	10,645
2021	10,645
2022	10,645
2023	10,645
Thereafter	25,551
	\$ 78,776

16. RISK MANAGEMENT

A. General Information

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

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Risk Retention

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

	2017	2018
Unpaid claims at beginning of year	\$ 1,698,387	\$ 1,385,818
Incurred claims and claim adjustment expenses	15,950	256,426
Claim payments	(328,519)	(256,426)
Unpaid claims at year end	\$ 1,385,818	\$ 1,385,818

17. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2018 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2019:

Retirement Contribution	\$ 1,200,000
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18. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$2,350,000 has been appropriated to reduce taxes for the year ending June 30, 2019.

19. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75. The implementation of Statement No. 75 resulted in the reporting of a change in the liability for other postemployment benefits obligation. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	\$ 48,970,677
GASB Statement No. 75 implementation	
Beginning system liability -	
total other postemployment benefits obligation	(122,437,733)
Less: Net other postemployment benefits obligation	
under GASB Statement No. 45	53,865,071
	(68,572,662)
Net position (deficit) beginning of year, as restated	\$ (19,601,985)

20. TAX ABATEMENTS

The Nassau County Industrial Development Agency enters into various property tax abatement programs for the purpose of economic development. The District's 2017-2018 property tax revenue abated was \$48,260. The District received payment in lieu of taxes (PILOT) payments totaling \$33,043.

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The District also recognized \$8,513,815 in LIPA PILOT revenue. As indicated in Note 1.F., these LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, "Tax Abatement Disclosures".

21. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

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

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	\$ 918,117
Assigned: Unappropriated Fund Balance:	
General Fund	
General support	912,349
Instruction	238,025
Pupil transportation	21,613
Employee benefits	45,794
	1,217,781
School Food Service Fund	
Food service program	1,854
Capital Projects Fund	
Capital projects	586,138
	\$ 2,723,890

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 \$164,089. The minimum remaining operating lease payments are as follows:

Year Ending June 30,	Amount
2019	\$ 161,410
2020	133,880
2021	2,897
	\$ 298,187

NORTH SHORE CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

22. SUBSEQUENT EVENTS

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

On September 27, 2018, the District issued tax anticipation notes in the amount of \$5,000,000, which are due June 26, 2019 and bear interest at a stated rate of 3.00%. The District received premiums of \$32,550 with the borrowing to yield an effective interest rate of 2.13%.

NORTH SHORE CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 84,488,575	\$ 80,601,362	\$ 80,683,496	\$ 82,134
Other tax items	8,437,733	12,324,946	12,534,822	209,876
Charges for services	400,000	400,000	611,657	211,657
Use of money and property	145,000	145,000	318,075	173,075
Sale of property and compensation for loss			94,094	94,094
Miscellaneous	400,000	400,000	653,940	253,940
Total Local Sources	93,871,308	93,871,308	94,896,084	1,024,776
State Sources	5,331,389	5,331,389	5,251,539	(79,850)
Medicaid Reimbursement			7,370	7,370
Total Revenues	99,202,697	99,202,697	100,154,993	\$ 952,296
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	1,710,818	1,710,818		
Prior Year's Encumbrances	1,003,023	1,003,023		
Appropriated Reserves	1,200,000	4,878,465		
Total Appropriated Fund Balance	3,913,841	7,592,306		
Total Revenues and Appropriated Fund Balance	\$ 103,116,538	\$ 106,795,003		

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.

NORTH SHORE CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 253,689	\$ 551,029	\$ 520,852	\$ 10,372	\$ 19,805
Central administration	425,986	399,086	391,152	1,384	6,550
Finance	1,226,392	1,248,449	1,184,199	37,537	26,713
Staff	416,057	456,376	432,981	13,465	9,930
Central services	7,063,866	6,782,802	5,689,196	846,136	247,470
Special items	963,980	994,980	973,421	3,455	18,104
Total General Support	10,349,970	10,432,722	9,191,801	912,349	328,572
Instruction					
Administration & improvement	5,400,693	5,349,259	5,182,786	20,999	145,474
Teaching - regular school Programs for students with disabilities	34,642,181	34,524,567	34,213,111	152,147	159,309
Occupational education	11,783,511	12,173,737	11,896,665	2,557	274,515
Teaching - special schools	372,470	372,470	271,697	120	100,653
Instructional media	169,450	139,450	126,362		13,088
Pupil services	2,188,263	2,167,106	2,113,592	8,390	45,124
Total Instruction	60,406,639	60,614,844	59,551,145	238,025	825,674
Pupil Transportation	3,007,329	3,007,329	2,461,827	21,613	523,889
Community Services	53,000	53,000	41,188		11,812
Employee Benefits	25,214,690	23,972,477	23,494,070	45,794	432,613
Debt Service					
Interest	70,000	41,100	41,008		92
Total Expenditures	99,101,628	98,121,472	94,781,039	1,217,781	2,122,652
OTHER USES					
Operating Transfers Out	4,014,910	8,673,531	8,673,531		-
Total Expenditures and Other Uses	\$ 103,116,538	\$ 106,795,003	103,454,570	\$ 1,217,781	\$ 2,122,652
Net Change in Fund Balance			(3,299,577)		
Fund Balance - Beginning of Year			30,701,997		
Fund Balance - End of Year			\$ 27,402,420		

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.

NORTH SHORE CENTRAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)
 Last Four Fiscal Years

Teachers' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension asset/(liability)	0.2786710%	0.2716780%	0.2694800%	0.2673900%
District's proportionate share of the net pension asset/(liability)	\$ 2,118,179	\$ (2,909,783)	\$ 27,990,400	\$ 29,785,620
District's covered payroll	\$ 44,714,477	\$ 42,334,323	\$ 40,834,874	\$ 39,917,240
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	4.74 %	(6.87)%	68.55 %	74.62 %
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%

Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0320411%	0.0320850%	0.0323126%	0.0323126%
District's proportionate share of the net pension liability	\$ (1,034,108)	\$ (3,014,774)	\$ (5,186,259)	\$ (5,186,259)
District's covered payroll	\$ 11,243,507	\$ 10,422,653	\$ 10,251,674	\$ 10,251,674
District's proportionate share of the net pension liability as a percentage of its covered payroll	(9.20)%	(28.93)%	(50.59)%	(50.59)%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%	97.95%

Note to Required Supplementary Information

Teachers' Retirement System

The discount rate decreased from 8.0% to 7.5% to 7.25%, as reflected in 2016, 2017 and 2018 above.

Employees' Retirement System

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

NORTH SHORE CENTRAL SCHOOL DISTRICT
Schedule of District Pension Contributions
 Last Ten Fiscal Years

Teachers' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 4,523,151	\$ 5,210,023	\$ 5,592,679	\$ 7,096,070	\$ 6,418,380	\$ 4,651,542	\$ 4,445,825	\$ 3,289,867	\$ 2,277,429	\$ 2,657,319
Contributions in relation to the contractually required contribution	4,523,151	5,210,023	5,592,679	7,096,070	6,418,380	4,651,542	4,445,825	3,289,867	2,277,429	2,657,319
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$46,343,887	\$44,714,477	\$42,334,323	\$40,834,874	\$39,917,240	\$39,752,414	\$40,583,269	\$37,830,701	\$37,417,515	\$35,599,621
Contributions as a percentage of covered payroll	12%	13%	17%	16%	12%	11%	9%	6%	7%	7%

Employees' Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,630,369	\$ 1,561,054	\$ 1,719,150	\$ 1,818,587	\$ 1,899,306	\$ 1,739,800	\$ 1,331,513	\$ 1,084,836	\$ 618,565	\$ 662,317
Contributions in relation to the contractually required contribution	1,630,369	1,561,054	1,719,150	1,818,587	1,899,306	1,739,800	1,331,513	1,084,836	618,565	662,317
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$10,905,633	\$10,613,227	\$10,248,524	\$ 9,964,689	\$ 9,480,525	\$ 9,441,547	\$ 9,329,793	\$ 9,102,281	\$ 9,064,586	\$ 8,352,014
Contributions as a percentage of covered payroll	15%	17%	18%	20%	18%	14%	12%	7%	8%	8%

NORTH SHORE CENTRAL SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Fiscal Year

	2018
Total OPEB liability	
Service cost	\$ 4,872,186
Interest	3,764,877
Changes in benefit terms	-
Differences between expected and actual experience	89,421
Changes of assumptions or other inputs	-
Benefit payments	(3,655,062)
Net change in total OPEB liability	5,071,422
Total OPEB liability, beginning	122,437,733
Total OPEB liability, ending	\$ 127,509,155
Covered employee payroll	\$ 52,323,746
Total OPEB liability as a percentage of covered employee payroll	243.69%

NORTH SHORE 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, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 102,113,515
Additions:		
Prior year's encumbrances		<u>1,003,023</u>
Original Budget		103,116,538
Budget revision		<u>3,678,465</u>
Final Budget		<u><u>\$ 106,795,003</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-2019 voter-approved expenditure budget		<u><u>\$ 104,868,519</u></u>
Maximum allowed (4% of 2018-2019 budget)		<u><u>\$ 4,194,741</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 7,552,660	
Unassigned fund balance	<u>4,317,727</u>	
		\$ 11,870,387
Less:		
Appropriated fund balance	2,350,000	
Encumbrances	<u>1,217,781</u>	
Total adjustments		<u>3,567,781</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 8,302,606</u></u>
Actual Percentage		7.9%

NORTH SHORE CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For The Year Ended June 30, 2018

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2018	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
Middle School Roof and Playground	\$ 1,994,474	\$ 1,994,474	\$ 1,986,368	\$ 517	\$ 1,986,885	\$ 7,589	\$ 1,994,474	\$	\$	\$ 1,994,474	\$ 7,589
Middle School Science Rooms and Fields	2,089,930	2,089,930	1,775,694	222,315	1,998,009	91,921	2,089,930			2,089,930	91,921
Glen Head Roof	966,484	966,484	958,906		958,906	7,578	966,484			966,484	7,578
Glen Head Flooring	138,542	138,542	137,606	104	137,710	832	138,542			138,542	832
Glen Head Water and Masonry	1,202,497	1,202,497	1,154,992	29,208	1,184,200	18,297	1,202,497			1,202,497	18,297
Glenwood Landing Flooring and Paving	484,134	484,134	465,665	487	466,152	17,982	484,134			484,134	17,982
Glenwood Landing Masonry	2,684,865	2,684,865	1,794,394	466,912	2,261,306	423,559	2,684,865			2,684,865	423,559
Sea Cliff Electric and Playground	139,117	139,117	130,276	91	130,367	8,750	139,117			139,117	8,750
Sea Cliff Masonry	1,064,310	1,064,310	1,031,149		1,031,149	33,161	1,064,310			1,064,310	33,161
Districtwide Security	485,581	485,581	465,493		465,493	20,088	485,581		9,023	494,604	29,111
Middle School Masonry and Windows	3,110,938	3,110,938	3,041,907	29,066	3,070,973	39,965	3,110,938			3,110,938	39,965
Transportation Garage Roof	51,764	51,764	3,063	1,435	4,498	47,266	51,764			51,764	47,266
Glenwood Landing Auditorium	271,821	271,821	41,710	232,836	274,546	(2,725)	271,821			271,821	(2,725)
High School Auditorium and Paving	3,443,586	3,443,586	341,126	3,251,263	3,592,389	(148,803)	3,443,586			3,443,586	(148,803)
Sea Cliff Roof and HVAC	1,493,256	1,493,256	307,402	825,823	1,133,225	360,031	1,493,256			1,493,256	360,031
Middle School Science Rooms and Fields	309,873	309,873	251,387		251,387	58,486			309,873	309,873	58,486
High School Tennis Courts and HVAC	1,111,551	1,111,551	1,107,313		1,107,313	4,238			1,111,551	1,111,551	4,238
Middle School Kitchen	491,000	491,000	448,645		448,645	42,355		75,000	416,000	491,000	42,355
High School Field House	1,168,994	1,168,994	1,168,985		1,168,985	9		105,000	1,064,003	1,169,003	18
High School Track and Field	2,686,046	2,686,046	2,681,019		2,681,019	5,027			2,686,046	2,686,046	5,027
Glen Head Masonry	212,886	212,886	212,886		212,886	-			212,886	212,886	-
Sea Cliff Masonry	159,806	159,806	156,404		156,404	3,402			159,806	159,806	3,402
High School Masonry	127,308	127,308	72,408		72,408	54,900			127,308	127,308	54,900
High School Electric Switchgear	200,000	200,000	112,906		112,906	87,094			200,000	200,000	87,094
Victorian House	474,811	474,811	446,025	366	446,391	28,420			357,092	357,092	(89,299) *
Emergency School House Repair	270,669	270,669	124,322		124,322	146,347			270,669	270,669	146,347
Middle School HVAC	1,211,663	1,211,663	1,071,486	15,070	1,086,556	125,107			1,211,663	1,211,663	125,107
Glen Head HVAC	241,163	241,163	77,227		77,227	163,936			241,163	241,163	163,936
High School HVAC	820,164	820,164	33,572	662,869	696,441	123,723			820,164	820,164	123,723
Sea Cliff HVAC	873,164	873,164	348,502	408,744	757,246	115,918			873,164	873,164	115,918
Elementary Playground Surface	698,200	698,200	642,289	12,489	654,778	43,422			698,200	698,200	43,422
High School Mansard Roof	818,194	1,068,194	22,816	221,648	244,464	823,730			1,068,194	1,068,194	823,730
Repair Reserve - Door Repairs		125,000		82,828	82,828	42,172			125,000	125,000	42,172
Repair Reserve - Windows & Courtyard		109,553			-	109,553			109,553	109,553	109,553
Elementary Kitchens - DASNY		122,000			-	122,000		50,000	72,000	122,000	122,000
Smartbond Grant Projects		1,111,553		17	17	1,111,536		413,397	698,156	1,111,553	1,111,536
2017-2018 Capital Reserve Projects		3,443,912			-	3,443,912			3,443,912	3,443,912	3,443,912
	<u>\$ 31,496,791</u>	<u>\$ 36,658,809</u>	<u>\$ 22,613,943</u>	<u>\$ 6,464,088</u>	<u>\$ 29,078,031</u>	<u>\$ 7,580,778</u>	<u>\$ 19,621,299</u>	<u>\$ 643,397</u>	<u>\$ 16,285,426</u>	<u>\$ 36,550,122</u>	<u>7,472,091</u>
									State aid not yet received		(463,397)
											<u>\$ 7,008,694</u>

* Negative balance will be eliminated when future donations have been received.

NORTH SHORE CENTRAL SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2018

Capital assets, net	<u>\$ 75,789,776</u>
Deduct:	
Short-term portion of bonds payable	3,080,000
Long-term portion of bonds payable	22,099,960
Less: Unspent bond proceeds	(934,514)
Short-term portion of energy performance contract	299,329
Long-term portion of energy performance contract	<u>2,046,304</u>
	<u>26,591,079</u>
Net Investment in Capital Assets	<u>\$ 49,198,697</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
North Shore Central School District
Sea Cliff, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the North Shore Central School District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the North Shore Central School District in a separate letter dated November 9, 2018.

Purpose of this Report

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

Cullen & Dunowski, LLP

November 9, 2018

